From: Steve Fleishman
To: Weisenburger \ Michael \ V
Subject: The Fleishman Daily 8/2/23 - FE, NI, ETR, EXC, FTS, NRG/CEG, CNP, LNT, ERCOT, EPD, MPLX, DTM, SEDG, RUN, SPWR
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August 2, 2023

THE FLEISHMAN DAILY 8/2/23

FE, NI, ETR, EXC, FTS, NRG/CEG, CNP, LNT, ERCOT, EPD, MPLX, DTM, SEDG, RUN, SPWR

The Fleishman Daily 8/2/23
Utilities: FE, NI, ETR, EXC, FTS, NRG/CEG, CNP, LNT, ERCOT
Midstream: EPD, MPLX, DTM
Clean Energy: SEDG, RUN, SPWR

Utilities

FE – Q2 in line, 2023 guide and 6-8% CAGR affirmed; resuming dividend growth in Q4; Ohio subpoena new; mixed
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EPD – Buy the news
MPLX – Where will the cash flow go?
DTM – Waiting on a Haynesville inflection

Clean Energy

SEDG – 2Q results light on lower gross margin; 3Q guide below Street due to elevated inventory levels
RUN – Expands distributed power plant arrangement with PCG
SPWR – Growth can wait

Wolfe Utility & Midstream Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Midstream Stock Charts, Clean Energy Comps, Clean Energy Stock Charts, Models, Valuation Charts

Quarterly data: Weather, Forward Prices, Spot Prices, Nuke Outages

Utilities

FE – Q2 in line, 2023 guide and 6-8% CAGR affirmed; resuming dividend growth in Q4; Ohio subpoena new; mixed

- **Q2 operating EPS of $0.47 vs. $0.53 last year – in-line with** consensus $0.46 and our $0.45 ($0.40-0.50 guidance)
  - Weather = -0.06 (-0.05 vs. normal)
  - Pension = -0.08
  - Signal Peak coal = -0.04 ($0.05 vs. $0.09)
  - T&D investments = +0.06
  - Lower O&M = +0.09
  - Excludes $0.12 of debt-related costs, enhanced employee retirement costs, and investigation costs in GAAP
- **Reaffirms 2023 guidance at $2.44-2.64 (consensus:** $2.54; WRe: $2.54)
  - 1H23 + 3Q23 guide implies 4Q23 is up +$0.13 YoY
  - Segments unchanged: Distribution hurt by weather, helped by O&M; Corporate helped by pension funding/earnings and taxes, hurt by interest expense and Signal Peak
  - Effective tax rate now 17% (helped by NOL carryforwards) versus 20% in original guide
- **Reaffirms 6-8% EPS growth long-term off prior year guidance midpoint**
- **Ohio subpoena.** Received subpoena on 6/29/23 from OOCIC seeking info related to conduct in deferred prosecution agreement
  - OOCIC = Ohio Organized Crime Investigations Commission
  - No contingency in financials – loss neither probable nor estimable
- **FFO/Debt Target of 14-15% unchanged.**

- **Resuming dividend growth in Q4.**
- **Pension now 91% funded (from 79% at YE22).** After $750M voluntary contribution and YTD market performance
    - Full-year pension EPS impact is +$0.08 (+$0.11 versus $0.03 in 2023 guide prior)
- **Weather-adjusted sales =** -1.1% vs. 2Q22 (R/C/I = -2.4%/-3.1%/+1.3%)
- **Q2 LTM ROEs.** Ohio = 7.3% (from 8.3% at Q1); PA = 8.9% (from 8.2%); other states all below 10%

We expect a more positive tone on new CEO Brian Tierney's first call and all financials and guidance are largely in line. However, the Ohio subpoena could ruin the coming out party a little bit. Based on the slides there is a high focus on stakeholder/regulatory relationships and a strong balance sheet. Good to see the year on track despite mild weather and weaker Signal Peak earnings though the quality of offsets (O&M, pension, taxes, etc.) may be perceived as a bit mixed. Unfortunately the new headline news is the subpoena. It's unclear what FE's role is and what authority this entity (reporting to the Ohio AG) even has. But this appears to all focused on DPA information related to HB 6 that is already well known; FE has now been in compliance with the DoJ's DPA for over 2 years. Our best judgement is they are likely looking at individuals involved, all of which are no longer at FE, but this will likely create a distraction nonetheless.

NI – Q2 in-line; 2023 guidance raised to upper half; L-T 6-8% annual EPS growth target reaffirmed; positive

- **Q2 in-line.** NI reported 2Q23 EPS of $0.11, which matched consensus (WRe $0.11).
- **2023 guidance raised.** To the upper-half of the $1.54-1.60 range vs. us/cons. at $1.58/$1.57.
- **L-T 6-8% annual EPS growth target reaffirmed through 2027.** Implies the following assuming 7% growth off the midpoint of NI's raised FY23 guide:
    - 2024 EPS of $1.70 vs. current cons. at $1.68 (WRe $1.68).
    - 2025 EPS of $1.81 vs. current cons. at $1.81 (WRe $1.81).
    - 2026 EPS of $1.94 vs. current cons. at $1.94 (WRe $1.94).
- **5-yr. capex plan maintained.** $15B of capex over 2023-27 drives 8-10% annual rate base growth. Financing plan remains unchanged from 2022 Investor Day; 14-16% FFO/D target reiterated.
- **IN renewables projects.** Gibson Solar PPA converted to $230M build-transfer to replace Elliot Solar build-transfer, with 2025 est. in-service date; 2022 RFP results continue to be evaluated.
    - Dunn's Bridge I and Crossroads Solar projects are complete; construction is underway on Cavalry, Dunn's Bridge II and Fairbanks Solar projects.
- **NIPSCO minority interest sale.** Filed FERC 203 application; on-track to close by YE23.
- **NIPSCO electric rate case.** Final IURC order on proposed settlement expected in Aug., with new rates anticipated to be effective in steps beginning Sept. 2023 and Mar. 2024.

A positive update from NI as 2023 guidance was raised for the 2nd time since it was

originally issued at the Analyst Day in November 2022. On the call, we will be focused on implications for outyear numbers given NI's 6-8% annual EPS growth target off higher 2023 guidance. We will also look for any color on recent article suggesting that NI might be interested in Dominion Ohio gas LDC (we think very unlikely).

ETR – Q2 beat but FY23 guidance, LT growth target affirmed; awaiting SERI clarifying order; in line

- **2Q23 beat:** $1.84 vs consensus $1.68, WRe $1.69. Key positive driver lower O&M.
- **2023 guidance affirmed:** $6.55-6.85 vs $6.70 cons; $6.66 WRe.
- **2024-25 outlooks affirmed; ETR's target of 6-8% EPS growth off 2022 original guidance of $6.30:** ETR's outlook vs consensus and WRe:
  - 2024: $7.05-7.35 vs $7.19 consensus; $7.20 WRe
  - 2025: $7.50-7.90 vs $7.70; $7.70
- **SERI proceedings still pending:** ETR is awaiting FERC clarification of its 12/23/22 order on refunds related to uncertain tax positions. Other SERI proceedings are pending, including Grand Gulf prudency, which ended settlement procedures last month at FERC and is moving to the hearing phase.
- **Remaining equity needs to be sourced through 2024 just $80M; expects to be over 14% FFO/D by YE23:** ETR's YTD23 avg shares outstanding were 212M vs its FY23 target of 213M.
- **2Q23 weather-adj sales -0.9%, FY23 target trimmed**: For 2Q23, -0.9% total sales growth (Resi +0.3%, Comm -1.3%, Ind -1.3%). For FY23, ETR reduced weather-adj sales growth to +0.7% from +1% sales growth.

The beat appears to be timing, as ETR pointed to mostly lower drivers vs its initial FY23 guidance, including lower weather-adj sales. On the call, we expect questions on SERI, regulatory relations in LA, impacts from TX legislation, and pending resiliency filings

EXC – Q2 in line, FY guidance and EPS growth target affirmed; in line

- **2Q23 in line**. $0.41 vs $0.41 consensus, $0.41 WRe.
- **2023 guidance affirmed:** $2.30-2.42 vs $2.36 consensus, $2.37 WRe.
- **Affirmed midpoint or better of 6-8% EPS growth target through 2026.** EXC's 6-8% CAGR off 2022 ($2.25) implies 2025E of $2.76 vs $2.72 consensus and $2.76 Wolfe estimate.

- **FFO/D range of 13-14% on avg in 2023-26; no incremental equity needs through 2025 beyond the remaining $425M.** EXC still expects if repairs deduction issue is fixed, then EXC sees high end of 13-14% through 2026; if not, then low end. EXC's downgrade threshold is 12%.
- **Rate cases:** Hearings for ComEd 4-yr rate plan start 8/21, with a decision by 12/20. Hearings for MD's 3-yr rate case begin 8/30, with a decision by 12/14.
- **Says earned ROE on track to be within 9-10% target range**. Earned ROE for trailing twelve months through 2Q23 was not specified; 4Q22 was 9.4%.

Q2 was in line, and EXC affirmed the midpoint of its 6-8% EPS growth or better. On the call, we expect questions around the repairs deduction and cash tax impact, as well as ComEd and BGE rate cases with hearings set to begin this month.

FTS – Q2 EPS in-line; capex, rate base growth, dividend growth all unchanged; uneventful

- **FTS reported adjusted 2Q23 EPS of $0.62 vs. $0.57 last year – in-line** versus $0.61 consensus and our $0.61
    - Driven by rate base growth, expenses timing, Aitken Creek gas, and FX; partially offset by financing costs and share dilution
- No 2023 guidance as expected (consensus: $3.00, WRe: $2.99)
    - Consensus implies 7.9% YoY set-up off 2022A
- **Reaffirms dividend growth at 4-6% through 2027**
- **Five-year capex plan over 2023-2027 of $22.3B reaffirmed**
- **Rate base growth CAGR affirmed at 6.2% ($40.7B/$46.1B in 2025/2027)**
- **Arizona rate case.** Decision expected in Q3. On schedule for ACC open meetings on 8/8-8/9
- **FX. Assuming $1.30 in plan** vs. $1.33 currently (every $0.05 in FX change = $0.06 EPS and $500M capex)
- **Investor Day.** September 19

Looks like an uneventful and in-line quarter for FTS. We expect a lot of focus on Arizona into next week's ACC meetings where the TEP rate case could be resolved. The September Investor Day should bring a refresh of the longer-term plan.

NRG/CEG – STP nuclear plant co-owners/munis file lawsuit claiming they had ROFR on sale; seek to delay NRC approval

- Yesterday, the companies filed an 8K disclosing that a lawsuit has been filed by City of San Antonio and Austin Energy (**link**) – claiming that there is a right of first refusal for existing owners on the STP nuclear sale
    - Recall that CPS and Austin Energy are co-owners with NRG on South Texas Nuclear Project
- The parties have filed at a Texas district court and have also requested the NRC to dismiss the pending license transfer or at least stay it while the lawsuit is pending
- NRG responded that the parties' claims are "without merit and intends to vigorously defend against them"
- Recall the sale was announced in early-June for $1.75B and is expected to close later this year

This is a an unexpected curveball. There is acknowledgement there is a ROFR in the participation agreement of STP. The claimants say this requires a 7-month period for the other owners to decide on whether to exercise the ROFR. NRG's view is that this ROFR is at a subsidiary level below where the asset sale is occurring. On the NRC delay, claimants argue that a prior Amergen Energy approval by NRC where Niagara Mohawk and NYSEG sought a delay is precedential. Both companies feel reasonably comfortable that this transaction will

still ultimately close in our discussion last night. We note that NRG bought STP as part of the Texas Genco deal and they got it prior to that from Houston L&P where no ROFR was facilitiated. We should get more color over the next week when both companies report.

CNP – Prices $900M of convertible senior notes due 2026 at 4.25%, sets conversion price at ~25% premium to close; complex debt issuance, not equity-like

- This morning, CNP stated that it priced $900M of convertible senior notes due 8/15/26, with an option for a $100M shoe, at 4.25%. Recall, the aggregate principal amount will be paid in cash.
- Notes will be convertible at the rate of 27.1278 shares per $1,000 principal amount, which is equivalent to an initial conversion price of $36.86/sh. of common stock.
    - This implies a conversion premium of ~25.0% to yesterday's closing price of $29.49.
    - If the share price exceeds the conversion price, the excess value is to be paid by CNP to noteholders in cash, stock, or a combination of the two – at CNP's election.
- Prior to 5/15/26, notes will be convertible only upon the occurrence of certain events & during certain periods; on or after 5/15/26, notes will be convertible at any time by the holders.
- CNP may not redeem the convertible notes prior to the maturity date of 8/15/26.
- CNP intends to use the net proceeds from this offering for general corporate purposes, redemption of its Series A preferred stock, and repayment of a portion of its outstanding CP.
    - Recall, CNP has $800M of 6.125% Series A preferred stock, which will reset to SOFR + 3.270% effective 9/1/23.

This offering was a complex debt issuance that included a stock option to the buyer that led to a lower interest rate. This was a way to get cheaper debt, not an equity-like issuance. The 4.25% is lower than the UST 3Y bond (~4.57%). CNP will likely use a majority of the net proceeds to redeem its Series A preferred stock that is set to convert from fixed to floating rate soon, while the remainder will be used to reduce its CP balance. Given the pricing, we estimate approximately 400bps of interest cost savings from this offering, which will be credit neutral.

LNT – Reaches non-unanimous settlement on advance ratemaking principles, with 10.75% ROE, for 400 MW of solar projects in IA; good to see

- Yesterday, LNT filed a non-unanimous settlement agreement on proposed advance ratemaking principles for 400 MW of solar projects (Duane Arnold Solar I/II, Creston, Wever) in IA.
    - Parties to the settlement include IPL and the Office of Consumer Advocate.
- The settlement specifies a 10.75% ROE, 30-yr. depreciable life, and ~$735M cost target, inclusive of AFUDC and transmission.
- The settlement also stipulates a consumer protection plan, which is based on a 3-yr. average of achieved capacity factors during summer months impacting the initial 10-yr. period of PTCs.

    - The targeted summer solar capacity factor for the projects is 31.0% in the first year of operation and penalties will be assessed when the 3-yr. rolling average is below 27.9%, in each case subject to a 0.7% solar panel degradation rate allowed each year.
    - Penalties or credits will be capped at $3M annually in the aggregate and the total penalty will be capped at $15M over the term of the consumer protection plan.
- As it relates to the matching principle, energy market revenue & PTCs will be excluded from IPL's Energy Adjustment Clause, subject to project-specific monthly payments, until the projects are being recovered in IPL's rates.
- This settlement is subject to approval by the Iowa Utilities Board (IUB).

While the 10.75% ROE agreed to is lower than LNT's 11.4% request, it represents an improvement from IUB's previous order, which did not specify a fixed ROE. Moreover, this settlement agreement is good to see as it provides certainty over the life of the solar projects. We will look for more color from mgmt., including on the 75 MW battery storage project which isn't included in the settlement, on LNT's Q2 call on 8/4.

ERCOT – Sets another peak demand record, pricing only briefly crosses triple digits

- Yesterday, ERCOT set another new peak demand record of 83.6 GWs – exceeding the record of 83.0 GWs set on Monday
- Real-time pricing only very briefly crossed over $100/MWh

Texas continues to set new demand records, with more expected this week. Pricing was more muted than during Monday's peak.

ES – Offshore remains an Eversource of frustration
Click here to view our complete note
Offshore wind impairment disappointing; but LT EPS growth target affirmed. ES reported 2Q23 of $1.00 vs $0.91 consensus but reaffirmed FY23 guidance of $4.25-4.43 and LT EPS growth of upper half of 5-7%. Although ES did not announce a much-anticipated sale of its 50% interest in OFW projects with Ørsted, mgmt indicated it would come soon. But ES took a $401M pretax charge ($331M net), which was higher than the $220-280M estimated in May, when ES sold undeveloped leases to Ørsted. We estimate $1.45B carrying value of the projects vs ES' OFW investment to date of $2.08B, net the impairment. And that assumes good outcomes in the final guidelines for IRA tax adders and requested Sunrise PPA price increase in NY. ES stock lags the entire group YTD. We see its current ~1x discount to the group P/E on 2025 as reasonable. But we see continued overhangs.

PEG – Pension relief valve
Click here to view our complete note
Q2 EPS beats, 2023 guide reaffirmed. PEG posted Q2 EPS of $0.70 – ahead of consensus/us. This was also above $0.64 last year – driven by utility T&D investments more than offsetting headwinds from depreciation/interest/pension. The CIP mechanism continues

to protect from weather headwinds that other utilities are facing. PEG's $3.40-3.50 guidance range was reaffirmed with no changes at the segment level. PEG also reaffirmed its 5-7% EPS CAGR over 2023-2027.

WEC – Arron Rodgers out; Microsoft in
Click here to view our complete note
Q2 EPS beats and 2023 guide reaffirmed. WEC reported Q2 EPS of $0.92 – ahead of consensus/us and its own guidance range, as per usual. Key drivers in Q2 were rate relief and fuel timing; partially offset by weather and interest/depreciation. Mgmt. reaffirmed 2023 guidance at $4.58-4.62 and assumes normal weather the rest of the year. There is a much easier comp coming in Q4 related to items like fuel and O&M that impacted last year. WEC also reaffirmed its 6.5-7% EPS CAGR.

Midstream

EPD – Buy the news
Click here to view our complete note
Q2 miss into low expectations. EBITDA of $2,171M was close to our forecast but 2% below consensus. The miss was driven by weaker than expected NGL processing and marketing margins on lower commodities, as well as light Gas segment results. This was partially offset by stronger volumes and marketing results on the Midland-Echo crude system and good Petchem results.

MPLX – Where will the cash flow go?
Click here to view our complete note
Another quarterly beat. MPLX reported 2Q23 EBITDA that was 2% ahead of consensus. The beat vs. our forecast came from the G&P segment which was up YoY despite a $50M headwind from lower NGL prices. Processing volumes were strong and distributions from equity investments were high. L&S segment EBITDA was in line with our estimate, although pipeline volumes were solid. MPLX is growing nicely with EBITDA in 1H23 up 7% versus 1H22.

DTM – Waiting on a Haynesville inflection
Click here to view our complete note
Q2 in line. DTM reported Q2 EBITDA of $224M, which was in line with consensus / us and consistent with Q1. It's pretty well known that 2023 growth is backend loaded with volume growth and the LEAP Phase 1 expansion starting up in Q4. DTM stock closed down 3%, likely on shifting more capital into 2023 and investor uncertainty on 2024.

Clean Energy

SEDG – 2Q results light on lower gross margin; 3Q guide below Street due to elevated inventory levels

- SEDG reported Q2 revenue of $991.3M vs. WRe of $1,000M, Consensus of $994M

and guidance of $970-$1,010M
    - Europe revenue of $688.5M, up 112% y/y and 19% q/q
    - US revenue of $195.6M, down 37% y/y and 23% q/q
    - RoW revenue of $63.3M, up 19% y/y but down 17% q/q
- SEDG shipped 4,324 MWs during the quarter vs. WRe of 3,737 Mws
    - Solar battery shipments were 268 MWh vs. WRe 236 MWh
- Q2 non-GAAP gross margin was 32.7% vs. WRe 34.3% and guidance of 32%-35%
- Q2 non-GAAP net income of $157.4M was reported vs. WRe $189M
- **Q3 guidance was below Consensus and WRe due to higher inventory levels in both the US and Europe**
    - **Q3 revenue guidance of $880-$920M was below WRe $1,022M and Consensus of $1,050M**
- Q3 non-GAAP gross margin guide of 28%-31% vs. WRe 34.2%
    - Gross margins are expected to be lower due to a combination of product and geo mix

There are a lot of dynamics at play here that are driving the lower outlook for 3Q. As we saw with ENPH last week, demand in the US has been weaker and SEDG is saying that although sell-through is improving, it will take several quarters for the US channel to clear. The situation in Europe is more complex. Inventory levels there are also elevated ahead of the typical seasonal slowdown, some of which is due to a temporary mismatch of inverters/optimizers/batteries. What's most concerning to us is SEDG's comments around distributors downsizing the number of manufacturers that they carry in an attempt to manage working capital. The good news is that mgmt. sees a path for 4Q to be flat-to-up as distributors shift to more inventory-light model.

RUN – Expands distributed power plant arrangement with PCG

- This morning, Sunrun announced they have expanded their exclusive Energy Efficiency Summer Reliability Program with PG&E which was announced in Feb.
    - The program draws from enrolled customers' batteries from 7 p.m. to 9 p.m. for grid support during peak summer load.
- The program quickly reached maximum enrollment of 7,500 customers / 30 MWs.
- Due to strong interest, the program has been expanded to include 8,500 customers / 34 MWs.

Good to see this program prove itself out with strong customer interest. We think this sets the stage for larger-scale collaborations between RUN and PCG going forward. RUN reports results AMC today with the call to follow.

SPWR – Growth can wait
Click here to view our complete note
FY23 outlook is materially lower. SPWR pre-announced the Q and guidance revision last week. The new customer growth outlook suggests -4% y/y at midpoint vs. 20% previously while EBITDA of $55M - $75M is below the prior $125M low-end. We materially reduce our estimates to align with the updated outlook (see inside).

J.P.Morgan

North America Equity Research
02 August 2023

NiSource Inc.

2Q in Line; Directional Raise to 2023 EPS Guidance, with Upper Half Now Targeted

Overweight

NI, NI US
Price (01 Aug 23):$27.48

North American Utilities

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- **2Q23 lands in line.** NI reported 2Q23 adj EPS of $0.11, matching the $0.11 Street median estimate and just shy of the JPMe $0.12. Operating earnings drivers include new rates and capital recovery programs, partially offset by lower customer usage and higher O&M. For O&M, the company outlined generation maintenance timing and reliability expenses for vegetation management, which screen as normal quarterly volatility relative to NI's flat O&M outlook.
- **Directional raise to 2023 guidance, with upper half of range now targeted.** NI now expects to achieve the upper half of its $1.54-1.60 2023 guidance range (JPMe/Street median $1.57), also reaffirming its annual 6-8% EPS growth through 2027 and overall long-term outlook. We see the directional raise as positive, at a minimum not only modestly increasing forward earnings power (with a higher implied 2023 base for growth into 2024) but also demonstrating continued steps to execute and de-risk NI's plan over the course of 2023. This progress started with initial rate case steps earlier in the year and recently crossed a significant execution hurdle in the NIPSCO transaction announcement earlier this summer.
- **Other updates: NIPSCO transaction, NIPSCO rate case, and upside capex.** Among other updates, NI highlighted that it filed its FERC 203 application for the NIPSCO transaction, which remains on track to close by year-end. Additionally, the company continues to expect an August order in its NIPSCO electric rate case, where NI reached a settlement in the spring. Upside capex remains topical as well, where we expect attention on the call around near- to medium-term opportunities to layer in additional investment as plan line-of-sight improves after the NIPSCO transaction, as IN's generation transition progresses, and with customer bill benefits from lower natural gas prices.
- **Conference call details.** NI will host a webcast to discuss 2Q23 results on Wednesday, August 2, at 11:00 AM ET.

Figure 1: NI 2Q23 Results

Income Statement:	Actual 2Q22	Actual 2Q23	JPM 2Q23E	% Chg Y/Y	% Chg vs JPMe	YoY Drivers
Operating Earnings	144	175	176	21%	-1%	New base and infra replacement program rates, lower customer usage, higher O&M
Net Income	54	50	52	-7%	-4%	Higher interest expense and non-service pension costs
Share Count	440	447	447	1%	0%	
Operating EPS	**$0.12**	**$0.11**	**$0.12**	-8%	-8%	

Source: Company reports and J.P. Morgan estimates.

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North America Equity Research
02 August 2023

J.P.Morgan

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Accessible version

BofA GLOBAL RESEARCH

BofA SECURITIES

US Utilities & IPPs

PowerPoints: NI guide up, ETR/FTS beats, EXC/OGS in-line, SR/AVA guide down, LNT

Industry Overview

NI: 2Q in line with expectations, FY guidance increased

NiSource (NI) reported 2Q23 non-GAAP EPS of $0.11, in line with our/Consensus expectations for $0.12/0.11 and down slightly from $0.12 last year. New rates and capital programs for the gas utility contributed +$60.5Mn revenue increase vs. our estimate for $58.2Mn. On the negative side, lower customer usage drove an $11Mn YoY drag ($3.2Mn for gas, $7.8Mn for electric) vs. our estimate for a $3Mn drag. Additionally, higher O&M YoY resulted in a $5Mn drag vs. our estimate for a $7Mn drag. For the FY, NI raised EPS guidance to the upper half of the $1.54-1.60 range, which compares favorably vs $1.58 BofA/$1.57 Consensus. Mgmt. also reaffirmed the non-GAAP EPS growth target of 6-8% through 2027 on annual rate base growth of 8-10% (2023-2027). We continue to monitor NIPSCO's (Northern Indiana Public Service Company) electric rate case, which was filed last Sept. and achieved settlement in Mar. NI continues to expect a final order from the IURC (Indiana Utility Regulatory Commission) this month, with rate steps beginning in Sept. 2023 and Mar. 2024. The sale of NI's minority stake in NIPSCO remains on track to close by YE, with a definitive agreement reached with Blackstone Infrastructure Partners in June. NI did indicate modest changes to expected costs and timelines for renewable investments in Indiana – details in the full report.

EXC: In-line print with LT targets maintained

Exelon Corp (EXC) reported $0.41 2Q23 EPS, in-line with $0.41 Street and slightly above $0.40 BofA. $0.34 GAAP EPS included -$0.05 ($46Mn pre- and post-tax "SEC Matter Loss Contingency") and is a cash item that would need to be financed long-term. The SEC investigation was previously disclosed, and it did not appear that a loss contingency was reflected before this new 2Q23 charge. 2Q23 delta versus BofA was driven by +$0.01 lower unfavorable weather at PECO Energy (PECO) and +$0.01 lower unfavorable weather at Delmarva. EXC reaffirmed $2.30-$2.42 FY23 adjusted operating earnings and 6-8% 2021-2025 EPS CAGR / 6-8% 2022-2026 CAGR with expectation to be at or above midpoint of the CAGR range. Importantly the full matrix of segment-by-segment annual "key modeling drivers and assumptions" was fully unchanged. Unfavorable weather is a -$0.07 YoY driver 1H23 with -$0.03 unfavorable weather 2Q23 at PECO. Management was able to clearly identify offsets for 1Q23 weather and with reaffirmed FY23 EPS guidance we expect the same ability to flex O&M as needed to maintain the ability to achieve the guidance midpoint. Continuing a utilities 2Q23 theme, weather adjusted sales volumes were generally weak YoY with ComEd -3%, BGE/Pepco/ACE -2%, and PECO -1%; however, DPL electric was a bright spot +2%. The 2Q23 earnings update was fairly in-line with the new $46Mn SEC matter cash items a small negative although it does reduce prospective uncertainty. *We maintain Buy on shares of EXC given the above-average earnings growth trajectory which is backstopped by multi-year investment plans.*

Please see the full report for more on NI, ETR, SR, FTS, AVA, and OGS.

02 August 2023

Equity
United States
Utilities

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O&M: operations and maintenance

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NI: Solar development shuffles (Cont.)

In the 2Q23 slide deck, NI's investment in four BTA (build and transfer) projects were indicated to be above the prior stated targets, though total expected BTA project costs remain at $2.0-2.2Bn. The projects sum to $2,075Mn vs $2,025Mn as of 1Q23. In addition, NI entered into three new power purchase agreements (PPAs): Appleseed Solar, Templeton Wind, and Carpenter Wind. The $230Mn+ Gibson Solar was converted to a BTA. The changes come after mutual termination of Brickyard Solar, Greensboro Solar + Storage, and Gibson Solar PPAs and the $180Mn+ Elliott Solar BTA. In the 1Q, NI indicated changes in MISO's (Midcontinent Independent System Operator) resource adequacy construct, cost pressured, and development delays spurred the contract terminations.

The 2Q23 update with favorable FY23 guidance shift up was a small positive. We will be closely watching for a capital expenditure outlook refresh with the 3Q/Edison Electric Institute (EEI) update this Fall with net upside to rate base and earnings. We maintain Buy on shares of NI where we see the key ingredients for further positive re-rating after the minority stake sale and consistent execution.

NiSource Inc: Improving Outlook: Best Sale of Year, More Capex to Come, Reit Buy 21 June 2023

ETR: Strong 2Q on weather offsets helps de-risk 2H23

Entergy Corp (ETR) reported $1.84 2Q23 EPS well-above $1.63 BofA / $1.68 Street. Delta versus BofA was driven by more favorable 2Q23 weather (+$0.07 versus +$0.02 BofAe), +$0.17 better than expected 'Other O&M savings' and +$0.16 higher 'other income' versus BofA. This was offset by -$0.21 higher Parent drag and -$0.06 higher income taxes. Better than normal weather (+$0.07 vs. normal) during 2Q23 offsets portion of -$0.22 1Q23 weather headwind. Unfavorable weather is -$0.15 YTD headwind. We flag that despite weather +$0.07 versus normal in 2Q23, ETR reported weather-adjusted sales -1% versus normal.

ETR executed on stronger than expected contribution from O&M savings and other income during 2Q23 to offset YTD weather and de-risk the FY23 earnings outlook. ETR +$0.30 YoY 2Q23 'other O&M' savings is a key driver of the 2Q23 beat versus BofA and de-risks 2H23. ETR plans +$0.70 FY23 O&M savings versus +$0.32 executed in 1H23. Recall, ETR pulled forward significant O&M spend in 3Q22, and we expect to see strong O&M savings in 3Q23 as a result. Further, +$0.21 2Q23 YoY benefit from 'other income' implies +$0.24 1H23 benefit from other income. This exceeds $0.15 full-year 'other income' benefit initially outlined during 4Q22 earnings. ETR reaffirmed $6.55-$6.85 FY23 EPS guidance.

ETR disclosed expectations for 3Q23 Entergy-Louisiana (ETR-LA, ETR subsidiary) rate case. This is in-line with management commentary earlier this year to either request formula rate plan (FRP) extension or file a rate case in LA given the current FRP framework expires in 2024. It is unclear whether a rate case filing is explicitly necessary for FRP extension or more of a formality contingency plan. Yet, we view a new LA rate case increases near-term regulatory uncertainty given the elevated regulatory volatility of late.

Further, Entergy cited that Public Utilities Commission of Texas (PUCT) decision on Entergy-Texas (E-TX, ETR subsidiary) base rate case is now expected 3Q23 versus 2Q23 prior. *We maintain Neutral on shares of ETR with near-term regulatory uncertainty balancing long-term above-average investment outlook.*

Entergy: Lots of Uncertainty into Regulatory Outlook Justifies More Subdued Outlook 19 May 2023

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
NI	NI US	NiSource Inc	US$ 27.48	B-1-7
EXC	EXC US	Exelon Corp	US$ 41.47	B-1-7
ETR	ETR US	Entergy Corp.	US$ 101.17	B-2-7
SR	SR US	Spire	US$ 62.05	B-3-7
FTS	FTS US	Fortis	US$ 41.8	A-3-7
AVA	AVA US	Avista Corp	US$ 37.51	B-3-7
OGS	OGS US	ONE Gas, Inc.	US$ 78.03	B-2-7
LNT	LNT US	Alliant Energy Corp	US$ 53.3	A-1-7

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

Alliant Energy Corporation (LNT)

Our $58 PO is based on a sum of the parts analysis employing relative premium and discounts to the large cap regulated peer multiple of 15.8x 2025E P/E. We note that electric peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector. We apply a 1.0x P/E premium on IPL as we see the rate case overhang being resolved. We apply a 1.0x P/E premium on Wisconsin Power & Light Company reflecting 1) low risk investment nature of the state, 2) above average ROEs, 3) higher than average growth runway for investments, and 4) potential risks around solar deployment in both WI and IA. At ATC, we reflect a 4.0 x P/E premium on LNT's 16% share in the transmission company. Growth expectations for this segment are high, paired with above average ROEs that we believe face less downward pressure vs. regulated state distribution ROEs. We apply an in line multiple at the parent to account for the blend of numerous businesses some which benefit from long term stable PPAs via intercompany generation. Risks to our Price Objective are: 1) rate case outcomes, 2) further equity dilution beyond our estimates, 3) interest rate fluctuations, 4) natural disasters, and 5) inflation and ability to earn the allowed rate of return

Avista (AVA)

Our $39 PO is based on our 2025E sum-of-the-parts (SOTP) analysis, based on the electric group multiple of 16.6x for electric and 17.0x for gas. 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 approximately 80% and 20%, respectively, for AVA's WA and ID jurisdictions given the composition of its rate base. We apply a -2x discounts to WA, ID, and OR to capture below average-growth, inconsistent execution, and regulatory uncertainty. We apply the gas multiple to its OR jurisdiction as it is entirely comprised of natural gas distribution assets. We apply an electric multiple to its Alaska subsidiary, AEL&P, as it is a vertically integrated electric utility. The Corporate & Other segment is valued with (1) a utility P/E multiple on the HoldCo expenses, (2) fully offset by the disclosed fair market value of other assets & investments.

Risks to achievement of the price objective are changes in: 1) regulatory, political, and legislative, 2) interest rates and commodities, 3) wildfires and natural disasters, 4) phase-out of natural gas, 5) capital expenditures, 6) debt and equity needs, 7) credit ratings, 8) clinical trials, and 9) other investments.

Entergy (ETR)

Our $107 Price Objective is based on a sum-of-the-parts analysis. The 2025E electric utilities average P/E of 15.8x is grossed-up +5%, to reflect capital appreciation across the sector. We apply -1x discounts to Arkansas, Mississippi, and SERI to reflect elevated

From: Shahriar Pourreza, CFA
To: Weisenburger \ Michael \ V
Subject: The Guggenheim Daily Transmission: ES, OGS, PEG, WEC, ETR, EXC, FE, NI, SR, AVA, PCG, CNP, CEG/NRG, SMR, AEP, AR, Texas - Guggenheim Securities, LLC
Date: Wednesday, August 2, 2023 9:33:43 AM

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The Guggenheim Daily Transmission: ES, OGS, PEG, WEC, ETR, EXC, FE, NI, SR, AVA, PCG, CNP, CEG/NRG, SMR, AEP, AR, Texas

Power & Utilities August 2, 2023

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Access This Report

For details on our Guggenheim-hosted client Utility events including our AWK NDR, CMS NDR, SO NDR, POR NDR, CEG NDR, PEG NDR, NI NDR, and other events, scroll down...

Our EEI schedule has been posted, see below for full schedule including 1on1s, corporate dinners and cocktail event.

Please see our sector-wide note on the country's evolving regulatory jurisdictions HERE, our updated mid-year utility sector valuation analysis HERE, and our Utility and IPP 2Q23: Valuation and Estimate Adjustments HERE.

ES: Hopefully This is the Last Pandora's Box (see our note HERE)

OGS: Macro Backdrop Improving; Watching for Upside from Cost Pressures Sooner Than Expected — 2Q23 in Line & 2023 Guidance Maintained (see our note HERE)

PEG: 2Q EPS Beat; Quiet Execution Mode a Differentiator for 2023, but Rate Case Cycle Approaches (see our note HERE)

WEC: Laying the Groundwork for Accelerating Asset Base Growth; More to Come at EEI; Healthy 2Q23 EPS Beat and 2023 Guidance Reiterated (see our note HERE)

ETR – ETR reports 2Q23 EPS beat vs. consensus; 2023 guidance reiterated

EXC ─ EXC reports 2Q23 earnings

FE – reports slight 2Q23 beat vs Gugg/consensus; reaffirms 2023 guidance & LT EPS trajectory

NI – reports in line 2Q23; raises 2023 EPS guidance to upper half of $1.54–$1.60 range

SR misses on fiscal 3Q23 EPS; lowers FY23 guidance

AVA beats on 2Q23; now expects FY23 to be "in the lower end" of existing range of $2.27–$2.47

PCG – CA residents file law suit related to environmental damages associated with the Dixie fire

CNP – CNP prices issuance of $900M convertible notes; 4.25% coupon

CEG/NRG ─ CPS files lawsuit against STP sale in Texas state court and motion at NRC

FE ─ New subpoena disclosures in 10-Q

SMR ─ SDA process advances at NRC

AEP ─ Local media coverage of ApCo's ENEC filing in West Virginia

AR – Arkansas lawmakers debate crypto mining rules

Texas ─ Economic indicators remain mixed in latest Dallas Fed Surveys

ETR – ETR reports 2Q23 EPS beat vs. consensus; 2023 guidance reiterated

- ETR reported a 2Q23 adjusted EPS of $1.84 vs. $1.68 consensus and our $1.55 estimate.
- 2Q23 results included $0.07 of weather benefit vs. normal but a -$0.17 change year over year (YTD -$0.15 vs. normal guidance assumption).
- ETR provided drivers updates for 2023 adjusted EPS guidance range of $6.55 – $6.85 vs. consensus estimates of $6.70 and our estimate of $6.71.
- Assumptions in guidance include 0.7% sales growth vs. 1% prior (less favorable than prior).
- Utility taxes other than income taxes guidance is an incremental $0.05 drag vs. prior assumptions.
- ETR expects ~$0.15 YoY parent contribution vs. $0.20 prior due to lower residual EWC revenue and parent interest.
- ETR reiterated LT EPS growth guidance range of 6-8%.
- Equity needs through 2024 are ~$130M (unchanged, but equity issuance settled in Nov 2022).

EXC ─ EXC reports 2Q23 earnings

- EXC reported 2Q23 EPS of $0.41 vs. Gugg/Cons of $0.40/$0.41
- Reaffirmed 2023 EPS guide of $2.30-$2.42
- PECO weather dragged $0.03, Parent interest also dragged $0.03 vs. 2Q22

100% of debt financings for 2023 executed in 1H23

- The company's multiple distribution cases "proceeding in line with schedules"
- 2023 operating ROE remains "on track" for 9-10% (no change from 1Q23)
- ComEd DPA completed
- Call at 10AM, details HERE, Slides HERE

FE reports slight 2Q23 beat vs. Gugg/consensus; reaffirms 2023 guidance & LT EPS trajectory

- **2Q23 Operating EPS:** $0.47 reported, vs. Gugg/consensus of $0.45/$0.46 and guidance of $0.40–$0.50 ($0.45 midpoint)
- **Weather vs. normal:** -$0.05 in 2Q23; -$0.16 YTD; **YoY Weather:** -$0.06 vs 2Q22; -$0.18 vs 1H22
- **Guidance (FY23):** reaffirmed $2.44-$2.64 ($2.54 midpoint), vs. Gugg/consensus both at $2.54/$2.54
- **Guidance (3Q23):** $0.80–$0.90 ($0.95 midpoint)
- **LT EPS Growth:** reaffirmed 6%-8% LT annual operating EPS growth rate, based off the previous year's guidance midpoint
- **Signal Peak:** EPS guidance removed from 2Q23 slides (was on slide 6 in 1Q23 deck)
- **Capex:** Reaffirmed ~$18bn plan ('21–'25), along with annual capex guidance figures
- **Credit:** reaffirmed FFO/Debt target of ~14%–15%, with a "*long-term aspiration to be a BBB company*"
    - Remain focused on lowering FE Corp. Holdco debt as a percentage of total balance sheet debt
    - Continuing to target investment grade credit ratings at Moody's (**11% CFO pre-WC/Debt upgrade threshold**) and S&P (**12% FFO/Debt upgrade threshold**); already achieved at Fitch
    - "*S&P could raise the ratings on FE over the next 12-24 months if: Upon close of the FET minority stake sale the company uses proceeds in a credit supportive manner, such that FFO to debt is consistently above 12% or FE meet its obligations under its DPA.*" (**2/10/23 Credit Opinion**)
    - "*Moody's rating upgrade could be considered if FirstEnergy's financial profile strengthens, including cash flow from operations before changes in working capital (CFO pre-WC) to debt above 11%, on a sustained basis and its improved business risk profile is maintained. In addition, the regulatory environments in all of its jurisdictions remain stable and the company demonstrates more of a track record of sound corporate governance and internal controls, a rating upgrade could be possible.*" (**11/20/22 Credit Opinion**)

- **2023 rate cases: MD** (filed March 22nd), **NJ** (filed March 16th), **WV** (filed May 31st)
- **2024 rate cases: OH** (May 2024), **PA** (1Q24)
- Other key filings:
    - **OH:** Filed ESP V on April 5th as expected (ESP IV expires 5/31/2024)
    - **PA:** Filed application to consolidate PA operating companies on March 6th
    - **NJ:** Plan to file IIP in summer 2023
    - **MD:** Filed second phase of EDIS with base rate case on March 22nd
    - **PA/VA/FERC:** FET 30% Interest Sale (Filed for approval: FERC/PA on 5/5, VA on 5/12)
    - **PA:** Plan to file LTIP in summer 2024

- FE will be hosting a call at **10:00 AM ET**. The dial-in is **877-269-7756** and the conference ID is **14070**

NI reports in line 2Q23; raises 2023 EPS guidance to upper half of $1.54–$1.60 range (now implies midpoint of $1.59 vs. $1.57, previously), and vs. Gugg/consensus each at $1.57

- **2Q23 net operating EPS:** $0.11 vs. Gugg/consensus also at $0.11/$0.11
- **Asset sale update:** NIPSCO minority sale agreement with Blackstone Infrastructure Partners previously announced…filed FERC 203 Application; "on track to close by year-end"
- **Credit:** continuing to target 14%-16% FFO/debt post-sale of NIPSCO minority interest
- **EPS CAGR:** reiterates 6%-8% expected annual NOEPS growth through 2027
- **Cost management:** reiterates guidance of flat O&M
- **Capex:** $15bn 2023–2027 capex plan reiterated, along with 2023 capital investment guidance
- **Rate Base:** reiterated 8%-10% expected annual rate base growth; recall that FY22 projected rate base was estimated at ~$16.6bn
- **Credit:** ~$12.6bn of total debt as of June 30, 2023; ~$11.0bn of LT debt; ~12yr weighted average maturity; 3.93% weighted average interest rate
- Committed to maintaining current investment-grade credit ratings: S&P (BBB+), Moody's (Baa2), and Fitch (BBB)
- **Financing:** maintains 2023–2027 financing plan; equity plans (excluding the remarketed equity units of $863m) are to restart the company's ATM equity in 2025+, to support current investment grade credit ratings; may also be used to redeem o/s preferred stock ($900m)
- **TSR:** continuing to target 9%-11% total shareholder return
- **Dividend:** reiterated 60%–70% payout target
- Presentation is available HERE
- Call is at **11:00am: (888) 330-2391, Passcode: 28323**

SR misses on fiscal 3Q23 EPS; lowers FY23 guidance

- **F3Q23 Net Economic EPS:** -$0.42 vs. Gugg/consensus of -$0.18/-$0.04, respectively
- **FY23 Guidance:** lowered to $4.15–$4.25 ($4.20 midpoint) from $4.20–$4.30 ($4.25 midpoint) previously… compares vs. Gugg/consensus of $4.25/$4.27, respectively
- **LT EPS growth:** reaffirmed 5%-7%
- **FFO/Debt target:** maintained 15%–16%
- **2023 Capex:** $700m guidance reiterated
- **10-year Capex Plan:** reiterated $7.0bn capex program for FY23–FY32
- **Rate Base Growth:** Reaffirmed 7%–8% annual rate base growth
- Presentation will be posted HERE once available (*not yet released*)
- Earnings call will be held today at 9**:00 AM ET**… Dial-in: **844-824-3832**…(**no access code**)

AVA beats on 2Q23; reports $0.23 vs. Gugg/consensus of $0.15/$0.15; now expecting to be "in the lower end" of existing 2023 annual guidance of $2.27–$2.47 vs. Gugg/consensus at $2.28/$2.32

- **Weather:** AVA is decoupled from weather; however, the company can still be impacted to the extent that

Equity Research

WELLS FARGO

Earnings Revised — August 2, 2023

Natural Gas LDCs

NiSource Inc. (NI)

NI: Reiterate Overweight Rating Following Another Solid Update

Our Call

We continue to like the NI story as solid execution offers path to multiple expansion. The Q2 update supports this thesis with mgmt. pointing to the upper half of the 2023 range and highlighting upside opportunities within and beyond the 5-year plan.

EPS Outlook. We are nudging up our EPS estimates reflecting YTD progress on regulatory, operating and financing initiatives. Our new/old '23-27E EPS are $1.59/1.57, $1.70/1.69, $1.82/1.81, $1.92/1.92 & $2.05/2.05. Notable recent developments include the approval of the NIPSC electric settlement (today) and the NIPSCO minority stake sale announcement, which is expected to close by YE'23.

Generation Updates & Upside. There have been a few adjustments to certain generation projects, but the overall capex plan remains unchanged and the 5-year plan continues to include eight build-own-transfer agreements (BTA) and six PPAs. More importantly, the current capex plan assumes tax equity for four remaining BTAs. NI is considering tax monetization alternatives provided by the IRA, which if approved, represent ~$1B of capex upside.

Further, results from the 2022 RFPs continue to be evaluated (support Michigan City retirement in 2028) and NI plans to file another IRP in 2024. These processes could support additional peaking resources and a possible generation resource at the Schahfer site.

Outside of the electric generation business, mgmt. noted potential upside to gas infrastructure spend tied to leaks/safety standards along with potential electric transmission opportunities in MISO.

With a robust base plan and upside potential, mgmt. is focused on organic growth with any acquisition considerations needing to compete at 1X rate base (i.e. very high hurdle for M&A). The company continues to forecast annual EPS growth of 6-8% with a capital refresh expected in November.

Reiterate Overweight. Shares trade largely in line with blended gas/electric utility peers on '23-25 P/E. We think shares merit at least a 5% premium given robust investment opportunities and constructive regulatory compacts that support 6-8% EPS growth. We continue to view consistent execution as the path to multiple expansion. Our PT remains $33/sh.

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Rating	Overweight
Ticker	**NI**
Price Target/Prior:	**$33.00/NC**
Upside/(Downside) to Target	**20.1%**
Price (08/01/2023)	**$27.48**
52 Week Range	$23.78 - 31.87
Shares Outstanding	413,063,219
Market Cap (MM)	$11,351
Enterprise Value (MM)	$20,972
Average Daily Volume	5,048,698
Average Daily Value (MM)	$139
Dividend (NTM)	$1.00
Dividend Yield	3.6%
Net Debt (MM) - last reported	$9,621
ROIC - Current year est.	10%
3 Yr EPS CAGR from current year (unless otherwise noted)	7%

$ EPS	2022A	2023E Curr.	2023E Prior	2024E Curr.	2024E Prior
Q1 (Mar)	0.75 A	0.77 A	NC	-	NC
Q2 (Jun)	0.12 A	0.11 A	NC	-	NC
Q3 (Sep)	0.10 A	0.10 E	NC	-	NC
Q4 (Dec)	0.50 A	0.61 E	0.59E	-	NC
FY	1.47 A	1.59 E	1.57E	1.70 E	1.69E
P/E	18.7x	17.3x		16.2x	

Source: Company Data, Wells Fargo Securities estimates, and Refinitiv. NA = Not Available, Volatility = Historical trading volatility

All estimates/forecasts are as of 8/2/2023 unless otherwise stated. 8/2/2023 12:49:24EDT. 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)	2022	2023E	2024E	2025E	2026E	2027E
Revenues	**$5,834**	**$6,120**	**$6,473**	**$6,760**	**$7,069**	**$7,335**
Expenses						
Cost of Gas, Purchased Power & Fuel	2,111	2,116	2,130	2,143	2,157	2,170
O&M	1,486	1,522	1,522	1,522	1,522	1,522
Depreciation & Amortization	821	886	975	1,062	1,148	1,221
Other	269	272	276	280	284	288
Total Expenses	**$4,687**	**$4,796**	**$4,903**	**$5,007**	**$5,110**	**$5,201**
EBIT	**$1,147**	**$1,325**	**$1,571**	**$1,754**	**$1,959**	**$2,134**
EBITDA	**$1,968**	**$2,210**	**$2,546**	**$2,816**	**$3,107**	**$3,355**
Other Income	42	42	42	42	42	42
Interest Expense	362	426	465	525	618	671
Income Taxes	137	212	258	286	311	339
Tax Rate	*17%*	*23%*	*23%*	*23%*	*23%*	*23%*
Earnings						
Net Operating Earnings	$691	$729	$890	$985	$1,072	$1,166
Preferred Dividends	55	28	0	0	0	0
Noncontrolling Interest	(12)	(12)	78	84	91	96
Income from Continuing Operations	**$648**	**$714**	**$812**	**$901**	**$981**	**$1,070**
Avg. Diluted Shares Outstanding	443	449	478	496	510	522
Ongoing EPS	**$1.47**	**$1.59**	**$1.70**	**$1.82**	**$1.92**	**$2.05**
Q1 EPS	0.75	0.77A				
Q2 EPS	0.12	0.11A				
Q3 EPS	0.10	0.10				
Q4 EPS	0.50	0.61				

NI Supplemental Information	2022	2023E	2024E	2025E	2026E	2027E
Dividend Information						
Dividends Per Share - YE Rate	$0.94	$1.00	$1.07	$1.14	$1.23	$1.31
Dividends Paid Per Share	0.94	1.00	1.07	1.14	1.23	1.31
Payout Ratio	64%	63%	63%	63%	64%	64%
Cash Flow & Balance Sheet Items						
Capital Expenditures (millions)	$2,203	$3,398	$2,777	$3,327	$2,852	$2,777
Book ROE	10.0%	9.8%	10.2%	10.7%	10.6%	10.6%
FFO/Debt	12%	12%	15%	15%	15%	16%
Debt/EBITDA	5.9x	6.0x	4.8x	4.8x	4.7x	4.6x
Common Equity as % of Total Capitalization	37%	36%	38%	37%	38%	39%

Source: Wells Fargo Securities, LLC estimates and company filings

Acronyms

BTA - Build-Transfer Agreement

IRA - Inflation Reduction Act

IRP - Integrated Resource Plan

MISO - Midcontinent Independent System Operator

PPA - Power Purchase Agreement

RFP - Request for Proposals

Investment Thesis, Valuation and Risks

NiSource Inc. (NI)

Investment Thesis

We rate shares Overweight, as we do not think NI's robust long-term infrastructure growth opportunities and supportive regulatory treatment are properly reflected in the current share price.

Target Price Valuation for NI: $33.00 from NC

Our $33/sh price target reflects the combination of (1) our P/E multiple analysis (75%) ($32/sh) - we apply a 5-7% premium to the blended gas/electric '23 median multiple of 17.5-18x on our '24E EPS; premium reflects high confidence 6-8% EPS growth target supported by constructive regulatory treatment and robust infrastructure and generation investment opportunities and (2) our dividend discount analysis (25%) ($36/sh), which utilizes a 7.0% discount rate and assumes dividend growth of 5-7% through 2030.

Risks to Our Price Target and Rating for NI

Risks include lower-than-expected sales growth, unfavorable regulatory developments, unexpected cost pressures, and incidents on the gas system, which could result in shareholder liabilities.

UBS

Global Research and Evidence Lab
2 August 2023

NiSource Inc.

2Q'23 In-Line. Guidance to Upper Half of Range

2Q'23 Results; Updated Guidance

In 2Q'23 NI reported Adj. EPS of $0.11 v. $0.11 consensus estimates. Management also guided to the upper half of the 2023 guidance range for Adj. EPS of $1.54-$1.60, and long term Adj. EPS growth of 6%-8%. Given the NIPSCO stake sale which is still on track to close by year-end, management also guided to no new equity through 2027, and zero ATM equity in '23/24.

Renewable Projects Update

For renewable projects in the pipeline, projects did shift somewhat, but management indicated on the call that the update did not change the financial plan. There are still eight BTA projects, and six purchased power agreement (PPA) projects in the backlog. For the BTA projects, Elliot Solar at ~$180mln for 2025 was removed from the queue and Gibson Solar at ~$230mln for 2025 is now in the backlog and filed with the Indiana Utility Regulatory Commission (IURC). For the PPAs the following were removed from the queue: Greensboro Solar + Storage (100MWs/30MWs), Gibson Solar (200MWs), and Green River Solar (200MWs). These had all been approved with the IURC and had been scheduled to go into service in 2024. The following PPAs have been added to the backlog, Templeton Wind (200MWs) with NEE, Carpenter Wind (200MWs) with EDPR, and Appleseed Solar (200MWs) with NEE. These are not currently approved but have been filed with the IURC for approval and are expected to go into service in 2025.

CapEx Upside, Full Update at EEI in November

On the call management indicated that the four remaining BTA projects in the backlog assume tax equity. However, using IRA tax credit structures which are inclusive of transferability could lead to as much as $1Bln in capital expenditure upside. Management also noted that they will have financing headroom related to the NIPSCO minority stake sale proceeds in terms of financing potential upside to the capex plan. A full update on the capital plan and ultimate financing needs related to it is expected at the EEI conference in November.

Valuation:

We apply a 10% premium valuation for NI, which reflects +5% for overall group attractiveness, +3% for second quartile regulation and +2% for second quartile EPS growth. This drives a target multiple of 17.25x and a $31 target price.

Equities

Americas
Electric Utilities

12-month rating	**Buy**
12m price target	**US$31.00**
Price (02 Aug 2023)	**US$27.99**

RIC: NI.N **BBG:** NI US

Trading data and key metrics

52-wk range	US$31.71-24.15
Market cap.	US$12.5b
Shares o/s	447m (COM)
Free float	99%
Avg. daily volume ('000)	1,109
Avg. daily value (m)	US$30.5
Common s/h equity (12/23E)	US$6.31b
P/BV (12/23E)	2.0x
Net debt to EBITDA (12/23E)	6.2x

EPS (UBS, diluted) (US$)

	12/23E	
	UBS	Cons.
Q1	0.77	0.77
Q2E	0.10	0.12
Q3E	0.11	0.13
Q4E	0.59	0.55
12/23E	1.57	1.57
12/24E	1.68	1.68
12/25E	1.80	1.79

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Highlights (US$m)	12/20	12/21	12/22	12/23E	12/24E	12/25E	12/26E	12/27E
Revenues	4,697	4,900	5,851	5,977	6,271	6,531	6,781	7,006
EBIT (UBS)	1,031	1,046	1,162	1,145	1,337	1,483	1,634	1,760
Net earnings (UBS)	507	573	649	698	752	807	874	956
EPS (UBS, diluted) (US$)	1.32	1.37	1.46	1.57	1.68	1.80	1.91	2.03
DPS (net) (US$)	0.88	0.90	0.96	1.02	1.08	1.14	1.20	1.20
Net (debt) / cash	(10,501)	(11,253)	(12,821)	(12,868)	(14,286)	(15,997)	(16,820)	(17,492)

Profitability/valuation	12/20	12/21	12/22	12/23E	12/24E	12/25E	12/26E	12/27E
EBIT (UBS) margin %	22.0	21.3	19.9	19.2	21.3	22.7	24.1	25.1
ROIC (EBIT) %	7.5	7.4	7.4	6.7	7.4	7.5	7.6	7.7
EV/EBITDA (UBS core) x	9.9	10.4	11.3	11.3	10.2	9.7	9.3	8.8
P/E (UBS, diluted) x	18.6	17.9	19.6	17.8	16.6	15.6	14.6	13.8
Equity FCF (UBS) yield %	(6.0)	(6.2)	(7.2)	(13.8)	(7.3)	(10.3)	(5.1)	(3.5)
Dividend yield (net) %	3.6	3.6	3.3	3.6	3.9	4.1	4.3	4.3

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$ 27.99 on 02-Aug-2023 12:40:16 EDT

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NiSource Inc. (NI.N)

Income Statement (US$m)	12/20	12/21	12/22	12/23E	%ch	12/24E	%ch	12/25E	12/26E	12/27E
Revenues	**4,697**	**4,900**	**5,851**	**5,977**	*2.2*	**6,271**	*4.9*	**6,531**	**6,781**	**7,006**
Gross profit	3,587	3,507	3,740	3,866	*3.4*	4,160	*7.6*	4,420	4,670	4,895
EBITDA (UBS)	**1,794**	**1,794**	**1,982**	**2,064**	*4.1*	**2,349**	*13.9*	**2,607**	**2,854**	**3,076**
Depreciation & amortisation	(762)	(748)	(821)	(919)	*-12.0*	(1,012)	*-10.1*	(1,124)	(1,220)	(1,316)
EBIT (UBS)	**1,031**	**1,046**	**1,162**	**1,145**	*-1.5*	**1,337**	*16.8*	**1,483**	**1,634**	**1,760**
Associates & investment income	0	0	0	0	-	0	-	0	0	0
Other non-operating income	29	41	52	52	*0.0*	52	*0.0*	52	52	52
Net interest	(371)	(341)	(362)	(351)	*2.8*	(380)	*-8.3*	(451)	(512)	(528)
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Pre-tax profit	**689**	**746**	**852**	**845**	*-0.8*	**1,009**	*19.4*	**1,085**	**1,174**	**1,285**
Tax	(127)	(118)	(136)	(96)	*29.3*	(135)	*-40.5*	(151)	(169)	(192)
Profit after tax	**563**	**628**	**716**	**749**	*4.6*	**874**	*16.7*	**934**	**1,006**	**1,093**
Preference dividends	(55)	(55)	(55)	(55)	*0.0*	(55)	*0.0*	(55)	(55)	(55)
Minorities	0	0	(12)	4	-	(67)	-	(71)	(76)	(81)
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	**507**	**573**	**649**	**698**	*7.6*	**752**	*7.8*	**807**	**874**	**956**
Net earnings (UBS)	**507**	**573**	**649**	**698**	*7.6*	**752**	*7.8*	**807**	**874**	**956**
Tax rate (%)	18.4	15.8	16.0	11.4	*-28.8*	13.4	*17.7*	13.9	14.4	14.9

Per Share (US$)	12/20	12/21	12/22	12/23E	%ch	12/24E	%ch	12/25E	12/26E	12/27E
EPS (UBS, diluted)	1.32	1.37	1.46	1.57	*7.2*	1.68	*7.2*	1.80	1.91	2.03
EPS (local GAAP, diluted)	1.32	1.37	1.46	1.57	*7.2*	1.68	*7.2*	1.80	1.91	2.03
EPS (UBS, basic)	1.32	1.37	1.46	1.57	*7.2*	1.68	*7.2*	1.80	1.91	2.03
DPS (net) (US$)	0.88	0.90	0.96	1.02	*6.3*	1.08	*5.9*	1.14	1.20	1.20
Cash EPS (UBS, diluted) [1]	3.30	3.17	3.31	3.63	*9.6*	3.95	*8.6*	4.30	4.58	4.83
Book value per share	12.93	12.77	13.52	14.10	*4.3*	14.78	*4.8*	15.63	16.81	17.99
Average shares (diluted)	385	417	443	445	*0.4*	447	*0.5*	449	457	470

Balance Sheet (US$m)	12/20	12/21	12/22	12/23E	%ch	12/24E	%ch	12/25E	12/26E	12/27E
Cash and equivalents	126	95	41	264	*NM*	275	*4.0*	289	389	268
Other current assets	1,534	1,826	2,544	2,544	*0.0*	2,544	*0.0*	2,544	2,544	2,544
Total current assets	**1,659**	**1,921**	**2,584**	**2,808**	*8.7*	**2,819**	*0.4*	**2,832**	**2,933**	**2,811**
Net tangible fixed assets	16,620	17,882	19,843	20,196	*1.8*	21,977	*8.8*	24,203	25,873	27,447
Net intangible fixed assets	1,738	1,809	1,738	1,738	*0.0*	1,738	*0.0*	1,738	1,738	1,738
Investments / other assets	2,024	2,546	2,572	2,722	*5.8*	2,872	*5.5*	3,022	3,172	3,322
Total assets	**22,041**	**24,157**	**26,737**	**27,464**	*2.7*	**29,406**	*7.1*	**31,796**	**33,716**	**35,318**
Trade payables & other ST liabilities	1,753	2,128	2,869	2,869	*0.0*	2,869	*0.0*	2,869	2,869	2,869
Short term debt	526	618	1,792	1,783	*-0.5*	3,038	*70.4*	1,788	1,762	1,762
Total current liabilities	**2,279**	**2,746**	**4,661**	**4,652**	*-0.2*	**5,907**	*27.0*	**4,657**	**4,631**	**4,631**
Long term debt	9,220	9,183	9,524	9,803	*2.9*	9,977	*1.8*	12,951	13,901	14,451
Other long term liabilities	4,704	5,280	4,651	4,828	*3.8*	5,040	*4.4*	5,268	5,514	5,784
Preferred shares	880	1,547	1,547	1,547	*0.0*	1,547	*0.0*	1,547	1,547	1,547
Total liabilities (incl pref shares)	**17,083**	**18,756**	**20,381**	**20,829**	*2.2*	**22,470**	*7.9*	**24,422**	**25,593**	**26,413**
Common s/h equity	**4,958**	**5,401**	**6,029**	**6,308**	*4.6*	**6,609**	*4.8*	**7,047**	**7,797**	**8,579**
Minority interests	0	0	326	326	*0.0*	326	*0.0*	326	326	326
Total liabilities & equity	**22,040**	**24,157**	**26,737**	**27,464**	*2.7*	**29,406**	*7.1*	**31,796**	**33,716**	**35,318**

Cash Flow (US$m)	12/20	12/21	12/22	12/23E	%ch	12/24E	%ch	12/25E	12/26E	12/27E
Net income (before pref divs)	563	628	704	753	*7.0*	807	*7.2*	862	930	1,011
Depreciation & amortisation	762	748	821	919	*12.0*	1,012	*10.1*	1,124	1,220	1,316
Net change in working capital	(249)	(206)	(203)	28	-	62	*125.0*	78	97	120
Other operating	120	48	0	0	-	0	-	0	0	0
Operating cash flow	**1,196**	**1,218**	**1,322**	**1,700**	*28.6*	**1,881**	*10.7*	**2,064**	**2,246**	**2,448**
Tangible capital expenditure	(1,758)	(1,838)	(2,203)	(3,422)	*-55.3*	(2,793)	*18.4*	(3,350)	(2,890)	(2,890)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) & disposals	0	0	0	0	-	0	-	0	0	0
Other investing	879	(367)	0	0	-	0	-	0	0	0
Investing cash flow	**(879)**	**(2,205)**	**(2,203)**	**(3,422)**	*-55.3*	**(2,793)**	*18.4*	**(3,350)**	**(2,890)**	**(2,890)**
Equity dividends paid	(322)	(345)	(382)	(419)	*-9.8*	(451)	*-7.8*	(484)	(525)	(574)
Share issues / (buybacks)	211	1,140	141	0	-	0	-	115	400	400
Other financing	(219)	131	(55)	(55)	*0.0*	(55)	*0.0*	(55)	(55)	(55)
Change in debt & pref shares	82	31	285	279	*-2.1*	1,429	*NM*	1,724	924	550
Financing cash flow	**(248)**	**956**	**(10)**	**(195)**	*NM*	**923**	-	**1,300**	**744**	**321**
Cash flow inc/(dec) in cash	**69**	**(31)**	**(892)**	**(1,917)**	*-115.1*	**11**	-	**14**	**100**	**(122)**
FX / non cash items	(91)	0	837	2,141	*155.7*	0	*-100.0*	0	0	0
Balance sheet inc/(dec) in cash	**(23)**	**(31)**	**(54)**	**224**	-	**11**	*-95.2*	**14**	**100**	**(122)**

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.

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NiSource Inc. (NI.N)

Valuation (x)	12/20	12/21	12/22	12/23E	12/24E	12/25E	12/26E	12/27E
P/E (local GAAP, diluted)	18.6	17.9	19.6	17.8	16.6	15.6	14.6	13.8
P/E (UBS, diluted)	18.6	17.9	19.6	17.8	16.6	15.6	14.6	13.8
P/CEPS	7.4	7.8	8.7	7.7	7.1	6.5	6.1	5.8
Equity FCF (UBS) yield %	(6.0)	(6.2)	(7.2)	(13.8)	(7.3)	(10.3)	(5.1)	(3.5)
Dividend yield (net) %	3.6	3.6	3.3	3.6	3.9	4.1	4.3	4.3
P/BV	1.9	1.9	2.1	2.0	1.9	1.8	1.7	1.6
EV/revenues (core)	3.8	3.8	3.8	3.9	3.8	3.9	3.9	3.9
EV/EBITDA (UBS core)	9.9	10.4	11.3	11.3	10.2	9.7	9.3	8.8
EV/EBIT (core)	17.2	17.9	19.3	20.3	17.9	17.1	16.2	15.3
EV/OpFCF (core)	9.9	10.4	11.3	11.3	10.2	9.7	9.3	8.8
EV/op. invested capital	1.3	1.3	1.4	1.4	1.3	1.3	1.2	1.2

Enterprise value (US$m)	12/20	12/21	12/22	12/23E	12/24E	12/25E	12/26E	12/27E
Market cap.	9,340	10,029	12,294	12,514	12,514	12,514	12,514	12,514
Net debt (cash)	10,133	10,877	12,037	12,845	13,577	15,142	16,409	17,156
Buy out of minorities	0	0	326	326	326	326	326	326
Pension provisions/other	336	326	326	326	326	326	326	326
Total enterprise value	**19,809**	**21,231**	**24,984**	**26,011**	**26,743**	**28,308**	**29,575**	**30,323**
Non core assets	(2,024)	(2,546)	(2,572)	(2,722)	(2,872)	(3,022)	(3,172)	(3,322)
Core enterprise value	**17,785**	**18,686**	**22,412**	**23,289**	**23,872**	**25,286**	**26,403**	**27,001**

Growth (%)	12/20	12/21	12/22	12/23E	12/24E	12/25E	12/26E	12/27E
Revenue	(9.4)	4.3	19.4	2.2	4.9	4.1	3.8	3.3
EBITDA (UBS)	1.7	0.0	10.5	4.1	13.9	11.0	9.5	7.8
EBIT (UBS)	(1.5)	1.4	11.1	(1.5)	16.8	10.9	10.2	7.7
EPS (UBS, diluted)	0.1	4.0	6.6	7.2	7.2	6.9	6.3	6.4
Net DPS	5.4	1.7	7.3	6.3	5.9	5.6	5.3	0.0

Margins & Profitability (%)	12/20	12/21	12/22	12/23E	12/24E	12/25E	12/26E	12/27E
Gross profit margin	NM	71.6	63.9	64.7	66.3	67.7	68.9	69.9
EBITDA margin	38.2	36.6	33.9	34.5	37.5	39.9	42.1	43.9
EBIT (UBS) margin	22.0	21.3	19.9	19.2	21.3	22.7	24.1	25.1
Net earnings (UBS) margin	10.8	11.7	11.1	11.7	12.0	12.4	12.9	13.6
ROIC (EBIT)	7.5	7.4	7.4	6.7	7.4	7.5	7.6	7.7
ROIC post tax	6.1	6.2	6.2	5.9	6.4	6.4	6.5	6.5
ROE (UBS)	10.1	11.1	11.4	11.3	11.6	11.8	11.8	11.7

Capital structure & Coverage (x)	12/20	12/21	12/22	12/23E	12/24E	12/25E	12/26E	12/27E
Net debt / EBITDA	5.9	6.3	6.5	6.2	6.1	6.1	5.9	5.7
Net debt / total equity %	211.8	208.4	201.7	194.0	206.0	217.0	207.1	196.4
Net debt / (net debt + total equity) %	67.9	67.6	66.9	66.0	67.3	68.4	67.4	66.3
Net debt/EV %	52.7	51.2	48.2	49.4	50.8	53.5	55.5	56.6
Capex / depreciation %	NM	NM	NM	NM	NM	NM	NM	NM
Capex / revenue %	NM	NM	NM	NM	NM	NM	NM	NM
EBIT / net interest	2.8	3.1	3.2	3.3	3.5	3.3	3.2	3.3
Dividend cover (UBS)	1.5	1.5	1.5	1.5	1.6	1.6	1.6	1.7
Div. payout ratio (UBS) %	66.6	65.2	65.6	65.0	64.2	63.4	62.8	59.0

Revenues by division (US$m)	12/20	12/21	12/22	12/23E	12/24E	12/25E	12/26E	12/27E
Others	4,697	4,900	5,851	5,977	6,271	6,531	6,781	7,006
Total	**4,697**	**4,900**	**5,851**	**5,977**	**6,271**	**6,531**	**6,781**	**7,006**

EBIT (UBS) by division (US$m)	12/20	12/21	12/22	12/23E	12/24E	12/25E	12/26E	12/27E
Others	1,031	1,046	1,162	1,145	1,337	1,483	1,634	1,760
Total	**1,031**	**1,046**	**1,162**	**1,145**	**1,337**	**1,483**	**1,634**	**1,760**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

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Forecast returns

Forecast price appreciation	+10.8%
Forecast dividend yield	3.8%
Forecast stock return	+14.5%
Market return assumption	9.9%
Forecast excess return	+4.6%

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

We apply a 10% premium valuation for NI, which reflects +5% for overall group attractiveness, +3% for second quartile regulation and +2% for second quartile EPS growth. This drives a target multiple of 17.25x and a $31 target price.

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.

Provided for the exclusive use of Michael Weisenburger at NiSource on 02-Aug-2023 02:14 PM.

EVERCORE ISI

Energy | Power & Utilities

August 02, 2023

NiSource Inc

NI | $27.48

Outperform | Target Price/Base Case: $31.00 (from $30.00)

Company Update

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Company Statistics

Market Capitalization (M)	$12,012
Shares Outstanding (M)	413
Dividend	0.94
Dividend Yield	3.6%
Payout Ratio	59.7%
Expected Total Return	16%
Fiscal Year End	Dec

Earnings Summary

	2023E	2024E	2025E
EPS	**$1.57**	**$1.69**	**$1.80**
P/E	**18.5**	**17.2**	**16.1**
EPS vs Consensus	**0.4%**	**0.7%**	**(0.3)%**
Consensus EPS	**$1.57**	**$1.68**	**$1.81**
Consensus P/E	**18.5**	**17.3**	**16.1**

1 Year Price History



Source: FactSet

Laser Focused on The Plan

Key 2Q23 Takes:

- NI reported Q2 adjusted diluted Net Operating EPS (NOEPS) of $0.11 vs. our estimate of $0.10 and street consensus of $0.11. 2Q23 NOEPS is 8% lower than 2Q22 NOEPS of $0.12.
- Raised 2023 non-GAAP NOEPS guidance range to the upper half of $1.54-$1.60.
    - New mid-pt of $1.59 is slightly higher than consensus/our estimate of $1.57.
- Reaffirmed annual non-GAAP NOEPS growth of 6-8% through 2027 based on year-end results.
    - Off of the higher 2023 guidance mid-pt of $1.59 vs $1.57 previously
- Reaffirmed $15B 2023-2027 capex plan with ~75% of investments beginning earning in less than 18 months.
    - Driving 8%-10% annual utility rate base growth
- Reaffirmed long-term 14-16% FFO/Debt target.
- No change to financing plan with no new equity until 2025, expecting modest ATM program to maintain credit metrics for growth investments in 2025+.
- NIPSCO minority sale agreement announced in June, on track to close by year-end.
- Settlement in NIPSCO electric rate case approved today.
- When asked about M&A/consolidation opportunities, management highlighted they are laser focused on closing the previously announce NIPSCO minority sale and executing on the plan put forward in the November 2022 Investor day, which drives 6-8% annual organic EPS growth through 2027.
- NI is evaluating the IRA guidelines and sees up to $1B incremental investment opportunity through eliminating tax equity ownership in four out of the eight build transfer projects in the current plan. The company will provide an update to its capital, growth rate, and financing plan in the November time frame.

Maintaining our Outperform rating and raising TP to $31 from $30 (details within)

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Additional Details:

- **Minority Interest Sale**: On June 20th, NiSource announced an agreement to sell the 19.9% non-controlling equity interest in NIPSCO for $2.15 billion to an affiliate of Blackstone Infrastructure Partners, Blackstone's (NYSE: BX) dedicated Infrastructure group, with additional equity commitment of $250 million to fund ongoing capital requirements. NiSource intends to use the proceeds to support growth at the utility, pay down debt, and fund capital needs, consistent with the plan laid out at its Investor Day in November 2022. The transaction is still expected to close by year-end 2023, subject to customary closing conditions, including receiving FERC approvals and clearances.
- **NIPSCO electric rate case**: On March 10th, NIPSCO and other parties reached a settlement agreement in its electric rate case in Indiana. The settlement proposed a $292MM rate increase compared with $395MM company requested, including a base rate increase and a tracker. The parties agreed on an ROE of 9.80% versus the current 9.75%, and an equity layer of 51.63% versus the current 47.86%. Recall that company requested a 10.4% ROE and a 58.5% equity ratio on a rate base of $5.95B. Today, an order from the Indiana Utility Regulatory Commission (IURC) approved settlement in NIPSCO electric rate case without modification. We view the order as constructive. Rates will be phased in over a multiyear period starting in August 2023.
- **Maryland gas rate case:** On May 12th, Columbia Gas of Maryland filed a gas rate case, requesting a revenue increase of $8.1MM based on a 10.95% ROE and 52.07% equity layer, with rate base valued at $235.4MM with a test year ending May 31, 2023. Proposed order is scheduled in October and final order is expected in December.
- **Virginia gas rate case**: On May 15th, the Virginia State Corporation Commission issued a final order adopting the settlement reached on December 9th in Columbia Gas of Virginia rate case with $25.8MM revenue increase, inclusive of SAVE (Steps to Advance Virginia's Energy Plan) infrastructure tracker ($14.5MM), representing a settlement as to a specific revenue number but not as to a specific ROE. Recall that NiSource requested $40.6MM revenue increase net of the SAVE infrastructure tracker ($17.7MM) with a 10.75% ROE and 39.3% equity ratio on a rate base of $1.0B with a 12/21 test year.
- **Indiana ROFR legislation**: HB 1420 was signed by the Governor on May 1st, which enables Indiana utility companies the right of first refusal (ROFR) to build, own, and operate new transmission lines approved by a regional transmission organization in their service area, and prevents new projects from being bid on by other competitive transmission companies. The legislation would solidify NiSource's position to own and invest in transmission assets, which could be upside to their current capex plan.
- **Target Price**: Maintaining our Outperform rating and raising our target price to $31 from $30 per share. We keep our 2023/2024/2025 EPS estimates of $1.57/$1.69/$1.80 unchanged. See our base case SOTP valuation of $31 on Exhibit 1. We apply a 5% premium to our peer target 16x multiple (vs 15x previously) for the electric business, which we estimate will grow rate base by 8-10% through 2027 versus peers at 6-7%. Our base case for the LDCs applies an in-line peer gas multiple, now of ~18x 2025 EPS. Our bear case in Exhibit 1 derives $26/share valuation assuming NI can grow EPS at 6% using low end of 2023 guidance range of $1.57, while our bull case is $33/share assuming the company can grow at 8% using high end of 2023 guide of $1.60.

Exhibit 1: NiSource SOTP Valuation

Base			
Base Case			
	'25 EPS	**P/E**	**Val/Shr**
Gas EPS	$1.35	17.7x	$24.03
Electric EPS	$0.75	16.8x	$12.68
Parent/Other	($0.31)	17.2x	($5.27)
Consolidated 2024 EPS	**$1.80**	17.2x	**$31.00**
ETR (including dividend)			16%
Bull	1.86		
Bull Case			
	'24 EPS	**P/E**	**Val/Shr**
Gas EPS	$1.39	17.7x	$24.71
Electric EPS	$0.77	17.6x	$13.62
Parent/Other	($0.31)	17.7x	($5.44)
Consolidated 2024 EPS	**$1.86**	17.7x	**$33.00**
ETR (including dividend)			24%
Bear	1.76		
Bear Case			
	'24 EPS	**P/E**	**Val/Shr**
Gas EPS	$1.33	15.5x	$20.62
Electric EPS	$0.74	13.6x	$10.07
Parent/Other	($0.31)	14.8x	($4.53)
Consolidated 2024 EPS	**$1.76**	14.8x	**$26.00**
ETR (including dividend)			-2%

Source: Evercore ISI, Note: ETR based on closing price as of 8/1/23

VALUATION METHODOLOGY

We use a SOTP analysis to arrive at our price target

RISKS

Risks to our thesis include an inability to deploy capital at the company's expected rate resulting in a lower rate base and regulatory pressure resulting in lower allowed ROEs

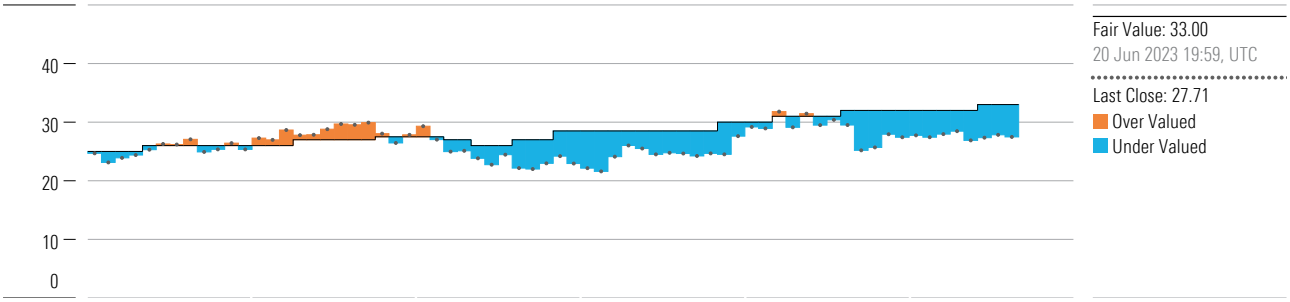
COMPANIES UNDER COVERAGE BY AUTHOR

Symbol	Company	Rating	Price (2023-02-08)	Evercore ISI Target
AEE	Ameren Corp.	Outperform	$84.64	$94.00
AEP	American Electric Power	In Line	$84.03	$96.00
AES	The AES Corporation	Outperform	$21.01	$29.00
AWK	American Water Works Company, Inc.	Outperform	$144.46	$160.00
AWR	American States Water Company	Underperform	$86.48	$70.00
CEG	Constellation Energy Corp	Outperform	$96.30	$93.00
CMS	CMS Energy Corp.	In Line	$60.43	$64.00
CNP	CenterPoint Energy, Inc.	Outperform	$29.49	$32.00
CWT	California Water Service Group	In Line	$52.05	$50.00
D	Dominion Energy, Inc	In Line	$52.30	$56.00
DTE	DTE Energy Co.	Outperform	$113.15	$120.00
DUK	Duke Energy Corp.	In Line	$92.15	$90.00
ED	Consolidated Edison Inc.	In Line	$93.34	$93.00
EIX	Edison International	In Line	$71.04	$74.00
ES	Eversource Energy	Outperform	$70.35	$84.00
EVRG	Evergy	In Line	$59.50	$62.00
EXC	Exelon Corp.	Outperform	$41.47	$46.00
NEE	NextEra Energy Inc	In Line	$72.17	$82.00
NI	NiSource Inc	Outperform	$27.48	$31.00
NRG	NRG Energy Inc.	In Line	$37.82	$40.00
OGE	OGE Energy Corp	In Line	$35.99	$39.00
PCG	PG&E Corp.	Rating Suspended	$17.35	
PEG	Public Service Enterprise Group	Outperform	$63.20	$67.00
PPL	PPL Corp.	Outperform	$27.33	$32.00
SJW	SJW Group	In Line	$69.43	$67.00
SO	Southern Co.	In Line	$71.28	$69.00
SRE	Sempra Energy	Outperform	$147.24	$175.00
VST	Vistra Energy Corp	Outperform	$27.89	$31.00
WEC	WEC Energy Group, Inc.	In Line	$89.61	$92.00
WTRG	Essential Utilities Inc.	Outperform	$41.72	$55.00
XEL	Xcel Energy Inc.	Outperform	$62.85	$66.00

NiSource Inc NI ★★★★ 1 Aug 2023 21:22, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Moat Trend™	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
27.71 USD	33.00 USD	0.84	11.35 USD Bil	Narrow	Stable	Low	Standard	
2 Aug 2023	20 Jun 2023 19:59, UTC		1 Aug 2023					5 Jul 2023 05:00, UTC

Price vs. Fair Value



	2018	2019	2020	2021	2022	YTD
Price/Fair Value	0.98	1.01	0.80	0.92	0.86	0.84
Total Return %	1.79	12.98	-14.58	24.19	2.72	2.95



Total Return % as of 1 Aug 2023. Last Close as of 2 Aug 2023. Fair Value as of 20 Jun 2023 19:59, 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 Earnings: Executing Growth Plan After Finalizing Minority Interest Sale

Analyst Note Travis Miller, Strategist, 2 Aug 2023

We are reaffirming our $33 fair value estimate for NiSource after the company reported $0.11 per share of weather-adjusted operating earnings in the second quarter, down from $0.12 in the second quarter of 2022. First-half earnings are up 1% and on track to meet our full-year expectations for 7% growth given the large revenue step-ups that will take effect in the second half of the year. We are reaffirming our narrow moat rating.

NiSource is one of our top utilities picks, trading at a 17% discount to our fair value estimate as of Aug. 1. We think it has better regulation and more long-term investment opportunities than most other utilities relative to its size. The stock's 3.6% dividend yield and our 7% annual earnings growth outlook for the next five years offer investors what we consider an attractive total return.

Management reaffirmed its 6%-8% annual earnings growth rate target through 2027 and suggested EPS this year will be at the high end of its $1.54-$1.60 guidance range, up from the $1.50-$1.57 range it initiated in November. These are both in line with our outlook.

A series of constructive regulatory outcomes, notably a $291.8 million rate increase settlement in its largest service territory, Indiana, have contributed to the upside. Other approved and anticipated rate increases in Maryland, Virginia, and Ohio give us high confidence that NiSource can achieve 7%

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NiSource Inc NI ★★★★ 1 Aug 2023 21:22, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Moat Trend™	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
27.71 USD 2 Aug 2023	33.00 USD 20 Jun 2023 19:59, UTC	0.84	11.35 USD Bil 1 Aug 2023	Narrow	Stable	Low	Standard	5 Jul 2023 05:00, UTC

Sector Utilities

Industry Utilities - Regulated Gas

Business Description

NiSource is one of the nation's largest natural gas distribution companies with approximately 3.2 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.

earnings growth during at least the next two years.

Constructive regulation also supports NiSource's $15 billion capital investment plan during the next five years, setting a path for 6%-8% annual earnings and dividend growth beyond 2024. Support for renewable energy investments, particularly in Indiana, is a key piece of that long-term growth.

We expect NiSource to close its $2.15 billion minority interest sale of its Indiana utility by year-end, eliminating most financing needs in 2024. The premium deal price led us to raise our fair value estimate by $1 per share in June.

Business Strategy & Outlook Travis Miller, Strategist, 20 Jun 2023

NiSource continues to transition away from its roots as a natural gas distribution and midstream company. An increasing focus on electric infrastructure and renewable energy will be a key growth driver in the coming years, creating a more even mix of earnings from its natural gas and electric businesses.

We expect about half of NiSource's operating income will come from its Indiana gas and electric utility, NIPSCO, and the rest from its six natural gas distribution utilities, excluding minority interest. We expect the gas utilities to grow along with the electric business in the near term, keeping that earnings mix about the same for the next three-five years.

Driving that growth is $15 billion of investment that NiSource plans during the next five years for electric and gas system infrastructure projects. Key initiatives include replacing steel and cast iron pipe with plastic at its natural gas distribution utilities and replacing coal plants with renewable energy at its electric business.

Constructive state rate regulations allow NiSource's utilities to collect a return of and a return on the bulk of its investments within 18 months, enhancing cash flow. We expect modest customer growth combined with NiSource's infrastructure growth investments to support 7% long-term annual earnings growth and 6% annual dividend growth.

To help fund its growth and strengthen its balance sheet, NiSource sold a 19.9% interest in its Indiana utility to Blackstone in 2023 for $2.15 billion, an 80% premium to sector valuations at the time. The dilution will stall earnings growth in 2024 but the premium price provides low-cost equity financing for its growth plan.

NiSource's business simplification started with its Columbia Pipeline Group separation in 2015. 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. The sale came nearly two years after a natural

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August 2, 2023 | 22:25 ET~

NiSource

NI-NYSE	Rating	Price: Aug-2	Target ↓	Total Rtn
	Outperform	$27.71	$30.00	12%

Strengthen & Lengthen – Incremental Growth Potential Creeping Into Outlook

Bottom Line:

While we had expected a fairly quiet quarter and limited set of updates (outside of the M&A elephant in the room), management has continued to show it has found its process similar to the premium names in the sector by not only meeting expectations but also providing incremental positives to the story that help add visibility to the company's growth outlook and bolster confidence in management's ability to execute. We reiterate our Outperform rating, but our target price goes to $30 as we MTM our peer multiples.

Key Points

NiSource reported an in line 2Q23 result of $0.11 operating vs. $0.12 operating in 2Q22 and our own/consensus estimates of $0.10/$0.11. **Positively, especially given the timing in the year, management raised their 2023 guidance midpoint as they now see the full year in the "upper half" of their $1.54-1.60 range or ~$1.57-1.60.**

On today's call management discussed the potential for increased ownership in four of its eight BTA renewable projects which could drive capital investment higher within its current 5-year plan. **Exhibit 3 inside summarizes the potential upside case driven by transferability (~$550-600mm of incremental capital). We estimate they could add ~$0.02/share to EPS or 1.5% to EPS on a full-year run rate in 2026.**

Regarding potential M&A, management noted that they do not comment on market rumors and are primarily focused on executing their November plan including the deployment of their $15bn capital plan at 1x book value and financing it efficiently with the successful completion of their pending minority interest sale.

Year-to-date, NI shares have outperformed its utility peers by ~8% as shares have benefited from solid financial execution as well as the further de-risking of the story including visible balance sheet strengthening and regulatory clarity. **As the valuations and the risk to growth outlooks are becoming increasingly bifurcated across the sector, we believe investors will continue to favor de-risked names with visibility and confidence in the execution of both its capital and financing plans. We believe NI's profile as well as its attractive relative valuation (flat multiple to the group – Exhibit 1) make it a core utility holding and an anchor on the relative value/GARP side of our BMO Barbell.**

Given better-than-expected regulatory outcomes and cost control execution year-to-date we are raising our 2023-2025 EPS to $1.59, $1.69, and $1.81, respectively.

Key Changes			
Target	Estimates	2023E	2024E
$30.00↓	EPS	$1.59	$1.69
$31.00	*Previous*	*$1.54*	*$1.67*
	EBIT	$1,437	$1,621
	Previous	*$1,410*	*$1,606*

For disclosure statements, including the Analyst Certification, please refer to page(s) 8 to 11.

IN Fact

BMO Capital Markets

Utilities, Power & Renewables

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Company Data			in $
Dividend	$1.00	Shares O/S (mm)	413.1
Yield	3.6%	Market Cap (mm)	$11,446
P/BV	1.6x	Net Debt (mm)	$9,336

BMO Estimates				in $
(FY-Dec.)	2021A	2022A	2023E	2024E
EPS	$1.37	$1.47	$1.59↑	$1.69↑
DPS	$0.88	$0.94	$1.00	$1.06
EBIT	$1,104	$1,276	$1,437↑	$1,621↑
EBITDA	$1,852	$2,067	$2,282↑	$2,534↑

Consensus Estimates				
	2021A	2022A	2023E	2024E
EPS			$1.57	$1.68

Valuation				
	2021A	2022A	2023E	2024E
P/E	20.2x	18.8x	17.4x	16.3x
Div. Yield (%)	3.2%	3.4%	3.6%	3.8%

QTR. EPS	Q1	Q2	Q3	Q4
2021A	$0.73	$0.13	$0.11	$0.39
2022A	$0.75	$0.12	$0.10	$0.50
2023E	$0.77a	$0.11a	$0.12	$0.59
2024E	$0.88	$0.15	$0.13	$0.54

Our Thesis

After the analyst day, we believe NI has meaningfully derisked the story that promises investors above-average EPS and rate base growth in favorable regulatory jurisdictions with what will be, upon the completion of the NIPSCO minority stake sale, one of the stronger balance sheets in the sector.

BMO Capital Markets

NiSource - Block Summary Model

Income Statement	2021A	2022A	2023E	2024E
Electric Operations	387	456	527	640
Gas Distribution	674	751	868	941
Coporate & Other	1	1	1	(1)
Consolidated EBIT	1,104	1,276	1,437	1,621
Depreciation & Amortization	748	791	845	914
EBITDA	1,852	2,067	2,282	2,534
Interest Expense	341	396	491	431
Income Tax	132	158	160	201
Income from continuing operations	571	666	728	831
Weighted Average Shares Outstanding	417	452	458	491
Diluted Operating EPS	$1.37	$1.47	$1.59	$1.69
Dividends per Share	$0.88	$0.94	$1.00	$1.06
Cash Flow Statement	**2021A**	**2022A**	**2023E**	**2024E**
Operating Cash Flow	1,255	1,493	1,591	1,774
Investing Cash Flow	(2,205)	(2,600)	(3,000)	(950)
Financing Cash Flow	635	1,058	1,428	(871)
Net Change in Cash Flow	(315)	(49)	19	(47)
EOP Cash on Balance Sheet	95	46	64	18
Common stock (net)	0	348	40	903
Net debt issued/(repaid)	31	1,190	1,900	(1,200)
Dividends paid	(367)	(425)	(457)	(518)
Balance Sheet	**2021A**	**2022A**	**2023E**	**2024E**
Common Equity	6,253	6,842	7,157	8,384
Preferred Equity	1,547	1,547	1,547	1,547
Total Debt	9,802	10,991	12,891	11,691
Enterprise Value	$21,940	$23,570	$25,498	$25,235
Common equity %	35.5%	35.3%	33.1%	38.8%
Preferred equity %	8.8%	8.0%	7.2%	7.2%
Total Debt %	55.7%	56.7%	59.7%	54.1%
Book Value per Share	$18.70	$18.56	$18.99	$20.24

Source: BMO Capital Markets, Company Reports

Scenarios

Valuation

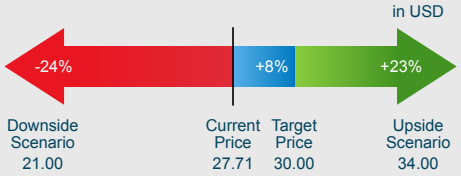
Our target price is the product of a P/E-based sum of the parts. We utilize a regulated-group average multiple using 2025E EPS as base valuation and then make specific adjustments to reflect our current view of the fundamental outlook.

Upside Scenario $34.00

Our upside scenario reflects continued multiple expansion associated with the company's premium and above-average earnings and dividend growth profile, as well as the material improvement in the balance sheet with the successful execution of the minority interest sale in NIPSCO.

Downside Scenario $21.00

Our downside scenario reflects a tightening monetary policy, a deceleration of the company's rate base growth and failure to execute on the sale of a minority interest in NIPSCO to strengthen the balance sheet.



Key Catalysts

Successful execution of both its upcoming NIPSCO Electric rate case as well as sale of a minority interest in its NIPSCO subsidiary by mid-year 2023.

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.

BMO Top 15 List

BMO Top 15 List Member

Income Stock

NI-NYSE Research

Glossary

Company Models

BMO Capital Markets

Strengthen & Lengthen – Executing the November Plan

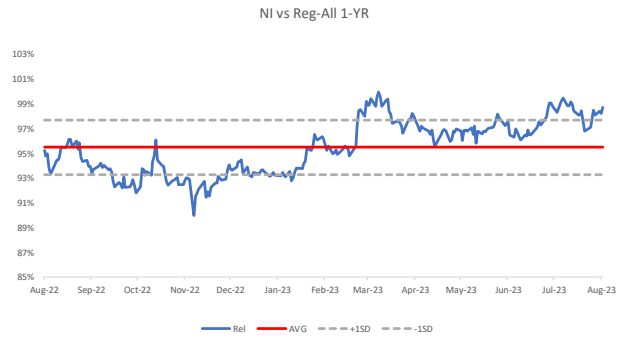
Bottom Line: While we had expected a fairly quiet quarter and limited set of updates (outside of the M&A elephant in the room), management has continued to show it has found its process similar to the premium names in the sector by not only meeting expectations but also providing incremental positives to the story that help add visibility to the company's growth outlook and bolster confidence in management's ability to execute.

Specifically, we would highlight the following positive updates with today's results: 1) management raised the midpoint of its 2023 outlook which is the 2nd guidance raise this year; 2) the update of its supply decarbonization program included the opportunity for incremental renewable investment through the potential 100% ownership in four BTA projects using PTC transferability; 3) another succinct response highlighting the company's disciplined approach with regard to inorganic growth; and 4) continued regulatory execution with the approval of the settlement in its NIPSCO electric case which follows the January approval of a settlement in its OH gas case (its two largest rate cases). The company continues to make steady progress on its capital program, regulatory strategy and NIPSCO minority interest (MI) sale, which are the keys to its long-term growth, strong balance sheet and efficient cost of capital.

As the regulatory and catalyst calendar thins in the near-term, we believe investors will look towards the company's November refresh of its longer-term outlook. While traditionally the company addresses its 2024 guidance as well as capital plan update at this time, given this year's significant regulatory clarity and as we approach the end of the approval process for its minority interest sale, we would hope to be able to get an update/roll forward of its rate base growth (2024-2028), long-term earnings growth rate and more granular financing plan. **Given better-than-expected regulatory outcomes and cost control execution we are raising our 2023-2025 EPS to $1.59, $1.69, and $1.81, respectively.**

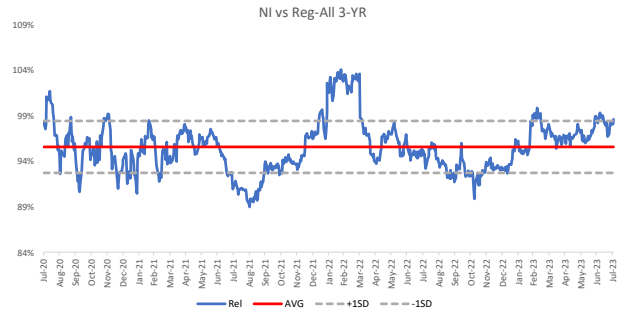
Year-to-date NI shares have outperformed its utility peers by ~8% as shares have benefited from solid financial execution as well as the further de-risking of the story including visible balance sheet strengthening and regulatory clarity. **As the valuations and the risk to growth outlooks are becoming increasingly bifurcated across the sector, we believe investors will continue to favor de-risked names with visibility and confidence in the execution of both its capital and financing plans. We believe NI's profile as well as its attractive relative valuation (flat multiple to the group – Exhibit 1) make it a core utility holding and an anchor on the relative value/GARP side of our BMO Barbell. We reiterate our Outperform rating. Our target price moves to $30 as we mark-to-market our peer group multiples used in our SOTP valuation framework.**

Exhibit 1: 12-Month 2YR Forward Relative P/E



Source: BMO Capital Markets, FactSet

Exhibit 2: 3-year 2YR Forward Relative P/E



Source: BMO Capital Markets, Bloomberg

BMO Capital Markets

In Line Shoulder Quarter and Improved 2023 Outlook

NiSource reported an in line 2Q23 result of $0.11 operating vs. $0.12 operating in 2Q22 and our own/consensus estimates of $0.10/$0.11. At its gas distribution segment, operating earnings were $120mm or up $39 million YOY driven by: 1) $61 million of incremental revenue from new rates and capital investment programs stemming from new rates in OH, PA, IN, VA and MD as well as capital trackers in OH, KY and VA; and 2) Non-tracked gas distribution O&M was flat year-over-year. At the electric segment operating earnings were $51 million, representing a decline of $22 million versus the same quarter in 2022. Lower results were driven by 1) lower weather-normalized customer usage across residential, commercial and industrial customers. A return to more normal long-term demand in the residential and commercial segments drove the year-over-year variance while industrial outages impacted that customer classes year-over-year load comparison; 2) new higher non-tracked O&M was also a headwind primarily due to the timing of generation maintenance expenses and increased reliability spend related to vegetation management. Although weather is excluded from operating EPS, relative to normal it was a $6mm drag in 2Q23 and $38mm YTD on a pre-tax basis representing a modest 1% and 3% impact to CFO, respectively.

Positively, especially given the timing in the year, management raised their 2023 guidance midpoint as they now see the full year in the "upper half" of their $1.54-1.60 range or ~$1.57-1.60. Visibility from constructive regulatory outcomes, the completion of financing transactions and successful execution on its O&M initiatives contributed to the second guidance raise for the year. Management continues to see good results from its operational excellence initiative which drives its flat O&M outlook as the program continues to help mitigate the rising impact of labor costs and addresses other inflationary pressures across the platform. Within this, Project Apollo has also been a strong contributor in 2023 with target savings in the $40-60mm range. Longer-term the company's 5-year, $1bn investment in technology should help augment these cost savings initiatives including an initial $300mm investment in SAP and Salesforce platforms to help standardize workflow and drive incremental efficiencies.

Positive Renewable Capital Program Update With Potential for IRA-Related Upside

The company reaffirmed their 2023-2027 capital program totaling ~$15bn which drives its 8-10% rate base growth and underpins annual NOEPS growth of 6-8% through 2027. Management has previously identified over $30bn of planned long-term infrastructure investment opportunities over the next 10 years (2023-2032). Within its current plan (through 2027), identified enhancements to growth included new gas modernization programs (pipe replacement), gas transmission investments to comply with PHMSA regulations, deployment of AMI for the gas system and increased ownership of electric generation as the company is able to utilize the IRA's transferability provisions

To this last point, on today's call management discussed the potential for increased ownership in four of its eight BTA renewable projects which could drive capital investment higher within its current 5-year plan. Currently all eight of its BTA projects utilize tax equity. However, the utilization of the transferability provision could allow the company to increase its direct ownership in the Cavalry Solar, Dunns Bridge II Solar, Fairbanks Solar and Gibson (formally Elliott PPA) project to 100%. Assuming the company originally planned to finance roughly 1/3 of the cost of these four projects with tax equity, we estimate the company could increase its 5-year capital plan by ~$550-600mm if it were able to utilize the PTC transferability provision in lieu of tax equity financing. **As illustrated in Exhibit 3 as these assets come online in 2024 and 2025, they could add ~$0.02/share to EPS or 1.5% to EPS on a full-year run rate in 2026. We assume the incremental investment contributes ~$31mm in net income and the company finances the ~$320mm in incremental equity with 70% external equity ($220mm) and 30% parent-level debt ($100mm) at a 5.5% cost of debt.** Of note, in our table below the Gibson Solar project plant which is being developed by Capital Dynamics (Tenaska) has replaced the cancelled Elliott Solar project which was also being developed by Capital Dynamics.

Exhibit 3: NIPSCO Renewable Investment Portfolio

BTA Projects	Developer	Current Plan ($USMM)	Estimated In Service	Upside Case	MW
Rosewater Wind		$100	2020	$100	100
Indiana Crossroads Wind		$300	2021	$300	300
Dunns Bridge I Solar	NextEra	$240	2Q23	$240	265
Indiana Crossroads Solar	EDPR	$200	2Q23	$200	200
Cavalry Solar + Storage	NextEra	$190	2Q24	$285	260
Dunns Bridge II Solar + Storage	NextEra	$420	4Q24	$630	510
Fairbanks Solar	Invenergy	$245	2Q25	$368	250
Gibson Solar (Formally Elliott)	Capital Dynamics	$230	2025	$345	200
Total Renewablt BTA		**$1,925**		**$2,468**	**2085**
Trasmission Porjects'		$150		$150	
Total NIPSCO Investement		**$2,075**		**$2,618**	**2085**

PPA Projects	Developer	Estimated In Service	MW
Jordan Creek Wind	NextEra	2020	400
Crossroads II Wind	EDPR	2023	200
Green River Solar	NextEra	2024	200
Templeton Wind	NextEra	2025	200
Carpenter Wind	EDPR	2025	200
Appleseed Solar	NextEra	2025	200
Total PPAs			**1400**

Source: BMO Capital Markets, Company Presentations

In addition to the update on its BTA projects, management also discussed the changes in its proposed PPA projects. Although the number of projects has not changed, three of the previous PPAs were cancelled and replaced with new or replacement PPAs. Specifically, the Brickyard Solar and Greensboro Solar projects with NextEra Energy were cancelled but replaced with alternative NextEra Energy projects including the Appleseed Solar and Templeton Wind projects. Similarly, the Gibson Solar PPA with Capital Dynamics was converted to BTA to replace the Elliott Solar plant and the Carpenter Wind PPA with EDPR was added.

In the end, the total investment for the company's current renewable capital program was unchanged and continues to be estimated in the $2-2.2bn range. Likewise, management's equity financing plan also is unchanged with no ATM-related equity in 2023 or 2024 and no discrete equity issuances through 2027. This outlook is driven by the execution of the company's 2021 equity unit transaction in late 2023/1Q24 and the proceeds from its minority interest sale by year-end 2023. As such, the company reaffirmed its commitment to 14-16% FFO/Debt target as they move into 2024 relative to FFO/debt at the beginning of the year of 13.4%. With the announcement of its minority interest sale at NIPSCO to Blackstone in June we see a very visible path to the company's target of 100-300 bps of cushion relative to their 13% downgrade threshold. We would expect the company to be comfortably in their 14-16% range in 2024 and 2025 with some modest reduction in overall cushion as it looks to finance its capital plan in 2026 and 2027.

The M&A Elephant in the Room

Also, on the call, management was asked about their interest in M&A given current market activity. **In response, management noted that they do not comment on market rumors and are primarily focused on executing their November plan including the deployment of their $15bn capital plan at 1x book value and financing it efficiently with the successful completion of their pending minority interest sale. Accordingly, we believe it is clear that the organic plan remains the priority and any inorganic growth would require an incredibly high hurdle rate. That being said, management did remark they would**

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entertain quality regulated assets at an attractive price which they had previously identified at ~1x rate base.

Exhibit 4: NiSource Inc. - Model Summary

NI Model Summary	2020A	2021A	2022A	2023E	2024E	2025E	21-25
EPS By Segment							
Electric Operations	$0.65	$0.65	$0.76	$0.85	$0.86	$0.93	*9.2%*
Gas Distribution	$1.15	$1.09	$1.17	$1.34	$1.32	$1.47	*7.9%*
Corporate & Other	($0.48)	($0.37)	($0.45)	($0.60)	($0.48)	($0.60)	*12.7%*
Consolidated E.P.S.	**$1.32**	**$1.37**	**$1.47**	**$1.59**	**$1.69**	**$1.81**	***7.2%***
Dividend per share	**$0.84**	**$0.88**	**$0.94**	**$1.00**	**$1.06**	**$1.12**	*4.9%*
Payout Ratio total	63.6%	64.3%	63.8%	62.7%	62.3%	62.0%	
Dividend Yield	2.9%	3.2%	3.4%	3.6%	3.8%	4.1%	
Valuation Metrics							
Price to Earnings	22.2x	20.2x	18.7x	17.4x	16.3x	15.3x	
Price to Book Value	1.7x	1.5x	1.5x	1.5x	1.4x	1.3x	
Funding Sources							
Cash Flow from Operations	$1,681	$1,255	$1,493	$1,591	$1,774	$1,935	*9.0%*
Total Debt Financings	$2,974	$0	$1,000	$1,900	($1,200)	$2,700	
Total Equity Financings	$0	$0	$348	$40	$903	$240	
Credit Metrics							
Total Debt/Capitalization	60%	56%	57%	60%	54%	56%	
FFO/Total Debt	13%	15%	13.6%	12.3%	15.2%	14.5%	
Regulated Operations Performance - Realized ROE							
NIPSCO Electric ROE	10.4%	11.2%	13.1%	13.2%	12.6%	12.1%	
Columbia Gas of Ohio ROE	9.0%	9.3%	9.5%	9.9%	9.7%	9.9%	
Columbia Gas of Pennsylvania ROE	9.0%	9.3%	9.6%	9.9%	9.7%	9.9%	
NIPSCO Gas ROE	9.0%	9.1%	9.7%	10.0%	9.8%	10.0%	
Columbia Gas of Virginia ROE	9.0%	9.6%	9.5%	9.8%	9.6%	9.9%	
Columbia Gas of Kentucky ROE	8.9%	8.1%	8.5%	8.9%	8.8%	9.0%	
Columbia Gas of Maryland ROE	9.1%	9.8%	9.5%	9.8%	9.6%	9.8%	

Source: BMO Capital Markets, Company Filings

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Exhibit 5: NiSource Inc. - Key Assumptions

Key Model Assumptions	2020A	2021A	2022A	2023E	2024E	2025E	21-25
Total Capital Expenditures by Segment							
Electric Operations	$423	$483	$1,100	$1,000	$1,400	$1,400	**$4,900**
Gas Distribution	$1,267	$1,296	$1,500	$2,000	$1,800	$1,900	**$7,200**
Consolidated Capital Expenditures	**$1,690**	**$1,780**	**$2,600**	**$3,000**	**$3,200**	**$3,300**	**$12,100**
YE Rate Base Estimates							
NIPSCO Electric	$4,794	$4,898	$5,649	$6,273	$7,268	$8,227	*10.9%*
Columbia Gas of Ohio	$3,412	$3,937	$4,369	$4,991	$5,517	$6,064	*9.0%*
Columbia Gas of Pennsylvania	$2,069	$2,419	$2,685	$3,067	$3,391	$3,728	*9.0%*
NIPSCO Gas	$1,824	$1,991	$2,212	$2,531	$2,801	$3,081	*9.1%*
Columbia Gas of Massachusetts	$1,207	$0	$0	$0	$0	$0	
Columbia Gas of Virginia	$867	$1,086	$1,205	$1,376	$1,521	$1,671	*9.0%*
Columbia Gas of Kentucky	$371	$422	$463	$522	$572	$624	*8.2%*
Columbia Gas of Maryland	$150	$197	$219	$250	$277	$305	*9.1%*
Total Rate Base	**$14,693**	**$14,950**	**$16,800**	**$19,010**	**$21,347**	**$23,699**	***9.7%***

Source: BMO Capital Markets, Company Filings

Exhibit 6: NiSource Inc. - SOTP Valuation

Regulated, Corporate & Other	Valuation Metric	2025E EPS	Sector Comp	Sector Multiple	Prem/ (Discount)	Base Multiple	BMO Low Case P/E Multiple	BMO Low Case Implied Value ($ MM)	BMO Base Case P/E Multiple	BMO Base Case Implied Value ($ MM)	BMO High Case P/E Multiple	BMO High Case Implied Value ($ MM)
Electric Operations	EPS	$0.93	Electric	15.5x	+10.0%	17.1x	13.0x	$12	17.1x	$16	19.1x	$18
Gas Distribution	EPS	$1.47	Natural Gas	15.6x	+7.5%	16.8x	13.1x	$19	16.8x	$25	18.8x	$28
Corporate & Other	EPS	($0.60)	Blend	16.9x	+0.0%	16.9x	16.9x	($10)	16.9x	($10)	18.9x	($11)
Utility & Parent Value		**$1.81**					11.8x	**$21**	16.9x	**$30**	18.9x	**$34**
Total NiSource Inc.								**$21**		**$30**		**$34**
Upside/(Downside)								(23%)		10%		23%
Current Yield								4%		4%		4%
Total Return								**(19%)**		**14%**		**27%**

Source: BMO Capital Markets, Company Filings

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Power Points: EPS Edition: AEE, ATO, BKH, UGI & NI/EXC

Initial Opinion

Challenging backdrop persists for many

Saw numerous cautious updates still contemplating both impacts from higher rates & challenging weather in 2Q. See AEE, ATO, BKH, UGI, NI below. Key points:

UGI guided to the lower end of its FY23 guidance ($2.75-$2.90) after having cut it in last quarter from $2.85-$3.15 the previous quarter. This is better than $2.70 BofA but lower than $2.79 Consensus. $660mn after-tax impairment of

BKH numerous nuances in update, with 2Q miss despite benefit of 1x benefits. De-emphasized debt paydown with shift to 'strengthened' balance sheet on slides.

AEE drove a big vs Street (+10c), reaffirmed and see Rush Island securitization of $550 Mn book value as key update on call to watch.

Atmos Energy (ATO) reported a bit light $0.94 fiscal 3Q23 (calendar 2Q23) EPS of below $1.06 BofA/$0.98 Consensus and up $0.02 YoY. Still on track for FY outlook.

What we like so far from 2Q: NI, EXC, WEC

There are several companies that have stood out, but NI's update on yet further generation updates appears to have exceeded modest 2Q expectations. We continue to watch for EEI update reflecting not just ~$1Bn+ from generation, PHMSA upgrades to LDCs, but also subsequent upsides linger in '24 as well. On balance, ability to pivot to higher end of '23 range ($1.58) and rebase the 6-8% off this appears only the start of protracted series of positive catalysts over coming 2-year period. Reiterate Buy. Meanwhile EXC's comments on 'lengthening and strengthening' their balance sheet thru (further) transmission investments appears to be the start of backfilling yet further ratebase to assuage concerns that EPS growth could moderate. EXC is among our favorite names, but we still admit few updates on Maryland regulation following turnover to the PSC leave us watching this angle of the story much more than Illinois. In fact on this side, we see ratebase, capex upside and further opportunities in '24, rather than fears of a more challenging return outcome necessarily that has plagued shares. WEC's update- with forthcoming resource update to address demand growth leading to yet another outspoken EEI update from the company. Reiterate our Buys on all three companies. Among our favorite utilities into Fall are: NI, EXC, and PPL.

03 August 2023

Equity
United States
Utilities

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BKH: 2Q23 miss despite +$0.12 favorable tax item

Black Hills Corp (BKH) reported $0.35 2Q23 GAAP EPS, a ~15% miss versus $0.43 BofA/$0.40 Consensus. 2Q23 included an unexpected +$0.12 income tax true-up with a negative -29.8% effective tax rate. The largest delta vs our expectations was -$0.15 higher O&M (-$0.12 labor and -$0.03 materials/other)vs +$0.01 BofA reduction as management indicated an ability to control costs in the original guidance. In 1H23 'core' O&M is -$0.30 YoY, excluding the gain on sale. Trailing twelve months $3.72-$3.74 actual EPS is slightly below the reaffirmed $3.65-$3.85 FY23 guidance midpoint and includes the +$0.12 2Q23 tax true up mentioned, +$0.09 1Q23 gain on sale, $0.00 normal weather, and -$0.03 unfavorable energy contract mark-to-market. FY23 $3.75 guidance midpoint is similar to $3.73 BofAe/$3.76 Consensus.

Management disclosed that it plans to initiate FY24 guidance on the 4Q23 earnings call, a departure from a historical 3Q call cadence. Last year BKH initiated $4.00-$4.20 FY23 guidance on the 3Q22 call which was subsequently cut to $3.65-$3.85 on the 4Q22 call. This unfortunate 3Q22-4Q22 pattern could have contributed to the decision to shift towards a later guidance date. Management has been transparent that the 4-6% long-term growth rate is more subdued in the short-term and stronger in future years. The $525Mn 4.25 November 2023 and $600Mn 1.037% term loan maturity in August 2024 are factors which lead to more near-term pressures. The 4Q23 call will also include the 2024-2028 capex outlook vs 2023-2027 currently. Maintain Underperform rating.

Balance sheet metrics continue to improve but equity back-end weighted

The bright spot in the results was that management reaffirmed its 14-15% FFO/Debt and 5x FFO adjusted leverage target credit metric targets. The balance sheet slide was shifted to past tense: "***Strengthened*** Balance Sheet and Liquidity" from "***Strengthening*** Balance Sheet and Liquidity." The only change was the removal of customer growth as a positive driver (~$0.01 positive YoY in 2Q23). Net debt to total capitalization favorably declined to 58.2%, down from 58.9% 3/30/23 and 60.8% 12/31/22.

BKH issued $27.4Mn equity in 2Q23 (400k shares, or ~$68.50/sh net), similar to the $27.4Mn in 1Q23 (400k shares, or ~$67.50/sh). This implies that subsequent to quarter-end there was a small ~100k shares issued. With $57.7Mn net equity disclosed, there is $92.3Mn equity to issue in the balance of 2023 versus $140-$160Mn FY23 guidance midpoint. **The $92Mn 'to go' represents ~3% of the historical value traded in August-December vs ~1% actual January-July value traded.**

On July 31st the Colorado Electric subsidiary issued the 400MW request for proposal (RFP) for 2026-2029 commercial operations date. This is consistent with the regulatory plan approved earlier this year under which Black Hills can own up to 50% (200MW)

The 2Q23 earnings update was cautious due to the wider than expected miss despite the favorable tax item

Exhibit 1: BKH 1H23 Earnings Walk
Core O&M is a -$0.30 YoY driver in 1H23

BKH Earnings Walk	1H22	1Q22	2Q22
FY22A Adjusted EPS	**$2.34**	**$1.82**	**$0.52**
Carrying Costs - One time	(0.12)		(0.12)
Return to Normal Weather	(0.07)	(0.06)	(0.01)
Electric Residential/Non-Resi Growth & Usage	0.05	0.05	
Non-Regulated Margin: Coal Mining & Other	0.06	0.03	0.03
Transmission Services and Off-System Sales	0.08	0.03	0.05
Electric Weather	(0.03)	0.00	(0.03)
Electric Margin	0.11	0.05	0.06
Reversal Mark to Market Energy Contracts	(0.01)	(0.04)	0.03
Current Mark to Market Energy Contracts	(0.03)	(0.04)	0.01
Gas Residential/Non-Resi Growth & Usage	0.05	0.04	0.01
Gas Weather	(0.03)	(0.03)	(0.01)
Gas Margin	0.08	0.06	0.03
Gain on Sale: $0.09 1Q23	0.09	0.09	

Exhibit 1: BKH 1H23 Earnings Walk
Core O&M is a -$0.30 YoY driver in 1H23

BKH Earnings Walk	1H22	1Q22	2Q22
Core O&M	(0.30)	(0.16)	(0.15)
D&A	(0.02)	(0.01)	(0.01)
Interest Exp	(0.09)	(0.06)	(0.03)
Other Income	(0.04)	0.00	(0.05)
Taxes	0.01	(0.02)	0.03
Dilution	(0.05)	(0.04)	(0.01)
FY23E Adjusted EPS	**$2.08**	**$1.73**	**$0.35**

Source: Company Filings, Bloomberg, & BofA Global Research

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UGI: FY23 guide down and AmeriGas impairment

UGI Corp (UGI) reported fiscal 3Q23 (calendar 2Q23) adjusted EPS of $0.00 (-$1Mn adjusted net loss). This was better than -$0.07 BofA but worse than +$0.06 Consensus median (+$0.03 Consensus mean). After reducing FY23 guidance from $2.85-$3.15 the previous quarter, UGI pointed to the low-end of the $2.75-$2.90 guidance range. This is better than $2.70 BofA but lower than $2.79 Consensus. 1Q-3Q23 fiscal YTD $2.81 implies a ~$0.05 fiscal 4Q23 loss to the $2.75 FY23 guidance low-end.

The AmeriGas Propane segment results reference Pennsylvania natural gas utility drivers and details on the +$36Mn margin increase were not provided. Higher margin was almost fully offset by -$32Mn unfavorable increase in operating & administrative expenses. 3Q23 AmeriGas had -$8Mn operating loss and negative free cash flow after $42Mn capital expenditures and $40Mn interest expense. Look for a material increase in following quarters following the intra-quarter refinancing.

EBIT at the other three segments declined -$3Mn to -$6Mn and total interest expense unfavorably increased -$14Mn YoY. While not broken-out separately, European conservation was disclosed again as a partial offset to volumes which were +2% from weather. UGI continued progress in exiting its European natural gas and power marketing businesses with new agreements to sell (1) all of the Belgium operations by 9/30/23; (2) some French operations by 12/31/23; and (3) wind and solar in Netherlands by 3/31/24.

AmeriGas impairment follows weaker results and higher cost of capital

3Q23 GAAP loss was -$789Mn (-$3.76/sh) due primarily to a -$660Mn after-tax (-$3.14/sh) AmeriGas Propane non-cash goodwill impairment. Details for why the impairment was recognized at this time and the calculation of the size were not provided in the earnings release. We will look to the 3Q23 10Q for additional disclosure but the prior SEC filings provide details into the decision making process.

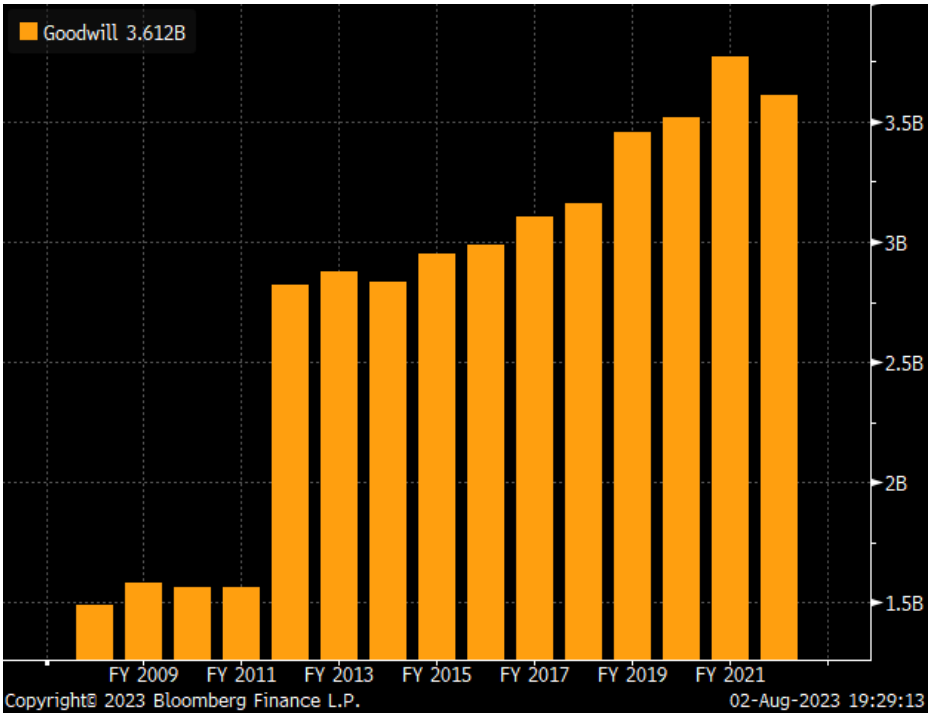
In the 9/30/22 10K, UGI Corp disclosed that AmeriGas had ~$2Bn goodwill and its fair value exceeded its carrying value by ~30%. An impairment was not recorded at the time with the qualifying language: "While the Company believes that its judgments used in the quantitative assessment of AmeriGas Propane's fair value are reasonable based upon currently available facts and circumstances, if AmeriGas Propane were not able to achieve its anticipated results and/or if its weighted average cost of capital were to increase, its fair value would be adversely affected, which may result in an impairment."

The 3/31/23 10Q had similar language with a notable deterioration: "During the interim period ended March 31, 2023, AmeriGas Propane did not achieve its forecasted results and the weighted average cost of capital increased from the Fiscal 2022 impairment test. While these developments caused a decrease in the fair value of the AmeriGas Propane reporting unit, the Company has concluded that the decrease would not result in the carrying value of the reporting unit to exceed the estimated fair value."

We do not place undue reliance on the shoulder fiscal 3Q23 earnings results versus the more impactful 1H period. While the 3Q23 net loss was lower than BofA estimates, the ongoing cost pressures pushing FY23 guidance lower again reduces confidence in the long-term

growth outlook. 3Q23 results did not mention renewables which has been a promising area of opportunity for the company. The European non-core divestitures are favorable as management executes on the planned wind-down exit. While previewed in the 10K and 10Qs, the formal -33% impairment of AmeriGas goodwill sends the signal that the business is continuing to lag internal projections. We maintain Underperform on shares of UGI where we see continued challenges to achievement of growth and growing financing cost headwinds.

Exhibit 2: UGI Corp Consolidated Fiscal Year-End Goodwill ($Bn)
UGI Goodwill balance has increased significantly over the past 10+ years



Source: Bloomberg

BofA GLOBAL RESEARCH

ATO: Light on F3Q EPS, but full year guide reaffirmed

Atmos Energy (ATO) reported $0.94 fiscal 3Q23 (calendar 2Q23) EPS of below $1.06 BofA/$0.98 Consensus and up $0.02 YoY.

For Distribution, new rates resulted in a +$0.18 increase YoY (vs. our of +$0.28) while net customer growth added +$0.02 (vs. our estimate of flat). Partly offsetting these positive drivers were a -$0.03 drag from O&M (vs. our estimate of -$0.07), a -$0.10 drag from depreciation and property taxes (vs. our estimate of -$0.08), and a -$0.02 drag from interest (vs. our estimate of flat). For Pipeline and Storage, a +$0.14 tailwind from new rates (vs. our estimate of +$0.11) was partly offset by a -$0.05 O&M drag (vs. our estimate of -$0.02), a -$0.02 depreciation drag (vs. our estimate of -$0.04), and a -$0.01 interest expense drag (vs. our estimate of flat). Despite the light F3Q23 results vs. our/Consensus expectations, mgmt. reaffirmed FY23 EPS guidance of $6.00-6.10 while capex guidance ticked up slightly to $2.8Bn (from $2.7Bn previously). In the 10Q, ATO indicated it issued $95Mn in securitized bonds for Winter Storm Uri Cost Recovery. *We maintain Buy on shares which continue to offer solid upside potential. See our recent analysis here: Atmos Energy Corporation: Constructive outlook heading into earnings – Reiterate Buy 31 July 2023*

AEE: Beat and reaffirm, Rush securitization

Ameren Corp (AEE) reported $0.90 2Q23 adjusted EPS, a solid beat vs. $0.80 BofA/$0.79 Consensus. Ameren Missouri delivered a +4c beat vs our expectations with flat EPS of 39c. The key delta was a +6c positive O&M savings including 4c of previously expensed items recoverable under the 2023 rate case and 2c savings from company-owned life insurance (COLI). Ameren transmission was in line with our expectations at +2c y/y on higher rate base earnings. Ameren Illinois Gas was also in line on higher gas utility rider spend, while IL electric was +5c ahead y/y with a higher US Treasury contributing to the formula rate returns. The other deltas are attributable to parent & other.

As expected, the 2023 EPS range was reaffirmed at $4.25-4.45. The release also includes detail of the July 28 Rush Island securitization filing notice made with the Missouri Commission. Ameren expects to make the formal filing as soon as Q4. There is no official update on the planned retirement date of Rush Island which has a book value of ~$550m as of June 30, but the Midcontinent Independent System Operator (MISO) has requested the plant stay available for system reliability through August 2024 and AEE has petitioned the court to push the compliance date until Oct 2024. *Maintain Buy on Ameren on a strong earnings outlook and defensive characteristics.*

Ameren Corporation: Q2 EPS preview: Closing in on the Illinois outcome with a resilient plan 11 July 2023

NI: Constructive earnings call commentary; see capex upside

We maintain Buy on shares of NISource (NI) following a FY23 guidance raise and reaffirmation of the long-term 6-8% EPS growth target through 2027. We stress the target growth range is based on FY23 results - meaning the current year's guidance raise effectively represents a ***rebase higher*** for NI's EPS trajectory. In addition, management reaffirmed the 8-10% (2023-2027) rate base growth target and $15Bn capex budget while indicating potential for this to move even higher. Specifically, NiSource has identified a number of potential renewable investment opportunities in Indiana that could result in a +$1Bn increase to the current investment plan. Management is still evaluating these relative merits of these opportunities and we would expect an update on this front later this year, potentially at the Edison Electric Institute (EEI) financial conference. On potential for M&A, we note mgmt. remains committed to the long-term capex plan, which does not contemplate any acquisitions. That said, in our view management did not necessarily rule out strategic M&A if at the right price. This has been very topical given Dominion's (D) business review which includes a natural gas utility in Ohio.

Continue to work with S&P, accounting firms and other peer Utilities on alignment for how to treat ongoing tax credits arising from IRA. Stress ability to retain FFO benefit from the tax credits generated under IRA, even if transferred/sold remains a crucial threshold question to the sector. To be fair, Moodys has largely been viewed as the 'threshold' rating agency up until now for most regulated utilities although treatment on this subject could very well change this for companies most benefited from IRA (LNT, NI). On balance remain reasonably comfortable.

The 2Q23 update with favorable FY23 guidance shift up was a small positive. We will be closely watching for a capital expenditure outlook refresh with the 3Q/Edison Electric Institute (EEI) update this Fall with net upside to rate base and earnings. We maintain Buy on shares of NI where we see the key ingredients for further positive re-rating after the minority stake sale and consistent execution.

Exhibit 3: Prices
IQ

BofA Ticker	Bloomberg ticker	Company name	Price	Rating	Explanation of Rating
UGI	UGI US	UGI Corp.	US$ 26.75	B-3-7	#N/A
ATO	ATO US	Atmos Energy	US$ 121.48	A-1-7	#N/A
BKH	BKH US	Black Hills	US$ 59.31	B-3-7	#N/A
UGI	UGI US	UGI Corp.	US$ 26.75	B-3-7	
NI	NI US	NiSource Inc	US$ 27.71	B-1-7	
EXC	EXC US	Exelon Corp	US$ 41.5	B-1-7	#N/A
WEC	WEC US	WEC Energy Group Inc	US$ 89.52	A-1-7	#N/A
PPL	PPL US	PPL Corp.	US$ 27.33	B-1-7	#N/A

Source: BofA Research

BofA GLOBAL RESEARCH

Price objective basis & risk

Ameren Corporation (AEE)
Our $90 price objective is predicated on a P/E based sum of the parts, valuing each business subsidiary relative to the 2025E ratebase weighted peer multiple of 15.5x for electric and 14.9x for gas. 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 1.0x premium to peers at AEE Illinois Electric and in line at AEE Illinois Gas to account for decoupling on the distribution business which aids in earnings predictability. At Ameren Transmission, we apply a 4.0x premium to peers to reflect the FERC ROEs and robust growth outlook.

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 2023 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 $135 PO is based on our 2025E sum-of-the-parts (SOTP) analysis, based on the gas LDC peer group multiple of 17.4x.
Our gas peer P/E multiple is grossed up to reflect the group's 5% CAGR (2021-26E) to reflect capital appreciation across the sector. We then apply a 2.0x 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 9.0x EV/EBITDA multiple as a base to our '25E 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.

Black Hills Corporation (BKH)
Our $60 per share valuation is based on a sum-of-the-parts analysis. We apply the latest peer average electric (16.0x) and natural gas (17.0x) 2025E P/E multiples. We gross-up

+5% the base multiples across the coverage universe to reflect capital appreciation in the sector. We apply a -2x discount for below average EPS and dividend growth prospectively. Coal Mine: We apply an 2x 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 premium 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, reductions in capital expenditures forecasts, higher operating and financing costs, lower sales volumes, unfavorable political and legislative changes, higher interest rates, and natural disasters.

Upside risks: ability to earn above the authorized rate of return, favorable regulatory outcomes, higher capex deployment, lower operating and financing costs, higher sales volumes, favorable political and legislative changes, decrease in interest rates.

Exelon (EXC)
Our $46 PO is based on an sum of the parts valuation. Our base electric peer 2025 P/E multiple of 15.8x is grossed up for a year by 5% to reflect capital appreciation across the sector. We apply an in-line multiple across EXC utilities ComEd, PECO, BGE, PHI with above-average growth prospects and below average risks counterbalanced but non-linear growth and inconsistent execution.

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 and interest rates, and 7) changes in credit rating agency metric requirements.

NiSource Inc (NI)
Our $31 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2025 forward P/E multiples that are marked-to-market to the latest peer utility multiples of 15.8x for gas and 15.8x for electric. Consistent across our coverage universe, the base electric & gas peer P/E multiples are grossed up by +5% to reflect capital appreciation across the sector. We utilize a +1x premium for NIPSCO Gas/Electric due to generally constructive regulatory outcomes. We subtract the value of excess holding company debt at the parent not supporting the utility subsidiaries.

Positive and negative risks to our Price Objective are changes in 1) regulatory, political, and legislative outcomes, 2) ability to execute on capital expenditure plan, 3) inflation, operating expense, and interest rates as they influence earned rates of return, 4) customer count and load growth, 5) commodities, 6) natural disasters, 7) pension plan returns, 8) equity and asset sale needs.

PPL Corporation (PPL)
Our $32 price objective is based on a sum of the parts methodology applying respective premium/discounts to the 2025E peer group multiple of 16.0x. Electric peer P/E multiple is grossed up by 5% to reflect capital appreciation across the sector, a consistent methodology across our coverage universe. We value all of the utility subsidiaries at +0.5x premium to the sector to reflect the lack of regulatory activity, above-average credit metrics, transmission earnings mix, and reasonable jurisdictions.

Risks to the achievement of our Price Objective are: 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 and execution, 7) natural disasters/weather, 8) equity issuance/repurchase plans, 9) corporate taxes, 10) pension returns, and 11) litigation.

UGI Corp. (UGI)
Our $24 PO is derived from our SOTP analysis. We mark-to-market (MtM) our UGI Utilities segment to 2025E peer P/E multiples of 16.5x for gas & 15.5x for electric. For U.S. & international LPG, we apply an 8.9x EBITDA base multiple in-line with propane comps & apply a -4x discount to UGI International (based on a challenged energy environment in Europe) and a -4x discount to AmeriGas based on challenges to customer retention & a slow return to the M&A market. We apply an 8.9x EV/EBITDA multiple to the midstream segment with premiums based on the asset. For the renewables business, we take the NPV of future cash flows, which implies a 3.2x FY25E EV/EBITDA multiple. For parent debt in the Corp & Other segment we net out 50/50 weighting for recapitalization & add back 50% of parent interest expense.

Upside risks: favorable weather, improving propane logistics efficiencies domestically or in Europe, increased conversion rates or faster new home construction within PA, and favorable currency exchange rates. Macroeconomic concerns are declining interest rates, lack of volatility and declining natural gas prices, and a general economic upturn.

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.

WEC Energy Group Inc (WEC)
Our $102 PO is based on 2025E SoTP, with a large cap electric group multiple of 15.8x and gas regulated multiple of 16.0x. Electric and 15.3x gas peer P/E multiples are grossed up for a year to reflect capital appreciation across the sector. We apply a 3.0x premium to WEC's WI electric & gas subs for surety in earnings growth for the next two years following the Commission's recent settlement. 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 3.0x 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 5.6%, 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.

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.

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US Utilities & IPPs

Buckeye Bullseye: Productive Ohio Field Trip with FE, AEP, & NI Senior Mgmts

Industry Overview

18 July 2023

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Back on the road to Ohio with some familiar & new faces

We hosted a field trip to Ohio to meet with senior management from FirstEnergy (FE), American Electric Power (AEP), and NiSource (NI) – each of which has new CEO or CFOs within the past year. We view the Ohio backdrop as favorable but there are critical events to watch in the next year: FE electric rate case, Dominion (D) gas rate case, pending Electric Security Plans (ESPs) for multiple utilities, resolution of House Bill 6 proceedings, and Dominion business review to name a few. *A busy outlook gets busier.*

FE: Emphatically defending the growth rate

In our first formal meeting with the new FirstEnergy CEO, he vigorously supported the current 6-8% annual EPS growth expectation. Following the meeting we have a newfound appreciation for how critical higher earned ROE assumptions are to the company's projections. Pennsylvania rate cases appear to be a major element in the company's forecast of growth in 2025 although there is uncertainty around a variety of elements & adjustments. See our deep dive on PA here: US Utilities: Pennsylvania ROEs: Returns in the Eye of the Beholder. Analyzing 2022 Levels 14 June 2023

AEP: Turning the nose of the plane back on track

The company acknowledges that the regulatory path has been bumpier than expected, particularly in Texas and Kentucky. AEP believes that the current suite of regulatory filings across the enterprise will progress more smoothly than those filed 12+ months ago. Top objectives are delivering **(1)** committed 6-7% EPS growth; and **(2)** FFO/Debt solidly within the 14-15% "guideposts" to remove conversations about incremental equity needs. These appear challenging in a more turbulent 2024 with further interest rate headwinds but management is "absolutely committed to 6-7%".

NI: Calm, cool, and collected in Columbus

Following the successful NIPSCO asset sale announce last month, management is back into core execution mode. Achieving approval of the NIPSCO settlement is the next datapoint which we do not believe will be controversial. Next management is working on its Fall EEI update where we see potential rate base upside from renewables and gas distribution & transmission investments.

Expect little on legislative front: regulatory remains hot

In addition to the company meetings, we engaged with our network of local regulatory contacts. The consensus remains that comprehensive legislation is unlikely in the near-term, as the aftermath of HB6 still casts a shadow. There is still a great deal of uncertainty in the forthcoming FirstEnergy subsidiary rate cases and PUCO open investigations. While far less controversial, Dominion's East Ohio Gas utility will be under focus in the required October 2023 rate case. Areas to watch are cost of capital (legacy ~6,5% embedded cost of debt and 10.38% ROE) and pension assumptions with the last rate case finalized in December 2008. The Ohio rate case is underappreciated in the context of the ongoing business review. *See D background here: Preparing for Investor Day: Why We are Still Bearish on Catalysts Ahead 10 July 2023*

OH: Ohio
HB: House Bill
EEI: Edison Electric Institute
LDC: Local distribution company
ESP: Electric security plan
PUCO: Public Utilities Commission of Ohio
NIPSCO
EDR: Economic Development Rider
FFO: Funds from operations

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What do we think of the Ohio utilities?

We maintain Buy on shares of NiSource where we are increasingly comfortable in further positive re-rating after the company's steady execution. After years of more volatility than we had liked to have seen, the company is finally nearing the conclusion of a noisier set of outstanding items. While shares are well owned by hedge fund investors per our conversations and the 3/31/23 13-F data (US Alternative Energy: Who Owns What? 3/31/23 HF & LO Trends. Clean Energy Crowding Analysis 20 June 2023), the stock is still under-owned by longer-term investors which creates an opportunity. In contrast to AEP, FE, and D discussed next – there is a relatively benign regulatory calendar ahead.

NiSource Inc: Improving Outlook: Best Sale of Year, More Capex to Come, Reit Buy 21 June 2023

We maintain Neutral on shares of American Electric Power where we think the current discounted valuation is approximately appropriate. Although management was absolutely steadfast in its commitment to the long-term 6-7% EPS growth outlook (with specific emphasis on sustainability **into** '24 despite the near-term securitization headwinds), there does appear to be a fair amount of execution needed on pending rate cases, fuel recovery, asset sale, and generation (acquisition and retirement) approval processes outstanding. Overall, clearly has been a story on defense – but the question remains how swiftly can it pivot into offense? We're still a bit less convinced in this follow-thru. Watching developments in WV remains key on settling quantum of fuel recovery alongside initial progress in KY on case/procurement+fuel dockets which also remains key.

American Electric Power: Louisiana delivers much-needed renewables win & where to next 03 July 2023

We maintain Underperform on shares of FirstEnergy where we still see risks to the earnings path forward and view shares as relatively expensive versus peers. The stronger message from management regarding offsets to identified headwinds was favorable relative to our expectations.

On our 2025 estimate of $2.66 the stock trades at a 7% discount, while a scenario using $2.88 Consensus implies a 13% discount. With management disclosing that ~10% of earnings relate to coal mining and pension income, even assuming that Consensus/guidance is achievable, we see the trading level as relatively rich.

Our base case remains that the pending 2023 and forthcoming 2024 rate cases will go smoothly but there is elevated uncertainty, particularly for 2024 Ohio and Pennsylvania. At a minimum we believe that a larger discount vs peers is warranted to capture this uncertainty relative to peers with more earnings visibility.

FirstEnergy: Record Warm 1Q23 Pressures 2023 Outlook. HQ shift & hybrids in focus now 28 April 2023

We maintain Underperform on shares of Dominion Energy where we see downside to investor's EPS expectations and elevated uncertainty overall. While we did not meet with Dominion in Ohio, the company's presence and business review was pervasive and being watched by all the industry. The company is well respected in Ohio for running an efficient utility and favorably generally staying out of the political fray. Stakeholders are refreshing on the regulatory and beginning initial work ahead of the October 2023 rate case. While the Ohio subsidiary's 6.5% cost of debt carrying cost was a frequent area of discussion by stakeholders, Dominion's Ohio business issued $500Mn debt in December 2022 at ~6.3%. The blended long-term debt interest rate was 3.1% as of 12/31/22 financials. This included a comprehensive June 2020 refinancing of: $500Mn at 1.3% due 2025; $500Mn at 2.0% due 2030, and $800Mn at 3.0% due 2050. Another regulatory topic was the 15-16% effective tax rate benefitting from the reversal of excess deferred

income taxes (EDIT). *In all, Dominion's East Ohio rate case is expected to be fairly time consuming and complex given the duration since the last rate case.*

Dominion Energy: Preparing for the 3Q Investor Day: Why We are Still Bearish on Catalysts Ahead 10 July 2023

Regulatory download: Living in the HB6 shadow

Overall, the feedback from the stakeholder community towards the new management from FirstEnergy has been positive. The new CEO is well known from his prior leadership at AEP and is the first external CEO in decades. From a political engagement standpoint, FE acknowledges that it has been less involved by design but anticipates compliantly becoming more present over time.

There has been recent turnover at the Public Utilities Commission of Ohio (PUCO) Staff level as more legal experience has been added to the organization. This was viewed by stakeholders as strengthening the organization and a counterbalance in increasingly complex regulatory proceedings. This could lead to a more difficult negotiating backdrop on the margin. Proceedings in Ohio are significantly more protracted than from pre-HB6 with dockets taking notably longer. On balance, we see a largely business-as-usual backdrop but still see a risk for more scrutiny. Overall, we are substantially more focused on Pennsylvania than Ohio into the coming year: this may not be obvious to many investors.

Next "shoes to drop"

Our non-management team conversations with local Ohio resident stakeholders was dominated by discussion of a continued perception that there is "another shoe(s) to drop" regarding the US Government's investigation into the individuals involved in the enactment of House Bill 6 (HB6). Former Ohio House speaker Larry Householder was recently convicted in the related proceeding and sentenced to twenty years in jail, at the top of the 16-20 year recommended range. The U.S. Attorney's Office for the Southern District of Ohio has made public statements that it is still reviewing evidence and evaluating additional prosecutions.

From a practical standpoint this was described in our conversations as limiting the willingness of the legislator to advance meaningful utility reforms. There have been some recent efforts to have electric utility rate making regulatory changes that would generally be more restrictive by requiring rate cases at set intervals along with other changes. Industrial users and competitive energy companies are supporting these proposals. The regulated utilities are generally opposed while some consumer advocates are opposed ironically based upon the view that the changes are not significant enough yet.

There appears to be little appetite for legislative or regulatory reforms regarding the Ohio Valley Electric Corporation (OVEC) coal asset. House Bill 120 has been filed but does not appear to have meaningfully advanced recently.

Ohio legislator members recently wrote a letter to PJM about the potential for Illinois Climate and Equitable Jobs Act (CEJA) adversely impacting local Ohio legislature ratepayers. These intrastate politics are not uncommon.

EDR would create more capacity for new, major customers

The Economic Development Rider (EDR) was topical as part of the state budget. The EDR could theoretically be used to support new large customers like Intel (INTC) looking to come to and expand in the state. The proposed +$1.50/month per customer increase in the cap was designed to be an upper-bound and facilitate potential future spikes in commodity prices rather than a target level of bill increase.

The late opposition was described as surprising to stakeholders and more a symptom of a desired 'light touch' to utility matters given the sensitivity currently. Governor DeWine veto and public comments around the "All Ohio Future Fund"

Data centers: expanding beyond just VA into Ohio+, indeed

Data center and large technology related end-user (electric vehicles, batteries, etc.) demand growth was a key theme of our trip. Ohio utilities and stakeholders noted that they have seen indications of interest from data center developers who are looking at sites as an alternative to Northern Virginia (NoVa). While there is no real debate that Dominion's NoVa is the premier location for data center development, the well documented constraints in interconnection are a hinderance. While data centers do require real new incremental transmission and generation infrastructure, the customer class does not have the same economic activity multiplier effect. There are relatively few permanent jobs (tens) per facility compared with manufacturing centers. Data centers do add volume that helps to offset the customer bill impacts for others by spreading fixed costs across a large pool of volume.

AEP pointed at its 30% commercial growth which was overwhelmingly driven by Ohio data center demand, followed by Texas. AEP echoed the sentiment that they do not believe that the PJM load forecast fully captures the full potential of the asset class. For AEP the largest challenge has been gaining certainty on specific customers to have enough visibility to embed into the financial plan. We look to see how management reflects this upside potential at the November EEI refresh when 2026 is expected to be rolled-into the three-year financial plan based upon the historical cadence of updates.

On balance both AEP and FE appear to have a clear upward bias to sales growth stats. Watch this play a key element into '24 guidance to offset other pressures. We continue to see an upward bias to latest PJM forecast for the region at negative to just +0.1% for AEP Ohio's territory on a 10-yr view as data center build is confirmed.

American Electric Power (AEP)

We met with CEO Julie Sloat, CFO Ann Kelly, as well as several business unit leaders. We reviewed key recent as well as ongoing regulatory and strategic initiatives across AEP's broad footprint. While acknowledging recent missteps, mgmt. was adamant that existing financial commitments including the 2023 EPS guidance of $5.19-5.39 and long-run target CAGR of 6-7% are intact. We maintain Neutral on AEP which trades at a ~8% discount to the broader utility sector on our estimates which we believe accurately reflects ongoing risks to the story.

Explaining, not excusing, recent missteps

Mgmt. sought to own and frame recent unexpected regulatory and strategic developments as relegated to the previous company regime. Included in this category were the terminated Kentucky Power transaction, Southwest Power Co (SWEPCO) regulated renewables rejection in Texas, West Virginia fuel proceeding, and others. Existing financial targets were reaffirmed with recently published June marketing materials and mgmt. was emphatic in its commitment to meeting them. Overall, the tone of the discussion indicated a desire to reset and turn the page from recent setbacks.

Kentucky rate case first of several steps to improve earnings power

Following the cancelation of the sale to Algonquin, Kentucky Power filed its most recent rate case in late June. Mgmt. acknowledged that the earned ROE has been well below the authorized – coming in at 3% last quarter. Among the items that stood out in the most recent filing is the lack of an updated depreciation rate for the Mitchell plant which recently had its retirement date accelerated – the decision to keep D&A unchanged was in part out of a desire to begin a constructive dialogue with state regulators and stakeholders, rather than to present a "take it or leave it" financial ask in the rate case process. Desire to have a more open and constructive dialogue with key stakeholders (up to and including by top management) was a key throughline in our discussion.

Securitization solution: "backfill elsewhere"
AEP mgmt. has previously indicated the company could seek to securitize up to $1.2B of regulated rate base in West Virginia and $250m in the Kentucky jurisdiction. The goal of securitization – which would likely occur in the first half of 2024 – is to mitigate rate impacts on those ratepayers who reside in particularly economically challenged regions. Mgmt.'s stated goal is to backfill this rate base with additional investment in other jurisdictions where rate pressures are not as acute – transmission and distribution grid improvements would likely make up the bulk of these backfill opportunities. Overall, this continues to be a downside risk in our view as mgmt.'s position is one of effectively defending an estimated 13c of EPS, though the challenge would have been more complicated had the SWEPCO regulated renewables not been fully approved / flexed up.

Unregulated renewables sale review expected by late July, FFO target 14-15%
The sale of AEP's renewables which is expected to generate $1.2B in cash remains under review by the Committee on Foreign Investment in the United States (CIFIUS) with the review under a 45-day timeframe, expected to conclude in late July – this is incrementally longer than the previous guidance which indicated an expected late Q2 closing, though mgmt. continued to flag a high degree of confidence in closing. Mgmt. acknowledges that the consolidated funds from operations (FFO) to debt ratio remains well below the targeted 14-15%, with renewables proceeds among the key prongs toward helping the company reach this level. Strategic reviews of three joint venture stakes in transmission facilities remain under way as the company seeks to trim the portfolio of noncore assets and shore up cash flows.

FirstEnergy (FE)

We met with FirstEnergy management including new CEO Brian Tierney who firmly endorsed the existing 6-8% operating earnings growth guidance. We await longer-term financial disclosures including rate base, capital expenditures, and 2025+ EPS guidance which captures prospective regulatory activity. Mr. Tierney similarly cited there should be no need to rebase the annual 6-8% EPS growth on a future roll-forward. FE had previously commented that the company would review the earnings growth guidance once Mr. Tierney, who became CEO on June 1st, fully reviews the plan but he strongly endorsed it. We await a formal earnings growth guidance update although the latest commentary suggests FE will stick with the current growth guidance. We maintain Underperform on FE given our view of above-average earnings and regulatory uncertainty that leads to adjusted EPS below Consensus forecasts.

Defending the operating earnings growth rate despite NT headwinds
Management maintained that while pension expense remains a headwind and Signal Peak contribution should decrease over time, rate base growth and improvement in earned versus allowed ROEs should mitigate earnings drag. FE plans to use its stronger balance sheet following FET (FE Transmission) sale to invest in rate base growth across its jurisdictions. Transmission investment was described as a billion-dollar investment opportunity, with management reiterating +7% transmission rate base growth in 2024 and 2025.

FE focused on earning at authorized levels, growing investments
FirstEnergy remains focused on improving earned versus allowed ROEs across utility jurisdictions from 2023-2024 electric rate cases across utility jurisdictions. Management cites ~200-250bps unfavorable spread between earned versus authorized in select jurisdictions including Pennsylvania. A key area of the plan is gaining approval for pension mechanisms across jurisdictions to enable recovery of pension income / expense as well as mitigating expense volatility. Consistent with messaging across OH utilities, FE cites data center load growth should drive Transmission investment. Offshore wind transmission remains another unique area of upside with Jersey City Power & Light (JCP&L) planning to participate in prospective offshore wind transmission

solicitations in New Jersey following 2022 NJ Board of Public Utilities order which granted JCP&L significant capex as part of Phase 1 OSW Transmission solicitation.

Regulatory: OH rate case in focus 2024+, key unknown & central to EPS growth
Reasonable rate case outcomes across FE jurisdictions remains key driver of above-average earnings growth with 33% of FE's distribution rate base under review in 2023 and remaining 67% of rate base likely under review in 2024. Management cites 2024 Ohio and Pennsylvania filings should enable new rates across these jurisdictions. We closely monitor Ohio rate case which management expects to file in 2024. The 2024 rate case is the first since the HB6 scandal broke and we watch Ohio regulators positioning on FirstEnergy Ohio rate cases.

New CEO: First 100-days priority - Meeting with key stakeholders
The CEO emphasized his priority for the first 100 days in the role is meeting with key stakeholders in Ohio and across the US. Mr. Tierney has focused on meeting with regulators, employees, and politicians. Key learnings include that FirstEnergy must ramp critical workforce including utility lineman and substation workers with current constraints requiring use of extreme overtime. Further, Mr. Tierney is focused on initiating strong relationship with regulators, principally Public Utility Commission of Ohio given the legacy FE scandal. He is optimistic his reputation in Ohio will help improve company relations with PUCT. *The message of a need to invest in more personnel is a subtle shift from a previous orientation on cost control. While management did emphasize FE Forward initiatives, there was an impression that costs could be biased higher overall. Where FE flexes O&M will be important to watch with the important rate cases pending and forthcoming.*

Still unknowns in HB6 scandal fall-out, though FE is far along path to resolution
FirstEnergy is still recovering from legacy HB6 scandal, with the highest hurdle having been in Ohio. The company is flowing back rates to customers including refunding some non-regular legacy expenses to customers. Investigations or audits are still playing out across FE jurisdictions including Ohio and New Jersey including which could require further refunds. Yet, management has emphasized the goal of promoting constructive relationships in Ohio, specifically. FE hopes the change in management team can help to catalyze improved regulatory relations.

NiSource (NI)

We met with NiSource management who appeared extremely comfortable with the plan and relaxed regarding the path forward. Management comprehensively reaffirmed the key financial metrics with the NIPSCO sale update on June 20th, just weeks ago.

NIPSCO sale structure had a partnership twist. Not evaluating further sell-down
The chosen partnership structure for the 19.9% NPSCO minority sale is different from the corporate structure adopted for other peer minority sale transactions. There are some nuances with fairly small pros and cons, but the core conclusion is that further stake sell downs are possible. Management reiterated that it has no plans to sell additional portions of NIPSCO at this time and has not evaluated additional transactions. As part of the broader business review that was undertaken, management and the Board evaluated a range of options and was comfortable that this was the best path forward.

Natural gas AMI: 'meters for diesel'
Management was bullish on the customer benefits of natural gas advanced metering infrastructure (AMI) which is upside to the capital plan. Current NiSource has automated meter reading (AMR) technology and is evaluating the merits of upgrading to AMI. NiSource noted that the costs savings of AMI remote start and disconnect are stronger with the recent inflation. In a world with $5/gallon diesel fuel for trucks that can drive 60,000 miles per year, the savings are higher than two years earlier. Additionally with

higher insurance and property values, reducing the amount of drive time and probability of accidents has secondary savings as well. The company's attention to detail on multiple facets here highlight the depths to which cost savings are being pursued.

We have seen regulatory pushback throughout the industry on utility efforts to convert from undepreciated AMR to AMI so this will be an interesting area of upside to watch

Electric generation steadily progressing

NiSource emphasized that it has worked well with stakeholders in Indiana to avoid pitfalls that have plagued other projects. There is a delicate balance between being perceived as going "all-in" on any one technology, so a sensible mix is the preferred path

NIPSCO issued a press release on July 11th that it achieved commercial operations on 465MW of solar assets: 200MW Indiana Crossroads Solar and 265MW Dunns Bridge I Solar.

We remain optimistic that management can present an economic case for additional utility ownership of the prospective renewables projects rather than rely as heavily on tax equity – again, upside to the outlook. *Look for a more firm financial update by EEI.*

Industrial development further optionality

The Columbia Gas of Ohio subsidiary is poised to benefit from Intel (INTC) and other large companies adding to their Ohio presence in the Eastern part of the state. Currently the area is largely farmland with de minimis customer count and could have meaningful expansion potential. Overall NiSource has had fairly steady +50-70bp annual gas customer growth led by Virginia's +125bp but additional Ohio development could be upside.

Industrial development is not just isolated to Ohio as the company highlighted recent state wins in Indiana as well. Indiana has the advantage of proximity to the Chicago hub, cheap/available real estate, and flexibility on purchasing power (PJM and MISO) / natural gas (multiple pipe interconnections).

No additional acquisitions

Dominion's ongoing business review was topical given the East Ohio gas business which has relatively adjacent service territories in Northeast and Western Ohio. Dominion has disclosed $4.2Bn rate base and ~$1.5Bn net pension. NiSource repeated prior statements that it is very bullish on its organic plan and is not interested in pursuing large acquisitions that would strain the improving balance sheet. NiSource did comment on its historical experience of selling the Massachusetts LDC which had allocated general and administrative (G&A) cost dis-synergies as a generic cautionary point for a company pursuing deconsolidation divestitures.

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
AEP	AEP US	American Elec Power	US$ 85.48	A-2-7
FE	FE US	FirstEnergy	US$ 39.24	B-3-7
NI	NI US	NiSource Inc	US$ 27.47	B-1-7
D	D US	Dominion Energy	US$ 51.31	B-3-7

Source: BofA Global Research

Price objective basis & risk

American Electric Power (AEP)
Our price objective of $89 is based on sum-of-the-parts (SOTP) analysis.

We ascribe a peer forward FY25E P/E multiple (15.5x) with a 1.0x premium for its Texas transmission and distribution utilities and transmission-only utilities segments and a 0x premium (in-line multiple) for Ohio.

We apply a -3x for ApCo on under-earn and coal securitization risk. We apply -4x at SWEPCO on regulatory execution risk. Elsewhere we apply -2x on earnings lag and below-average jurisdictions.

Vertically integrated utilities are assigned a -2x discount on regulatory and execution risks. For the unregulated portion, we apply a 3.5x discount to the legacy energy supply and marketing business and an 8x premium to the contracted renewables business to reflect sale aspirations.

Risks to achievement of the price objective are 1) regulatory outcomes are less favorable than expected, which could result in reduced return on equity (ROE), 2) large capital intensive projects 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.

Dominion Energy (D)
We value Dominion Energy at $48 using a 2025E sum-of-the-parts analysis. For the utilities we apply the comparable electric (15.7x) and gas (15.5x) peer multiples which we gross-up by 5% to reflect capital appreciation across the sector. We apply -1.5x discount for base Virginia (-9%). 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 at: 13x EV/EBITDA Cove Point, 5x Millstone (13% FCF Yield), and 5x for renewables. 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. We lastly include prospective interest rate exposure that is not impacting near-term estimates due to hedges.

Risk to achievement of the Price Objective are 1) regulatory, legislative, and political actions, 2) ability to earn or exceed the regulatory allowed ROE, 3) capital markets and equity requirements, 4) changes to the capital expenditure and rate base forecast for both regulated & unregulated segments, 5) volatility in interest rates and pension returns, 6) changes in commodity prices, 7) natural disasters, nuclear accidents, and weather, 8) nuclear performance, 9) inflation, & 10) offshore wind construction.

FirstEnergy (FE)
The $39 Price Objective is based on a sum-of-the-parts valuation. Our multiples are driven by relative P/E premiums/discounts to the 16.7x 2025E regulated peer multiple. Peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector, a consistent approach across our coverage universe. We apply -2x discount to

reflect rate review risk, below average risk, and pension exposure. We subtract out the holding company debt given the above-average leverage

Upside and downside risks to the Price Objective are: 1) regulatory/political/legislative outcomes, 2) ability to earn the allowed ROEs and/or other changes in regulatory earnings, 3) weather and natural disasters, 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, 8) economic conditions & interest rates, and 9) taxes.

NiSource Inc (NI)
Our $31 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2025 forward P/E multiples that are marked-to-market to the latest peer utility multiples of 15.7x for gas and 15.5x for electric. Consistent across our coverage universe, the base electric & gas peer P/E multiples are grossed up by +5% to reflect capital appreciation across the sector. We utilize a +1x premium for NIPSCO Gas/Electric due to generally constructive regulatory outcomes. We subtract the value of excess holding company debt at the parent not supporting the utility subsidiaries.

Positive and negative risks to our Price Objective are changes in 1) regulatory, political, and legislative outcomes, 2) ability to execute on capital expenditure plan, 3) inflation, operating expense, and interest rates as they influence earned rates of return, 4) customer count and load growth, 5) commodities, 6) natural disasters, 7) pension plan returns, 8) equity and asset sale needs.

Analyst Certification

We, Paul Zimbardo and Julien Dumoulin-Smith, 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 Financial Advisor to IRG Acquisition Holding LLC in connection with its proposed acquisition of American Electric Power Co Inc's 1,365-megawatt unregulated, contracted renewables portfolio, which was announced on February 23, 2023.

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Array Technologies	ARRY	ARRY US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Alex Vrabel
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	ENLT	ENLT US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	XENLF	ENLT IT	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	Nextracker Inc	NXT	NXT US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG 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
	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
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC 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				
	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	Dariusz Lozny, CFA
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Dariusz Lozny, CFA
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	New Fortress Energy	NFE	NFE US	Cameron Lochridge
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith

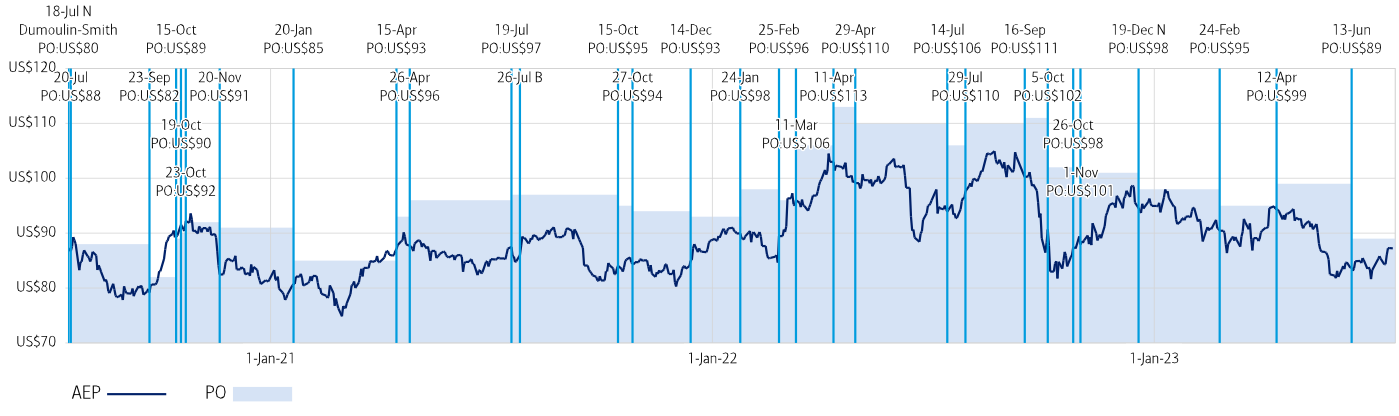
North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX 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
UNDERPERFORM				
	Allete Inc	ALE	ALE 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
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	EVgo Inc.	EVGO	EVGO US	Alex Vrabel
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	Generac Holdings Inc.	GNRC	GNRC 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
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

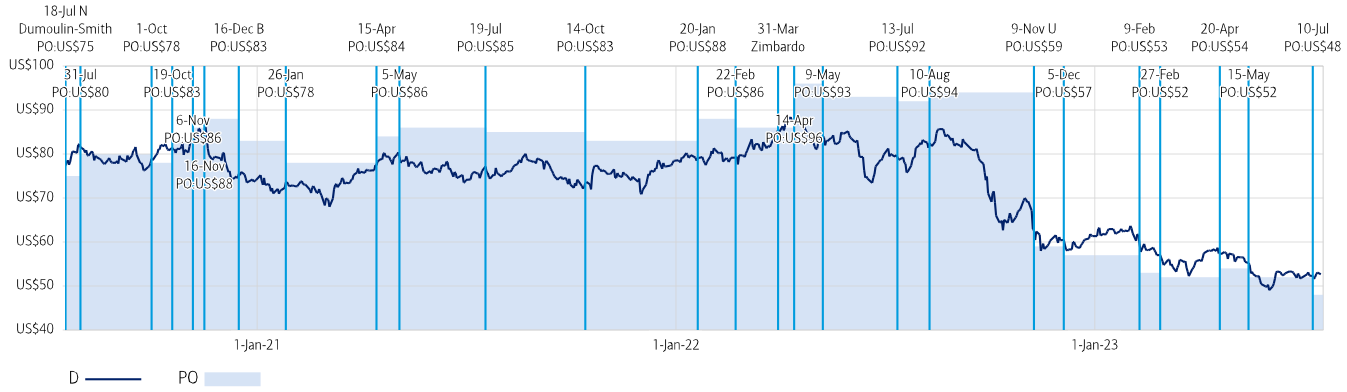
American Elec Power (AEP) Price Chart



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.

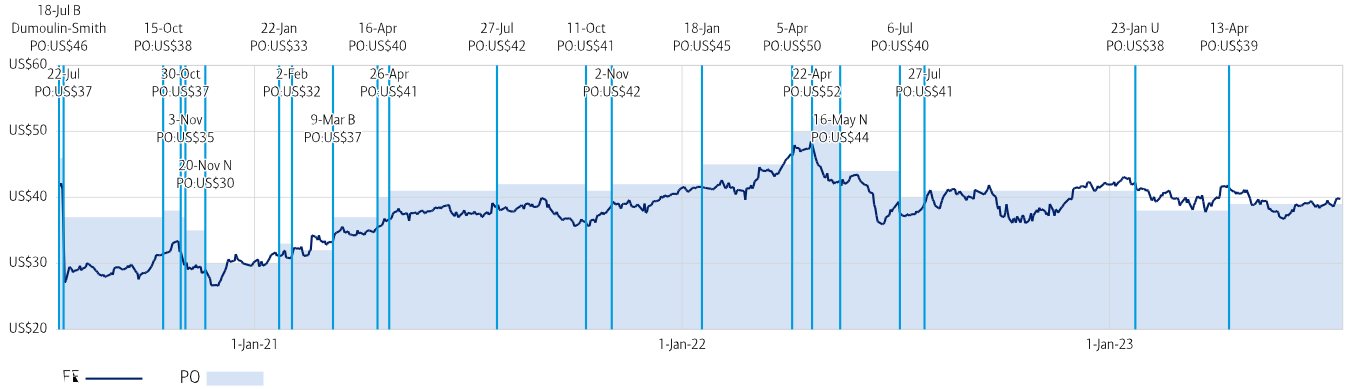
Dominion Energy (D) Price Chart



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.

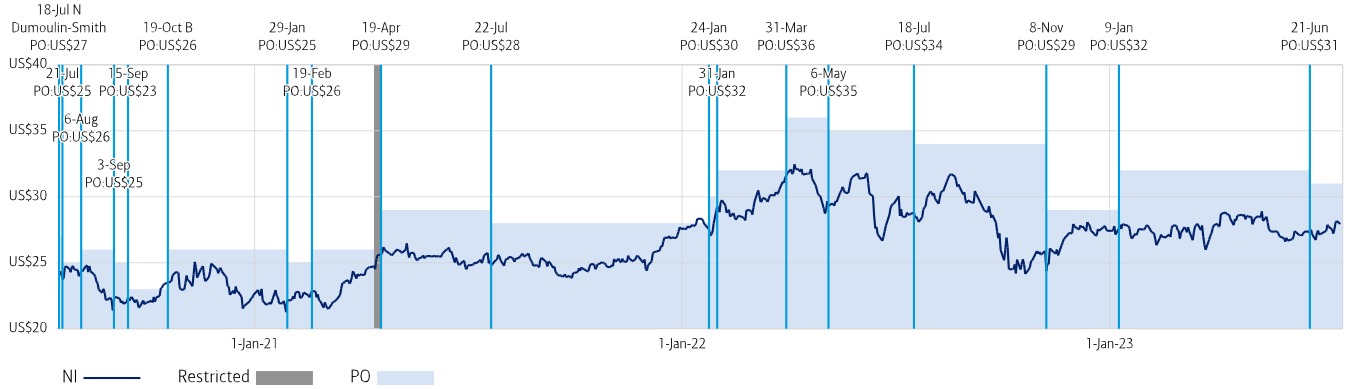
FirstEnergy (FE) Price Chart



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.

Equity Investment Rating Distribution: Energy Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	84	61.76%	Buy	65	77.38%
Hold	28	20.59%	Hold	20	71.43%
Sell	24	17.65%	Sell	15	62.50%

Equity Investment Rating Distribution: Utilities Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	80	51.61%	Buy	52	65.00%
Hold	40	25.81%	Hold	29	72.50%
Sell	35	22.58%	Sell	23	65.71%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1877	53.28%	Buy	1040	55.41%
Hold	815	23.13%	Hold	464	56.93%
Sell	831	23.59%	Sell	385	46.33%

[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). Our investment ratings are: 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. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. 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: American Elec Power, Dominion Energy, FirstEnergy, NiSource Inc.
BofAS or an affiliate was a manager of a public offering of securities of this issuer within the last 12 months: Dominion Energy, FirstEnergy Corp, 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: Amer Elec Power, Dominion Energy, FirstEnergy Corp, NiSource Inc.
BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: Amer Elec Power, Dominion Energy, FirstEnergy Corp, NiSource 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: Amer Elec Power, Dominion Energy, FirstEnergy Corp, NiSource Inc.
BofAS or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: Amer Elec Power, Dominion Energy, FirstEnergy Corp, NiSource 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: Amer Elec Power, Dominion Energy, FirstEnergy Corp, NiSource Inc.
BofAS together with its affiliates beneficially owns one percent or more of the common stock of this issuer. If this report was issued on or after the 9th day of the month, it reflects the ownership position on the last day of the previous month. Reports issued before the 9th day of a month reflect the ownership position at the end of the second month preceding the date of the report: Amer Elec Power, Dominion Energy, NiSource Inc.
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: American Elec Power, Dominion Energy, FirstEnergy, NiSource Inc.
The issuer is or was, within the last 12 months, a securities business client (non-investment banking) of BofAS and/or one or more of its affiliates: Amer Elec Power, Dominion Energy, NiSource Inc.
BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.

Other Important Disclosures

From time to time research analysts conduct site visits of covered issuers. BofA Global Research policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits.
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US Utilities & IPPs

Investor feedback: quest to leave no stone unturned in search for utility value

Industry Overview

24 July 2023

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Feedback starts with Dominion, the stock of 2023

After publishing our 2Q23 utility preview along with associated themes, we recap feedback received and key debates. See the full report: US Electric Utilities & IPPs: 2Q23 Powered by AI: More robust investment outlooks clouded by haze 20 July 2023. The single most discussed equity is Dominion Energy (D). While some long onlys have a positive view of the company, very few investors have high conviction given the quantum of uncertainty. We maintain our Underperform rating on shares of D, where we expect the 3Q23 EPS to be deeper than investors expect with a $3.50 2025 base ($3.64 BofA estimate). See our recent analysis: Preparing for the 3Q Investor Day: Why We are Still Bearish on Catalysts Ahead 10 July 2023. Details on the Ohio utility asset sale prospects are on page 2.

Investor debates center on value names

The top inbound question we receive is what regulated value (low P/E) utility is the best opportunity? We recommend Buy-rated PPL Corp (PPL), Sempra (SRE), and Duke Energy (DUK) with attractive valuations and outlooks. Buy-rated PG&E Corp (PCG) remains our top utility idea, although it has above-average risk related to wildfires. Within the value utilities, investors debate the outlooks for Pinnacle West Capital (PNW), Entergy (ETR), American Electric Power (AEP), and Eversource Energy (ES). Sentiment towards PNW and ETR has improved, much more so for PNW, which is becoming a consensus long from our conversations. In contrast, we have heard consistent pessimism towards AEP and ES. For ES, there is caution around the delayed offshore wind sale proceeding and the related credit metric uncertainty.

XEL sentiment continues to erode; management message key

Xcel Energy (XEL) has successfully positively re-rated to a premium by being an early mover on “steel-for-fuel” and more consistent execution. Investor confidence has materially eroded from our conversations. The combination of high-profile regulatory (Minnesota), legislative (Colorado), and wildfire (Colorado) setbacks has many investors we speak to wondering if the stock could derate back to its historical discount. We acknowledge that the outlook has deteriorated, but we maintain our Buy rating with the balance of 2023 regulatory schedule more subdued. The top end of the EPS guidance could be out of reach without upside capex, but we still see an ability to achieve the upper half of the EPS CAGR. Management messaging on the 2Q23 call and for the balance of 2023 will be critical to rebuild confidence in EPS and the premium valuation.

NextEra bulls hoping for a quiet quarter

NextEra Energy (NEE) is reporting 2Q23 earnings, and the optimistic case is that there will be an uneventful update and call. The 4Q22 (Florida) and 1Q23 (YieldCo) updates were dominated by distractions from the core operations. While 2Q23 wind output appears subdued across the US, this update should ideally be less controversial. See our report, Looking to Hydrogen to drive the narrative – quiet EPS update. We maintain our Neutral on shares of NEE, where we see balanced risk/reward.

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Dominion business review asset sale potentially nearing end

Per an industry media report (Peakload), NiSource (NI), UGI Corp (UGI), and Enbridge (ENB, not covered) are interested parties in Dominion's business review related to potentially buying Dominion East Ohio (none of the parties have confirmed the report, but Nisource and UGI have stated generically that they would look at acquisitions). Binding bids are said to be due later in July. We view this as a cautious datapoint for asset valuation. Dominion East Ohio reported $362Mn 2022 and $315Mn 2021 with $4.2Bn rate base and 51.3% common equity disclosed. There is also a $1.5Bn pension asset incremental with ~$150Mn expected return on assets supporting ~$100Mn+ net income.

NiSource management has consistently downplayed interest in acquisitions but did say on an earnings call in response to a question on this topic that "if someone wants to sell something to us at one times rate base, give us a call" – i.e., at no premium. UGI currently has one of the lowest 2025 P/E multiples at 8x versus the sector at ~16x. See our report,

US Utilities & IPPs: Buckeye Bullseye: Productive Ohio Field Trip with FE, AEP, & NI Senior Mgmts 18 July 2023.

Avangrid sentiment depends on who you ask

US investors remain overwhelmingly cautious on shares of Avangrid (AGR), where the more than one buy-side investor has described yet another guidance cut/rebase as "inevitable." International investors who primarily follow Avangrid's parent company Iberdrola (IBE) are most positive on shares of Avangrid from our discussions. The most discussed area of Avangrid is the outlook for the pending PNM Resources (PNM) merger. We maintain our Underperform rating on Avangrid shares, which trade at a +7% premium to BofA's below-consensus estimates. See our report,

Avangrid: 2Q23 Highlights challenges: FY23 guidance under renewed pressures 12 July 2023.

CEG: Valuation is in the eye of the beholder

Constellation Energy (CEG) is still hotly debated across a variety of topics. The most acute question is how the Internal Revenue Service (IRS) will guide on hydrogen tax credit qualification for existing nuclear assets as part of the Inflation Reduction Act (IRA). Further, if Constellation does not make hydrogen investments, the question is how the capital will be allocated – repurchases, additional acquisitions, data center investments, or an alternative. Investors we have spoken to either describe CEG as cheap (~13x P/E BofA) or expensive (~10x EV/EBITDA consensus). We land in the middle, with a view that the stock is approximately fair valued (we rate the stock Neutral). See our report,

Constellation Energy Corp: To Build Hydrogen or Not Build Hydrogen: 2Q23 Preview. Reiterate Neutral 17 July 2023.

FE: Investors do not expect any "shoes to drop" on EPS

Most hedge funds we speak to on FirstEnergy (FE) are cautious about a 2024 EPS guidance miss versus consensus and/or a long-term rebase. These investors have done extensive work on the rate cases and earned returns on equity (ROEs) by jurisdiction. Despite that backdrop, the majority of investors we speak to are positive on shares for 2023, as they expect the new CEO to strongly endorse the plan before more negative developments emerge. Long-only investors we have engaged with are generally more positive. We maintain our Underperform rating on shares of FE, which we view as relatively expensive given the unregulated mix and elevated regulatory activity. We are materially below consensus EPS for 2024+. See our report,

FirstEnergy: Can regulated growth offset headwinds? Time will tell, but we remain cautious. 18 July 2023.

What almost no one discussing: PEG, EXC, EIX, AEE

Sometimes it as informative to know which names investors are ***not*** focused on. There have been far more limited conversations related to Public Service Enterprise Group (PEG), Exelon Corp (EXC), Edison International (EIX), and Ameren Corp (AEE).

Exhibit 1: Primary stocks discussed in this report
Prices and ratings for primary stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
D	D US	Dominion Energy	US$ 53.78	B-3-7
SRE	SRE US	Sempra Energy	US$ 151.07	B-1-7
DUK	DUK US	Duke Energy	US$ 94.78	A-1-7
PPL	PPL US	PPL Corp.	US$ 27.89	B-1-7
PCG	PCG US	PG&E Corp.	US$ 17.96	C-1-9
XEL	XEL US	Xcel Energy	US$ 65.21	B-1-7
NEE	NEE US	NextEra Energy	US$ 75.9	B-2-7
AGR	AGR US	Avangrid	US$ 39.1	A-3-7
CEG	CEG US	Constellation Energy	US$ 96.6	C-2-7
FE	FE US	FirstEnergy	US$ 40.09	B-3-7

Source: BofA Global Research

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Price objective basis & risk

Avangrid (AGR)

Our $34 PO is based on a sum of the parts analysis. The core utilities are valued on by applying discounts to the base sector P/E of 15.5x/15.5x 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 10x 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 estimates are 1) earned ROEs at the utilities, 2) utility capital expenditure forecasts, 3) regulatory/political/legislative outcomes, particularly regarding the pending acquisition of PNM Resources, 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.

Constellation Energy Corp (CEG)

Our $98 Price Objective is based on a 10.3% 2025E equity Free Cash Flow yield (FCF yield) on blended basis. The 10.3% FCF yield represents a weighted average of 9.5% (first quartile) for the support FCF and 13.7% (third quartile) for merchant FCF, utilizing energy comparables. We include $1/Sh to CEG from the publicly disclosed ownership of NetPower (NPWR).

Risks to achievement of the Price Objective and rating are: 1) changes in energy & capacity prices, 2) retail margins, renewals, win rate, & overall market share, 3) operating, capital, and fuel costs, 4) capital allocation decisions including M&A, growth, and share repurchases, 5) nuclear operational performance, incidents, or accidents, 6) legislative and regulatory changes, 7) nuclear fuel costs & availability, 8) change in environmental standards for generation assets, 9) management turnover, 10) pension & nuclear decommissioning trust returns, 11) credit rating agency requirements, 12) interest rates, and 13) NetPower ownership.

Dominion Energy (D)
We value Dominion Energy at $48 using a 2025E sum-of-the-parts analysis. For the utilities we apply the comparable electric (15.7x) and gas (15.5x) peer multiples which we gross-up by 5% to reflect capital appreciation across the sector. We apply -1.5x discount for base Virginia (-9%). 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 at: 13x EV/EBITDA Cove Point, 5x Millstone (13% FCF Yield), and 5x for renewables. 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. We lastly include prospective interest rate exposure that is not impacting near-term estimates due to hedges.

Risk to achievement of the Price Objective are 1) regulatory, legislative, and political actions, 2) ability to earn or exceed the regulatory allowed ROE, 3) capital markets and equity requirements, 4) changes to the capital expenditure and rate base forecast for both regulated & unregulated segments, 5) volatility in interest rates and pension returns, 6) changes in commodity prices, 7) natural disasters, nuclear accidents, and weather, 8) nuclear performance, 9) inflation, & 10) offshore wind construction.

Duke Energy (DUK)
Our $104 PO is derived from a sum-of-the-parts valuation. We value the Electric and Gas utilities using peer 2025E P/E multiples. We apply a 2x multiple premium to Duke's operations in FL and 2x in IN to reflect more favorable regulatory environments (and potential generation opps in IN). We apply a 1x multiple to the Carolinas given upside to spending in improving regulatory construct combined with latest IRP & wider legislative reforms into 2023.

We value the other regulated electric utilities at 15.6x and the gas utilities at peer group multiples of 14.9x 2025E 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 2025E EV/EBITDA basis. We use 8.0x multiples for midstream and 9.0x for transmission segments. 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.

FirstEnergy (FE)
The $37 Price Objective is based on a sum-of-the-parts valuation. Our multiples are driven by relative P/E premiums/discounts to the 16.0x 2025E regulated peer multiple. Peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector, a consistent approach across our coverage universe. We apply -2x discount to reflect rate review risk, below average risk, and pension exposure. We subtract out the holding company debt given the above-average leverage

Upside and downside risks to the Price Objective are: 1) regulatory/political/legislative outcomes, 2) ability to earn the allowed ROEs and/or other changes in regulatory earnings, 3) weather and natural disasters, 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, 8) economic conditions & interest rates, and 9) taxes.

NextEra Energy (NEE)
Our $76 PO is derived using an sum-of-the-parts (SOTP) approach, with the utilities and parent segment valued on a 2025E P/E basis, and the generation segment valued on a 2025E EV/EBITDA basis. In addition, we include NEE's ownership stake in NextEra Energy Partners (NEP) as well as the value of fixed fee IDR (DCF, at 6.7% disc rate). We assign 25E peer multiples of 15.5x for electric and 22.3x for water (grossed up by 5% and 7%, respectively, to reflect capital appreciation) with discount/premium to reflect the growth/risk profile of the businesses. We apply a 3x premium for FPL and Gulf. For NEER, we apply a peer EV/EBITDA multiple of 9.5x, which we adjust depending on asset type. We give contracted renewables and 5x premium given fuel type and contracted nature. We utilize a DCF of new renewable for projects beyond 2024 and include a 12x terminal multiple. We value contracted nuclear on a DCF approach using an 8% discount rate. We apply a 1x premium multiple to pipelines, -4.5x 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 our PO are: 1) regulatory/political/legislative outcomes, 2) weather and natural disasters, 3) commodity price changes, 4) fluctuations in stock prices for NextEra Energy Partners, 5) renewable development margins & margin, and 6) election commission review.

PG&E Corporation (PCG)
Our PO of $19 reflects an in-line P/E versus the respective electric (15.5x) and gas (16.0x) peer P/E groups with both grossed-up by 5% to reflect capital appreciation across the sector) based on 2025E. The acute wildfire risk is incorporated separately via a scenario probability weighted at 100% assuming PCG hits the cap in 3-year increments. Lastly, we net out 50% weighting of HoldCo debt and add back 50% weighting of interest expense to derive our Price Objective.

Risks to achievement to estimates and Price Objective are: 1) Wildfire and other natural disasters/catastrophic events, 2) regulatory outcomes, 3) interest rates, 4) equity needs, 5) earned returns and operating costs, 6) Fire Victim Trust monetizations, 7) ability to deploy capital, 8) asset sales, 9) management changes, and 10) environmental, social, & governance [ESG] profile.

PPL Corporation (PPL)
Our $32 price objective is based on a sum of the parts methodology applying respective premium/discounts to the 2025E peer group multiple of 16.0x. Electric peer P/E multiple is grossed up by 5% to reflect capital appreciation across the sector, a consistent methodology across our coverage universe. We value all of the utility subsidiaries at +0.5x premium to the sector to reflect the lack of regulatory activity, above-average credit metrics, transmission earnings mix, and reasonable jurisdictions.

Risks to the achievement of our Price Objective are: 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 and execution, 7) natural disasters/weather, 8) equity issuance/repurchase plans, 9) corporate taxes, 10) pension returns, and 11) litigation.

Sempra Energy (SRE)
Our $173 PO is based on a sum of the parts valuation of 2025E earnings. The US utilities are valued using the electric (16.5x) and gas (16.7x) average P/E that we grossed-up +5% to account for sector growth. We apply a -2x discounted valuation to

the California gas utility (SoCal Gas) for concerns about long-term use of natural gas. We apply a -1x discounted valuation to the California electric utility (SDG&E) to reflect the wildfire risk exposure. 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 11x EV/EBITDA, an implied premium to the Mexican market (5.5x) and select premium US midstream comparable (Williams and TC Energy at approximately 9-10x) 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 and cash netting.

Risks to achievement to our Price Objective are: 1) Wildfire and other natural disasters/catastrophic events, 2) regulatory outcomes, 3) interest rates, 4) equity needs, 5) earned returns and operating costs, 6) LNG development, 7) ability to deploy capital, and 8) environmental, social, & governance [ESG] profile.

Xcel Energy Inc (XEL)
Our PO is $73. 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 2025E forward P/E multiple of 15.8x 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 2x premium to XEL subsidiaries in MN and CO, 4X for NM/TX, and 3x for 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 net back 50% of the parent interest expense and instead subtract out 50% of parent debt to more accurately reflect HoldCo leverage. Risks to achievement of the Price Objective are 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.

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North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Array Technologies	ARRY	ARRY US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Alex Vrabel
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	ENLT	ENLT US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	XENLF	ENLT IT	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	Nextracker Inc	NXT	NXT US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG 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
	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
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC 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				
	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	Dariusz Lozny, CFA
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Dariusz Lozny, CFA
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	American Electric Power	AEP	AEP 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
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	New Fortress Energy	NFE	NFE US	Cameron Lochridge
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX 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
UNDERPERFORM				
	Allete Inc	ALE	ALE 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
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	EVgo Inc.	EVGO	EVGO US	Alex Vrabel
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	Generac Holdings Inc.	GNRC	GNRC 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
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Utilities Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	80	51.61%	Buy	52	65.00%
Hold	40	25.81%	Hold	29	72.50%
Sell	35	22.58%	Sell	23	65.71%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1877	53.28%	Buy	1040	55.41%
Hold	815	23.13%	Hold	464	56.93%
Sell	831	23.59%	Sell	385	46.33%

[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 & IPPs

Who Owns What? Crowding increases after utilities pullback draws buyers

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Industry Overview | 12 September 2023 | Equity | United States | Utilities

Key takeaways

- Latest 6/30/23 ownership analysis shows increase in crowding overall. Most crowded HF names are NI, ETR, PPL, & DTE/DMS.
- HFs bought ETR while LOs sold. In contrast, HFs sold DTE while LOs bought. HFs and LOs disagree on WEC, PPL, CNP, ETR, & DTE.
- CEG two very concentrated long only buyers. NRG activist ownership analysis. Reviewing large holders overall: AES and CNP.

Glossary
HF: Hedge fund
LO: Long only
QTD: Quarter-to-date
YTD: Year-to-date

Utilities got more crowded in 2Q23 after weakness

We provide our latest quarterly analysis of 6/30/23 13-F ownership data in our "Who owns what?" series. We compile crowding data by examining a broad group of ~45 investment funds, including 21 hedge funds (HFs) and 25 "long-only" (LO) funds. Dedicated investors increased their utility exposures ahead of utilities -3% QTD, the worst performing sector by a wide margin. While hedge fund crowding decrease in 1Q23, there was a general increase in 2Q23. For the second consecutive quarter, long onlys increased exposure and concentration but to a lesser degree than in 1Q23.

Crowded HF longs: NI, ETR, PPL, & DTE/CMS

The most crowded longs among hedge funds are NiSource (NI), Entergy (ETR), PPL Corp (PPL), and DTE Energy (DTE)/CMS Energy (CMS). While NiSource remains the most owned equity, the crowding factor slightly moderated QoQ. In contrast, Entergy had the largest increase in crowding among hedge funds while Entergy had a large decrease in long-only ownership. We view ETR as fairly valued given the regulatory uncertainty.

Where do HFs and LOs disagree? WEC, PPL, CNP, & ETR

While hedge funds net sold DTE, that was the most popular buy among long onlys. While DTE was net sold by hedge funds, it was still the fourth most popular position. In contrast, long-onlys' largest net sale was CenterPoint (CNP) versus unchanged hedge fund support. Entergy had the largest increase in crowding to be the #2 regulated utility but it had the most net sales by long-onlys after CNP. PPL Corp (PPL) is a top HF pick but has less LO support - this is part of our long-term bullish view. While WEC Energy (WEC) remains one of the best owned utilities by long-onlys. Other names where LOs are more positive include FirstEnergy (FE), Dominion Energy (D), NextEra Energy (NEE), and Ameren (AEE).

Under-owned opportunities: ED, PCG, & DUK. D expensive

We continue to view Consolidated Edison (ED), PG&E Corp (PCG), and Duke Energy (DUK) as three attractively valued regulated utilities that have below-average dedicated investor ownership. ED for example is one of the least-owned utilities among hedge funds and long-onlys alike. Maintain Buy on ED, PCG, & DUK with attractive risk-adjusted outlooks. We believe that LO support for Dominion is misplaced and view shares as relatively expensive with a challenging path forward. Maintain Underperform - see our latest here. (https://rsch.baml.com/r?q=ELxxMD8XcdTs8uZp-ewweA)

CEG: Two long-onlys buy at large percentage of volume

Constellation Energy (CEG) had two of the largest purchases in the entire utilities and power sector. Two long only investors each purchased ~13Mn shares during the quarter, two of the most concentrated adds we observed. These two investors each represented ~9% of the volume traded during the quarter. CEG is +20% since 6/30, the second-best performer after power peer Vistra (VST +28%).

46 large investors analyzed

We examine 13-F ownership disclosures for a broad group of 46 representative investment funds. This includes 21 hedge funds (unchanged from our last analysis) and 25 funds with typically longer-term investment horizons ("long-only"). Not all of the "hedge funds" listed are traditional long/short asset managers but rather we designed to capture a broader universe. We believe that this sample captures a diverse group of investor styles and approaches to investing.

Exhibit 1: Investment funds included in our data analysis
We analyze the public holdings of a variety of hedge funds and long-onlys

Hedge Funds	Long Only Investors
Adage Capital Management Lp	Amp Capital Investors Ltd.
Alliancebernstein Lp	Capital Research & Management Co. (Global Investors)
Balyasny Asset Management Lp	Columbia Management Investment Advisers Llc
Citadel Advisors Llc	Duff & Phelps Investment Management Co.
Coann Capital Llc	Fidelity Management & Research Co. Llc
Cohen & Steers Capital Management, Inc.	First Trust Advisors Lp
Covalis Capital Llp	Franklin Advisers, Inc.
D. E. Shaw & Co. Lp	Invesco Capital Management Llc
Exoduspoint Capital Management Lp	Jennison Associates Llc
Hite Hedge Asset Management Llc	Jpmorgan Investment Management, Inc.
Holocene Advisors, Lp	Kayne Anderson Capital Advisors Lp
Jane Street Capital Llc	Loomis, Sayles & Co. Lp
Millennium Management Llc	Lord, Abbett & Co. Llc
Point72 Asset Management Lp	Magellan Asset Management Ltd.
Pointstate Capital Lp	Maple-Brown Abbott Ltd.
Schonfeld Strategic Advisors Llc	Mondrian Investment Partners Ltd.
Southpoint Capital Advisors Lp	Neuberger Berman Investment Advisers Llc
Verition Fund Management Llc	Norges Bank Investment Management
W.H. Reaves & Co., Inc.	Nuveen Asset Management Llc
Walleye Capital Llc	Pictet Asset Management Sa
Zimmer Partners Lp	T. Rowe Price Associates, Inc. (Investment Management)
	Tiaa-Cref Investment Management Llc
	Van Eck Associates Corp.
	Voya Investment Management Co. Llc
	Wellington Management Co. Llp

Source: BofA Global Research

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See below for other reports on ownership and crowding dynamics.

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
US Clean Tech: Who Owns What? Uniform Preference for Utility Scale Names in Clean Energy (https://rsch.baml.com/r?q=ez8JG3yC5ejZSyhzT3-lYw)	Julien Dumoulin-Smith	29 August 2023
US Utilities & IPPs: Who Owns What? Growing divide between hedge funds and long onlys as utilities lag (https://rsch.baml.com/r?q=gKtmbo83gki1vSNe6QZaFg)	Julien Dumoulin-Smith	29 June 2023
US Alternative Energy: Who Owns What? 3/31/23 HF & LO Trends. Clean Energy Crowding Analysis (https://rsch.baml.com/r?q=lgwtUI12ARe0-TlOOLxBIg)	Julien Dumoulin-Smith	20 June 2023
US Alternative Energy: Who Owns What? 12/31/22 HF & LO Trends. Clean Energy Crowding Analysis (https://rsch.baml.com/r?q=J1kKzGBF6knh9A-FLDR3rw)	Julien Dumoulin-Smith	27 March 2023
US Utilities & IPPs: Who owns what? Assessing yet another risk factor, crowding, into challenging '23 (https://rsch.baml.com/r?q=3R1x5CwP6GqoXPpJ4eQYMA)	Julien Dumoulin-Smith	22 March 2023
US Alternative Energy: Who owns what? 6/30/22 HF & LO ownership trends - clean energy edition (https://rsch.baml.com/r?q=2gFPqahTYi2hFVlWL8s3dA)	Julien Dumoulin-Smith	12 September 2022
US Electric Utilities & IPPs: Half time: Who owns what? HF/LO 6/30/22 ownership & crowding trends (https://rsch.baml.com/r?q=HUafXed8xGlhnYKXGCqIww)	Julien Dumoulin-Smith	06 September 2022
US Electric Utilities & IPPs: Who Owns What? The Post-Ukraine HF/LO Ownership Shift (3/31/22 13-F Filing Data) (https://rsch.baml.com/r?q=rFSeg9v6kBsjlrUBPW9XvA)	Julien Dumoulin-Smith	20 May 2022
US Electric Utilities & IPPs: Who Owns What? ETF Ownership & Historical Performance/Volatility (https://rsch.baml.com/r?q=5F9jwtpu5U7AW2ixKJFFSA)	Julien Dumoulin-Smith	16 March 2022
US Electric Utilities & IPPs: Who Owns What? Analyzing YE21 HF/LO Trading Patterns. Watching Macro Matters (https://rsch.baml.com/r?q=MGhPFseWLCFfrk9ntKIU3Q)	Julien Dumoulin-Smith	28 February 2022
US Electric Utilities & IPPs: Who Owns What? #2: Long-Term Trends, ESG Ownership, and Top 10 Holders (https://rsch.baml.com/r?q=WdjlCf9BigwTkkEHJDDc0A)	Julien Dumoulin-Smith	02 September 2021
US Electric Utilities & IPPs: Who Owns What? What is Crowded? Analyzing HF/LO Trading Patterns (https://rsch.baml.com/r?q=NRi9PT8IwddlKVTSLYeQWA)	Julien Dumoulin-Smith	25 August 2021

Below, we show various statistics to assess relative ownership. Due to differing firm sizes, we analyze the data in different ways. This approach is consistent with our prior analyses for comparability. *The concentration approach could be the most meaningful, as it shows the breadth of ownership. This is likely a better representation of positioning crowding, as it should correlate better with relative performance around events and grossing events. Additionally, it shows whether the investment opportunity has resonated with a wider number of investors, whereas even median ownership can be skewed by larger investor positions.*

- **Median - All:** The median percentage ownership of total utility stock shares outstanding, for *all* funds in the group, including those with no ownership.
- **Median - Owned:** The median percentage ownership of total stock shares outstanding, for only those funds in the group which own shares.
- **Concentration:** The number of funds that own shares in each respective stock.

We caution against overreliance on any one source of crowding when assessing a position, but this information can help, particularly around sizing when constructing a portfolio. Additionally, the information is naturally "stale" representing at least 45-days after the quarter-end. Our analysis shows that long only positions tend to be stickier than hedge funds who historically have had more turnover in our analysis.

Exhibit 2: Hedge Fund and Long Only 6/30/23
Breakdown of median and concentration of utility ownership for hedge funds and long only investors

		Hedge Funds 6/30/2023			'Long Only' 6/30/2023		
		Median - All	Median - Owned	Concentration	Median - All	Median - Owned	Concentration
NiSource	NI	0.184%	0.302%	15	0.143%	0.295%	20
Entergy	ETR	0.140%	0.201%	17	0.216%	0.345%	21
PPL Corp	PPL	0.122%	0.370%	18	0.062%	0.073%	20
DTE Energy	DTE	0.111%	0.131%	17	0.148%	0.499%	18
CMS Energy	CMS	0.075%	0.088%	19	0.119%	0.682%	20
Exelon	EXC	0.072%	0.105%	16	0.121%	0.285%	19
FirstEnergy	FE	0.061%	0.147%	13	0.077%	0.177%	19
Pinnacle West	PNW	0.058%	0.195%	12	0.088%	0.320%	19
Alliant Energy	LNT	0.056%	0.110%	15	0.091%	0.465%	17
PG&E Corporation	PCG	0.052%	0.085%	18	0.139%	0.572%	19
Sempra Energy	SRE	0.037%	0.095%	15	0.189%	0.306%	22
CenterPoint Energy	CNP	0.036%	0.056%	15	0.142%	0.492%	20
Southern Energy	SO	0.034%	0.039%	17	0.144%	0.222%	20
Evergy	EVRG	0.023%	0.067%	15	0.091%	0.402%	18
Duke Energy	DUK	0.015%	0.040%	15	0.093%	0.147%	20
Eversource Energy	ES	0.014%	0.022%	14	0.107%	0.249%	20
Xcel Energy	XEL	0.012%	0.034%	17	0.196%	0.242%	20
American Electric Power	AEP	0.011%	0.113%	12	0.125%	0.251%	21
Dominion Energy	D	0.008%	0.021%	13	0.213%	0.268%	21
Public Service Enterprise Group	PEG	0.008%	0.059%	12	0.135%	0.303%	20
Ameren	AEE	0.008%	0.063%	14	0.208%	0.569%	18
NextEra Energy	NEE	0.003%	0.034%	13	0.199%	0.238%	22
Consolidated Edison	ED	0.002%	0.041%	11	0.058%	0.078%	18
WEC Energy	WEC	0.002%	0.027%	11	0.280%	0.478%	16
Avangrid	AGR	0.000%	0.013%	10	0.005%	0.018%	14
Edison International	EIX	0.000%	0.070%	8	0.103%	0.179%	20

Source: Company Filings, FactSet, Bloomberg, & BofA Global Research

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We are not surprised to see NiSource and PPL as two of the best owned hedge fund names. Entergy has historically been more crowded than not and has oscillated in and out of favor with investors. Entergy is -5% YTD and underperformed -6% in 2Q23 to one of the larger discounted in the utility sector. We maintain Neutral on shares of Entergy where we view the current discount as appropriate given regulatory uncertainty.

Long-only selling of CenterPoint is notable as we see a strong setup with upside to Texas earned returns and capex. Shares have been consistently under-owned which again creates an opportunity.

FirstEnergy (FE) had mixed updates as fewer hedge funds own shares versus 3/31/23 but the remaining fund owners have increased their exposure.

Pinnacle West (PNW) was one of the rare companies that saw an increase in ownership from both hedge funds and long-onlys.

Southern Company (SO) saw its hedge fund ownership diversify with five new funds.

Exhibit 3: 6/30/23 QoQ Changes for Hedge Funds
ETR had a large increase in crowding while DTE decreased.

		Median - All	Median - Owned	Concentration
Entergy	ETR	0.113%	0.104%	-
Pinnacle West	PNW	0.051%	0.025%	-
Exelon	EXC	0.037%	-0.019%	1
Southern Energy	SO	0.031%	0.019%	5
FirstEnergy	FE	0.031%	0.099%	(4)
PG&E Corporation	PCG	0.018%	0.028%	-
Evergy	EVRG	0.010%	0.036%	(1)
American Electric Power	AEP	0.006%	0.063%	(1)
Sempra Energy	SRE	0.005%	0.019%	1
Dominion Energy	D	0.003%	0.006%	(1)
Alliant Energy	LNT	0.003%	-0.025%	(1)
Ameren	AEE	0.003%	-0.036%	3
WEC Energy	WEC	0.002%	-0.013%	2
Consolidated Edison	ED	0.002%	0.021%	(1)
CenterPoint Energy	CNP	0.000%	-0.169%	3
Duke Energy	DUK	0.000%	0.003%	(1)
Avangrid	AGR	0.000%	0.007%	1
Edison International	EIX	0.000%	0.037%	(3)
NextEra Energy	NEE	0.001%	0.023%	(3)
Eversource Energy	ES	-0.003%	-0.008%	(2)
NiSource	NI	-0.005%	-0.038%	(1)
Public Service Enterprise	PEG	-0.009%	-0.042%	(1)
Xcel Energy	XEL	-0.012%	-0.004%	1
CMS Energy	CMS	-0.017%	-0.022%	-
PPL Corp	PPL	-0.017%	-0.004%	1
DTE Energy	DTE	-0.025%	-0.070%	-

Source: Company Filings, FactSet, Bloomberg, & BofA Global Research

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Exhibit 4: 6/30/23 QoQ Changes for Long Onlys
In contrast to hedge funds, LOs bought DTE and sold ETR

		Median - All	Median - Owned	Concentration
DTE Energy	DTE	0.023%	0.112%	(1)
Duke Energy	DUK	0.022%	0.018%	-
Pinnacle West	PNW	0.021%	0.087%	1
Dominion Energy	D	0.014%	0.050%	-
Consolidated Edison	ED	0.014%	-0.014%	-
FirstEnergy	FE	0.006%	-0.007%	1
Eversource Energy	ES	0.006%	0.124%	(1)
Southern Energy	SO	0.006%	-0.006%	-
NextEra Energy	NEE	0.004%	-0.069%	-
Exelon	EXC	0.004%	0.011%	-
Avangrid	AGR	0.002%	0.004%	(1)
PG&E Corporation	PCG	0.001%	0.002%	-
CMS Energy	CMS	0.000%	0.003%	-
Public Service Enterprise Group	PEG	0.000%	-0.016%	-
WEC Energy	WEC	-0.002%	-0.025%	(1)
NiSource	NI	-0.002%	0.052%	-
PPL Corp	PPL	-0.003%	-0.009%	-
Xcel Energy	XEL	-0.004%	-0.017%	-
Ameren	AEE	-0.008%	0.006%	-
Evergy	EVRG	-0.013%	0.002%	-
Edison International	EIX	-0.031%	-0.070%	1
Alliant Energy	LNT	-0.043%	0.103%	(1)
Sempra Energy	SRE	-0.053%	-0.005%	-
American Electric Power	AEP	-0.107%	-0.009%	-
Entergy	ETR	-0.130%	-0.040%	(1)
CenterPoint Energy	CNP	-0.283%	0.004%	-

Source: Company Filings, FactSet, Bloomberg, & BofA Global Research

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Alternative view on concentration

What utility and power companies have the largest owners excluding Vanguard and Blackrock? Having one large owner is a risk.

- AGR: #1 remains Iberdrola (IBE) who owns 81.6% of shares as the parent company
- AES: #1 owns 17.0% of shares
- CNP: #1 owns 15.3% of shares
- CEG: #1 owns 13.6% of shares
- NRG: #1 has 13% "economic interest". See next page.
- PCG: #2 owns 11.2% of shares and #3 owns 8.5% of shares. #7 PG&E Fire Victim Trust owns 3.2% (67.7Mn shares)
- AEE: #1 owns 11.0% of shares
- DTE: #2 owns 9.6% of shares
- EXC: #1 owns 9.1% of shares
- SRE: #1 owns 9.1% of shares
- EIX: #3 owns 9.0% of shares
- FE: #3 owns 7.6% of shares
- VST: #1 owns 7.5% of shares

NRG Ownership shows Elliott stake. Bluescape buys too.

Elliott Investment Management (Elliott) announced on May 15th that it had a ~$1Bn investment in NRG Energy (NRG) which was more than a 13% economic interest.

Elliott purchased 2.8Mn shares during the quarter, the sixth largest purchase during the quarter per SEC filings. This represents 1.2% of shares outstanding.

Elliott filed a request with the Federal Energy Regulatory Commission (FERC) to purchase up to twenty percent of NRG's outstanding common stock. Indicating that Elliott had 2.36% ownership interest as of the July 21st filing. See details here: US Utilities & IPPs: PowerPoints: NRG-Elliott Buying 25 July 2023 (https://rsch.baml.com/r?q=xAyZX7ek8m1F3DQKcgCQLg)

FERC Docket EC23-112-000

Notably Bluescape Energy Partners (Bluescape) purchase an incremental 1.5Mn shares to increase the position to 4.9Mn (2.2%). Bluescape Executive Chairman is C. John Wilder, a former utility and power executive. Bluescape was involved in the 2016-2017 cooperation agreement between NRG and Elliott.

We maintain Buy on shares of NRG where we see an attractive risk/reward, particularly after NRG has lagged its competitors VST and CEG in recent months. See our latest below:

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
NRG Energy: Post-Analyst Day follow through to begin: Reiterate Buy (https://rsch.baml.com/r?q=qJ-GC3q5TjOpfFyPpBgCrQ)	Julien Dumoulin-Smith	20 July 2023
NRG Energy: NYC management meetings takeaways: Committed to the Home strategy (https://rsch.baml.com/r?q=qQEIdBMCIxrmz50ZrEtX0g)	Julien Dumoulin-Smith	28 June 2023
NRG Energy: A-Day impresses; Jumping a low hurdle and onto more: Reiterate Buy (https://rsch.baml.com/r?q=sMFeBxsqUxlktyk0QS1apQ)	Julien Dumoulin-Smith	23 June 2023
NRG Energy: Exceeding the Goal Post for the Analyst Day: Reiterate Buy (https://rsch.baml.com/r?q=teR5klhS8HUBogMLBadRAw)	Julien Dumoulin-Smith	22 June 2023
NRG Energy: Activist re-enters the show: Value all the same with upside. Reiterate Buy (https://rsch.baml.com/r?q=4E96GKPIlDy20pv3YB-ZIA)	Julien Dumoulin-Smith	15 May 2023
NRG Energy: Upgrading to Buy; Vivid Opportunity Amid Improving Estimates - PO to $39 (https://rsch.baml.com/r?q=2CrdJMYwZal9zhEplSUGWQ)	Julien Dumoulin-Smith	20 March 2023
NRG Energy: Improved visibility to FCF outlook, now it's time to deliver - Neutral; PO raised to $35 (https://rsch.baml.com/r?q=O3UTQ2wDZN3qJdq4sRUeng)	Julien Dumoulin-Smith	21 February 2023
NRG Energy: Upgrading to Neutral Following Sell Off; PO to $32 (https://rsch.baml.com/r?q=843oHNFAn!wm!MGOGuPpDA)	Julien Dumoulin-Smith	19 December 2022

Exhibit 5: 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$ 95.33	B-2-7
ED	ED US	Consolidated Edison	US$ 89.73	A-1-7
PCG	PCG US	PG&E Corp.	US$ 16.9	C-1-9
DUK	DUK US	Duke Energy	US$ 91.78	A-1-7
D	D US	Dominion Energy	US$ 47.3	B-3-7
NRG	NRG US	NRG Energy	US$ 38.85	B-1-7

Source: BofA Global Research

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Price Objective Basis & Risk

Consolidated Edison (ED)
Our $96 PO is based on a sum-of-the-parts analysis applying premiums and discounts to the regulated group multiples 14.8x/14.3x for electric/gas respectively with an in-line multiple for Electric, Steam, & Gas to reflect a combination of historically challenging regulation but above-peer growth and de-risked profile. We apply a 2x premium to electric and 1x premium to gas to reflect regulatory de-risk and growth prospects. Both electric and gas peer 2025 P/E multiples are grossed up by 5% to reflect capital appreciation across the sector.

For noncore segments we apply an in line valuation to Con Edison Electric Transmission (CET) given potential for earnings growth and attractive regulatory characteristics. For the Mountain Valley Pipeline stake we apply a 10x EBITDA multiple to our 2024 EPS estimate reflecting recent positive legal and legislative developments.

Upside/downside risks are 1) earned regulatory returns, 2) capital expenditures, 3) regulatory/political/legislative changes, 4) interest rates, 5) natural disasters, 6) execution on unregulated projects. Additional downside risk: lack of approval or modification of the JP by the New York state commission.

Dominion Energy (D)
We value Dominion Energy at $44 using a 2025E sum-of-the-parts analysis. For the utilities we apply the comparable electric (15.3x) and gas (15.2x) peer multiples which we gross-up by 5% to reflect capital appreciation across the sector. We apply -1.5x discount for base Virginia. We apply discount adjustments to lower value utility sources in South Carolina (NND nuclear), Ohio (Pension income) and Utah (Wexpro) as well as the South Carolina bill credits.

Contracted assets are valued using 2025 EV/EBITDA: 5x Millstone (13% FCF Yield), and 5x for renewables. 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. We lastly include prospective interest rate exposure that is not impacting near-term estimates due to hedges.

Risk to achievement of the Price Objective are 1) regulatory, legislative, and political actions, 2) ability to earn or exceed the regulatory allowed ROE, 3) capital markets and equity requirements, 4) changes to the capital expenditure and rate base forecast for both regulated & unregulated segments, 5) volatility in interest rates and pension returns, 6) changes in commodity prices, 7) natural disasters, nuclear accidents, and weather, 8) nuclear performance, 9) inflation, & 10) offshore wind construction.

Duke Energy (DUK)
Our $103 PO is derived from a sum-of-the-parts valuation. We value the Electric and Gas utilities using peer 2025E P/E multiples. We apply a 2x multiple premium to Duke's operations in FL and 2x in IN to reflect more favorable regulatory environments (and potential generation opps in IN). We apply a 1x multiple to the Carolinas given upside to spending in improving regulatory construct combined with latest IRP & wider legislative reforms into 2023.

We value the other regulated electric utilities at 15.4x and the gas utilities at peer group multiples of 14.8x 2025E 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 2025E EV/EBITDA basis. We use 8.0x multiples for midstream and 9.0x for transmission segments. 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.

Entergy (ETR)
Our $107 Price Objective is based on a sum-of-the-parts analysis. The 2025E electric utilities average P/E of 15.8x is grossed-up +5%, to reflect capital appreciation across the sector. We apply -1x discounts to Arkansas, Mississippi, and SERI to reflect elevated regulatory uncertainty and the below-average credit rating versus peers for consolidated Entergy. We value Louisiana at a -2x discount, consistent with the treatment for American Electric Power, due to even higher regulatory volatility than other jurisdictions. We net out 50% of the parent HoldCo long-term debt and apply a P/E multiple to 50% of the interest expense.

Positive and negative risks to achievement of our Price Objective are: (1) regulatory, political, and legislative changes, (2) natural or nuclear disasters including hurricanes, (3) ability to deploy capital expenditures consistent with guidance, (4) earned rates of returns at the jurisdictions, (5) interest rates fluctuations, (6) equity issuances relative to management's forecast and access to capital markets, (7) pension and nuclear decommissioning fund performance and (8) costs and operational volumes at the remainder of the wholesale commodity subsidiary.

NRG Energy (NRG)
Our $46 price objective is based on our 2025E sum-of-the-parts analysis. We value NRG in six parts based on approximately EV/FCF: (1) 6.5x Legacy Retail, (2) 6.0x Direct Energy, (3) 7.0x Vivint, and (4) 1.5x Coal plus Hedges. The debt and preferred stock obligations are reductions from equity value.

We value Legacy Retail at a slight premium to peers given strong competitive positioning. We value Direct Energy in line with the Legacy Retail portfolio. For Vivint, our target multiple is a discount to NRG's other retail platforms given lower free cash flow conversion. Gas value reflects fair near-term profitability opportunity but limited long-term visibility. Last, our subdued Coal value is driven by limited terminal value for the assets.

Risks to the price objective are changes in 1) commodity prices, 2) operating cost, 3) environmental requirements, 4) cost of capital, 5) retail margins and customer counts, 6) natural disasters, 7) regulatory, legislative, and political changes, 8) customer acquisition costs, 9) retail competition, 10) pension and nuclear decommissioning trust assets/liabilities, and 11) interest rates.

PG&E Corporation (PCG)
Our PO of $19 reflects an in-line P/E versus the respective electric (16.1x) and gas (16.0x) peer P/E groups with both grossed-up by 5% to reflect capital appreciation across the sector) based on 2025E. The acute wildfire risk is incorporated separately via a scenario probability weighted at 100% assuming PCG hits the cap in 3-year increments. Lastly, we net out 50% weighting of HoldCo debt and add back 50% weighting of interest expense to derive our Price Objective.

Risks to achievement to estimates and Price Objective are: 1) Wildfire and other natural disasters/catastrophic events, 2) regulatory outcomes, 3) interest rates, 4) equity needs, 5) earned returns and operating costs, 6) Fire Victim Trust monetizations, 7) ability to deploy capital, 8) asset sales, 9) management changes, and 10) environmental, social, & governance [ESG] profile.

Coverage Cluster

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Array Technologies	ARRY	ARRY US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Alex Vrabel
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	ENLT	ENLT US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	XENLF	ENLT IT	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	Nextracker Inc	NXT	NXT US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG 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
	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
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
NEUTRAL				
	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	Dariusz Lozny, CFA

	Algonquin Power & Utilities Corp	YAQN	AQN CN	Dariusz Lozny, CFA
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	American Electric Power	AEP	AEP 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
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	New Fortress Energy	NFE	NFE US	Cameron Lochridge
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Allete Inc	ALE	ALE 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
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	EVgo Inc.	EVGO	EVGO US	Alex Vrabel
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	Generac Holdings Inc.	GNRC	GNRC 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
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
RSTR				
	ONE Gas, Inc.	OGS	OGS 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

Special Disclosures

BofA Securities is currently acting as exclusive financial advisor to Constellation Energy Corp in connection with its proposed acquisition of NRG Energy Inc's 44 percent ownership stake in the South Texas Project Electric Generating Station, which was announced on June 1, 2023.

Important Disclosures

Equity Investment Rating Distribution: Utilities Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships[R1]	Count	Percent
Buy	80	51.61%	Buy	52	65.00%
Hold	40	25.81%	Hold	29	72.50%
Sell	35	22.58%	Sell	23	65.71%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships[R1]	Count	Percent
Buy	1877	53.28%	Buy	1040	55.41%
Hold	815	23.13%	Hold	464	56.93%
Sell	831	23.59%	Sell	385	46.33%

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 & Clean Tech

PowerPoints: NI Peaker, IDA Coal Conversion, & CMS Update.

Industry Overview

NI: Files for $1,600/kW peaker shows inflationary impact

Northern Indiana Public Service Co (NIPSCO - NiSource [NI] subsidiary) filed with the Indiana Utility Regulatory Commission (IURC) for approval to build a 400MW brownfield combustion turbine natural gas plant (Case 45947) for $644Mn (~$1,600/kW). This generation investment is part of NI's long-term financial plan. The plant will be built at the Schahfer location which has cost savings from the existing infrastructure and interconnection rights. Substantial completion is targeted for mid-2026 to support 4Q26 in-service. NIPSCO is filing the natural gas plant as a "clean energy project" eligible for financial incentives. NIPSCO plans to use one large unit (F Class turbine) and three smaller units (LM6000s, which are the pricey bit) with a limited notice to proceed in October or November. The capacity will support resource adequacy from the retired Schahfer units 14 & 15 and the planned Schahfer units 17 & 19 and the Michigan City retirements. See Transmission & Gas interconnect as adding to cost too. *We maintain Buy on shares of NI given the relatively limited near-term regulatory activity and favorable financial characteristics that support a premium re-rating vs peers. We also see opportunity for upside to Consensus EPS estimates from incremental rate base investments for renewables and natural gas primarily. See details of the new asset in the full report.*

IDA: Pursuing Valmy coal conversion with partner

Nevada Power Company (NV Energy) filed an amendment to its 2021 Joint Integrated Resource Plan (IRP) with the Nevada Public Utilities Commission (PUC) requesting approval to convert the North Valmy coal plant to natural gas. NV Energy operates and co-owns Valmy 50% with Idaho Power Company (IDA primary subsidiary). Nevada Docket 23-08015. NV Energy discloses **$83Mn for their share of the conversion cost**. Valmy 1 has a December 2025 in-service target and Valmy 2 has a May 2026 in-service date objective. NV Energy's filing states that Idaho Power indicated interest in participating in the repowering conversion and is expected to file their own IRP in Fall 2023 and requesting approval from the Idaho PUC. Idaho Power has disclosed a preferred resource portfolio to end participation in coal at Valmy 2 at the end of 2025. Idaho Power currently has settlements in Idaho and Oregon related to the planned early coal retirements at Valmy with recovery by YE28. NV Energy also requested approval to (1) purchase and operate a 400MW solar plant plus 400MW four-hour battery; (2) operate the Tracy assets to 2049 with selective catalytic reduction [SCR] technology; (3) purchase 149MW solar and 149MW storage assets; and (4) other related infrastructure development.

IDA: Idaho rate case testimony is the major driver ahead

Valmy conversion has been discussed by IDA for years and the $83Mn capital investment should be consistent with investor expectations. We maintain Neutral on shares of IDA which have a balanced risk/reward profile with shares trading appropriately at a premium. The next critical event for IDA will be intervenor testimony in the rate case currently scheduled for October 18th.

15 September 2023

Equity
United States
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NIPSCO: Northern Indiana Public Service Co
IURC: Indiana Utility Regulatory Commission
IRP: Integrated Resource Plan
RFP: Request for proposal

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NI: Expensive peaker highlights inflationary pressures

NIPSC estimates a $641Mn construction cost with a -20%/+30% accuracy range from a third-party Sargent and Lundy for the plant. While this is an expensive generating asset, NIPSCO used a third part engineering and construction firm to develop a scope of work and evaluate the self-bid versus bids in the Fall 2022 competitive request for proposal (RFP). Of the $651Mn construction cost (~$1,600/kW), $139Mn is contingency and escalation ($347/kW). There were EPC RFP bids received: two of which were nonconforming and the third was $100Mn higher than NIPSCO's self-build option. *While this appears to be an expensive resource, particularly for brownfield development, from NiSource's filing it appears that there was a comprehensive market test and review of alternative resources. As a result we do not expected an overly contentious regulatory process but the higher price of the plant versus historical comps could lead to more stakeholder questions.*

NIPSCO estimates $1.25/month 2024 annualized customer bill impact for the average residential customer. NIPSCO proposes to recover the project costs via a semi-annual (June/December) forecasted Generation Cost Tracker (GCT) until the project enters base rates. Approval of the GCT should reduce regulatory lag and strengthen credit metrics.

Exhibit 1: NIPSCO 400MW Peaker Cost Estimate: $Mns and $/kW
This is one of the more expensive peaker plants we have seen proposed to date

NIPSCO Cost Estimates	($Mn)	$/kW
Inside the Fence	358.3	895.8
Electric Interconnection	23.7	59.1
Gas Interconnection	1.2	3.0
Water Interconnection	1.2	2.9
Owner's Costs	34.6	86.5
Escalation	66.2	165.5
Contingency	72.5	181.1
Direct Costs	557.6	1,394.0
Indirect Costs	83.6	209.1
Total Costs	**641.2**	**1,603.1**
Allowance for Funds Used During Construction	2.5	6.2
Total Costs plus AFUDC	**643.7**	**1,609.2**

Source: Company Filings

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CMS: Cautiously optimistic on settlement

Following relatively constructive testimony from Michigan Public Service Commission (PSC) Staff and interveners, we see potential for CMS Energy (CMS) to settle its electric rate case. Key areas of support include approval of an undergrounding pilot initiative along with the Investment Revenue Mechanism (IRM) which aims to enhance infrastructure resilience by replacing poles and hardening substations. The financial detailing for these projects, approved in mid-2022, will be incorporated in the subsequent case filings. Approximately ~$20m of revenue requirement allocated to solar projects that could fall outside of the test year is not seen as a negative long-term as pre-approval for the projects is secured and they will be added to a subsequent filing.

Mild weather persisting. Strong Treasury management leaves well positioned.
Weather has been a significant headwind for utilities in 2023, and in Q3 temperatures thus far have not been a significant tailwind. CMS has managed its balance sheet comparatively well with 98% of the existing debt is fixed at both the holding company and the operating company levels. The convertible issued earlier this year enabled pull-forward of 2024 HoldCo financing needs and reduced financing costs relative to the plan.

Addressing reliability and working constructively on a balanced framework
In other regulatory developments, CMS is expected to file the next iteration of its 5-year distribution investment plan by the end of the month. This plan, although not pre-

approved like an integrated resource plan (IRP), is intended to increase visibility of investment priorities with stakeholders.

Separately the Commission has initiated a review of performance-based rates earlier this month, with the topic having been a focal point for the commission throughout the year. The utilities are expected to respond by October 22nd. This approach aligns with the objective of establishing metrics that would allow for efficient and cost-effective restoration of services to customers, with management of System Average Interruption Duration Index (SAIDI) one possible metric.

In parallel, an external audit by a third party (Liberty) is underway to evaluate both CMS and DTE's protocols concerning storm responses. The outcomes of this audit are expected to influence the performance-based rates - expect some debate by stakeholders as to whether parallel processes or a sequential approach make sense for this audit along with the performance-based rates review.

Impact from UAW strike? Immaterial with residential offset, unless protracted
Last night the United Auto Workers (UAW) union began an unprecedented strike against the 'big three' auto manufacturers General Motors (GM), Ford, and Stellantis. The auto manufacturers and large industrials in general have a relatively small margin compared with residential. If workers are at home, there should be increased residential consumption as a partial offset too. DTE Energy (DTE) could have more exposure from a strike that lasts months rather than days or weeks but, overall we are not concerned.

Despite slightly pressured residential load growth impacted by return to the office trends (-1.8% last quarter) CMS maintains an optimistic outlook with industrial load growth trajectory driving growth. Expect additional announcements in coming quarters and years that could include larger industrials.

See similar thoughts on peer DTE in our recent report. US Utilities & IPPs: PowerPoints: DTE Nuclear/Rate Case 12 September 2023

All in a relatively confident update from CMS and we maintain our Buy on the premium utility where we see ability to consistently execute not reflected in a large enough premium for shares. Similarly maintain Buy on DTE based on the view that Michigan remains constructive and there will be a reasonable rate case outcome that supports 2024 growth and the long-term outlook.

AMRC: IRA tailwinds to accelerate in '25+, RNG on track

We reiterate Buy on shares of Ameresco (AMRC) and perceive increased confidence in project award acceleration. Look for most meaningful inflection as taking place in the 2025+ timeframe as Inflation Reduction Act (IRA) tailwinds manifest in the Project segment. For Energy Assets, still see renewable natural gas (RNG) deployments as tracking on schedule. Prices for D3 Renewable Identification Numbers (RINs) remain constructive in the ~$3/gallon range. Remain optimistic on Southern California Edison (SCE) storage project reaching substantial completion this year and full payment of accrued unbilled costs. See shares as attractively priced considering potential 2024 guidance raise later this year.

Ameresco: Constructive backdrop, more growth ahead – Reiterate Buy post earnings 02 August 2023

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
US Utilities & IPPs: PowerPoints: WEC Regulatory, HE Funding, & NWE Rate Case Timing	Julien Dumoulin-Smith	14 September 2023
US Alternative Energy: RE+ Day: A bifurcated story emerges between small and large scale solar	Julien Dumoulin-Smith	14 September 2023
PG&E Corporation: Proposed decisions recommend shift away from undergrounding capex	Julien Dumoulin-Smith	14 September 2023
Cheniere Energy Inc: Revisiting the model after fruitful summer – Reiterate Buy	Julien Dumoulin-Smith	14 September 2023
US Utilities & IPPs: PowerPoints: Inflation, AGR Storms, NJ Regulatory, Texas Power, & UTL Maine	Julien Dumoulin-Smith	13 September 2023

Southern Company: Upgrade to Neutral: Capex opportunities support existing premium valuation	Julien Dumoulin-Smith	13 September 2023
US Alternative Energy: RE+ Day 1 Quick Takes: A year into the IRA... you wouldn't know it	Julien Dumoulin-Smith	12 September 2023
US Utilities & IPPs: PowerPoints: WTRG Equity Issuance, EIX Settlement, and DTE Nuclear/Rate Case	Julien Dumoulin-Smith	12 September 2023
US Utilities & IPPs: Who Owns What? Crowding increases after utilities pullback draws buyers	Julien Dumoulin-Smith	12 September 2023

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
NI	NI US	NiSource Inc	US$ 27.74	B-1-7
IDA	IDA US	Idacorp	US$ 98.62	B-2-7
CMS	CMS US	CMS Energy	US$ 57.25	B-1-7
DTE	DTE US	DTE Energy	US$ 106.74	A-1-7
AMRC	AMRC US	Ameresco	US$ 46.79	C-1-9

Source: BofA Global Research

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Price objective basis & risk

Ameresco (AMRC)

Our $59 price objective is based on a 2025E sum-of-the-parts (SOTP) methodology, with EBITDA multiples for each business segment driven by peer group valuations.

We value the Projects segment at a 5% discount relative to sustainable infrastructure peers. We apply an average 10.2x EBITDA multiple for the Energy Assets business, with 12.3x multiple for solar and storage, 1x prem to peers. We apply 8.2x multiple for LFG, relative to the group of renewable gas peers.

Within the Energy Assets biz, we value RNG on a discounted cash flow (DCF) methodology with a 11.33% discount rate and apply an 6x exit multiple to the post-2032E terminal FCFE.

For the O&M business, we apply a multiple in line with the Projects segment, given related businesses. For the Other segment, we apply a multiple in line with the Energy Assets business.

Risks are CEO tenure, construction delays, revenue concentration, as c.75% of revenues from from federal, state and local government entities, government contract risk, regulatory risks, merchant exposure, and interest rates.

CMS Energy (CMS)

Our PO of $65 is based on a SotP relying on 2025E forward P/E multiples for the utility business and a 2025E forward EV/EBITDA multiple for CMS' IPP assets. For the utility seg we apply a 2.0x prem to the average 2025E regulated multiple P/E of 16.0x for the electric segment and of 16.0x for the gas segment, with the 10-yr capex update providing clear sight on ratebase growth and further upside, as well as continued 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 +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 through 2030 given the plant is no longer expected to be sold to Consumers.

Downside 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.

DTE Energy (DTE)
We value DTE Energy at $131 using a sum-of-the-parts (SOTP) approach. We value the utility segment on a 2025E 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 2x premium to both our regulated electric and gas utility peer multiples (of 16.0x and 16.0x, respectively). Both electric and gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We value the DTE Vantage segment on a multiple of 2025 EPS - the grossed-up electric multiple of 17.3x 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 17.5x multiple to both the interest expense and corporate overhead expenses at the parent. Risks are: 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.

Idacorp (IDA)
Our $113 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 2025E large cap P/E multiple of 16.7x 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 a 2.0x P/E premium to the base peer multiple to reflect the positive attributes including constructive regulation, execution track record, strong balance sheet, and ESG attributes. Due to the magnitude of the rate base & earnings step-up in 2026, we believe it is appropriate to incorporate 2026 at a discounted level. Example of investments here are Boardman-to-Hemmingway transmission project (over $500Mn rate base, or 9%) that is not reflected in EPS through 2025. Hypothetically giving full credit for 2026 EPS benefit (i.e. no discount) would be worth an incremental $1/sh.

Positive and negative risks to our Price Objective are: 1) political, regulatory, or legislative changes, 2) execution of capital projects, including major investments, 3) workforce attrition and operating cost inflation, 4) changes in interest rates, 5) capital markets access and pricing for debt/equity, 6) ability to earn the regulatory allowed rate of return, 7) crypto mining, memory chip, data center, & large customer load patterns, 8) permitting, 9) natural disasters, precipitation, and weather patterns.

NiSource Inc (NI)
Our $31 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2025 forward P/E multiples that are marked-to-market to the latest peer utility multiples of 15.8x for gas and 15.8x for electric. Consistent across our coverage universe, the base electric & gas peer P/E multiples are grossed up by +5% to reflect capital appreciation across the sector. We utilize a +1x premium for NIPSCO Gas/Electric due to generally constructive regulatory outcomes. We subtract the value of excess holding company debt at the parent not supporting the utility subsidiaries.

Positive and negative risks to our Price Objective are changes in 1) regulatory, political, and legislative outcomes, 2) ability to execute on capital expenditure plan, 3) inflation, operating expense, and interest rates as they influence earned rates of return, 4) customer count and load growth, 5) commodities, 6) natural disasters, 7) pension plan returns, 8) equity and asset sale needs.

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				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Array Technologies	ARRY	ARRY US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Alex Vrabel
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	ENLT	ENLT US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	XENLF	ENLT IT	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	Nextracker Inc	NXT	NXT US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG 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
	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
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
NEUTRAL				
	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	Dariusz Lozny, CFA
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Dariusz Lozny, CFA
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	American Electric Power	AEP	AEP 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
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	New Fortress Energy	NFE	NFE US	Cameron Lochridge
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith

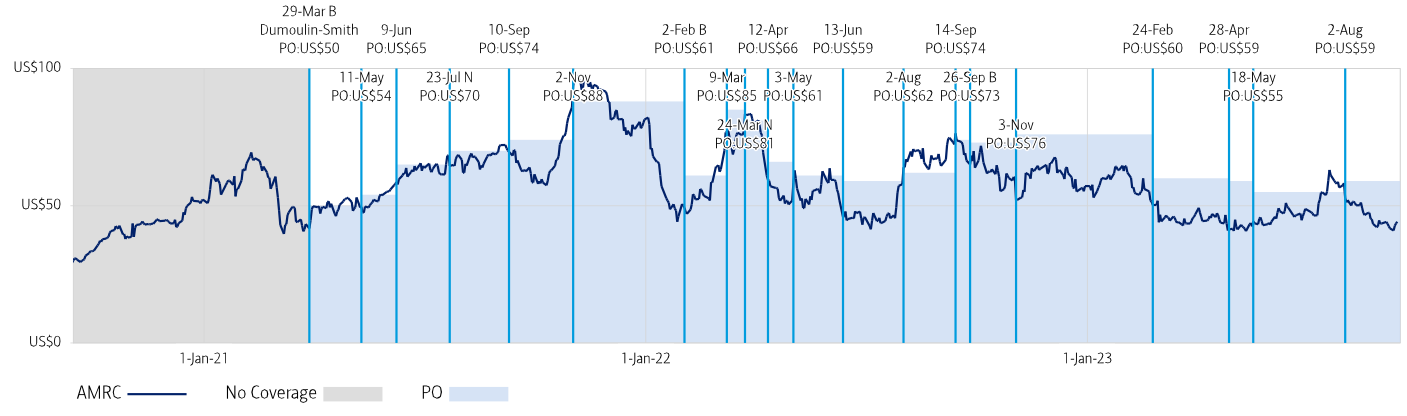
North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Allete Inc	ALE	ALE 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
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	EVgo Inc.	EVGO	EVGO US	Alex Vrabel
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	Generac Holdings Inc.	GNRC	GNRC 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
	Spire	SR	SR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

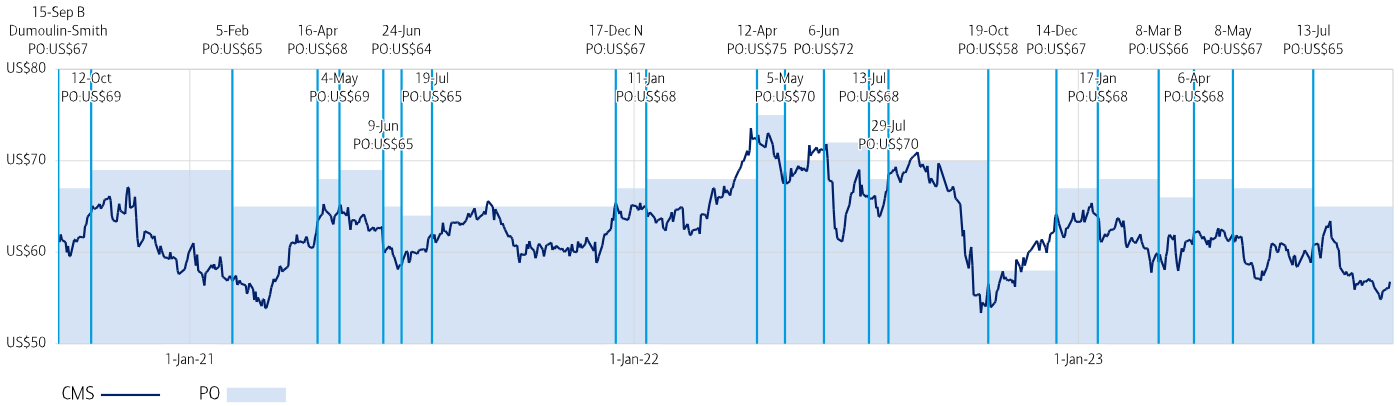
Ameresco (AMRC) Price Chart



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.

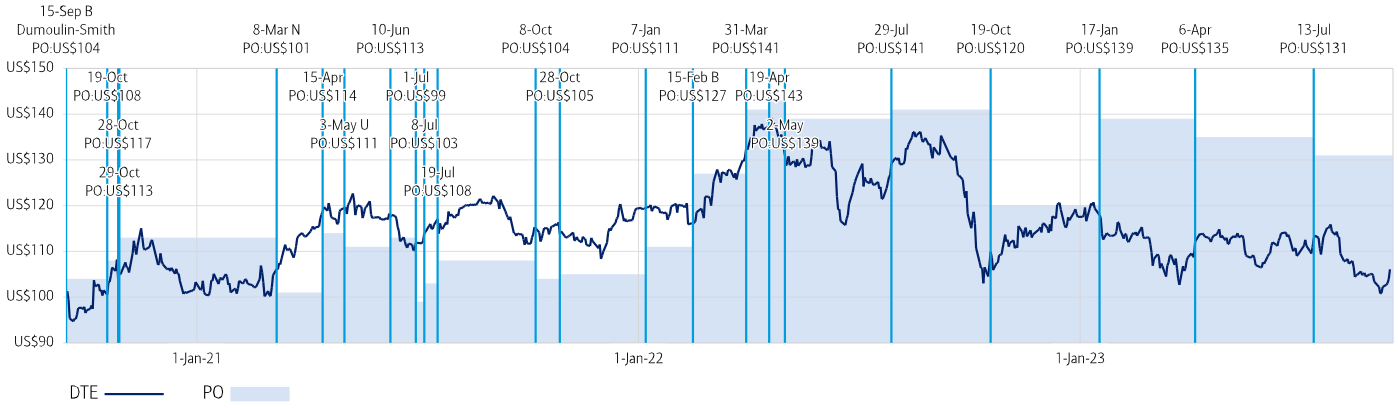
CMS Energy (CMS) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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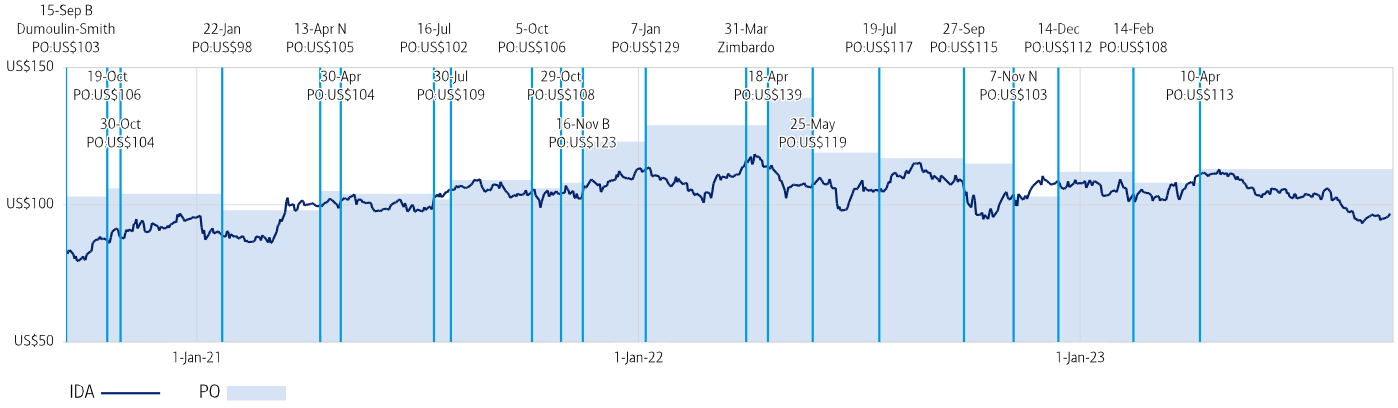
DTE Energy (DTE) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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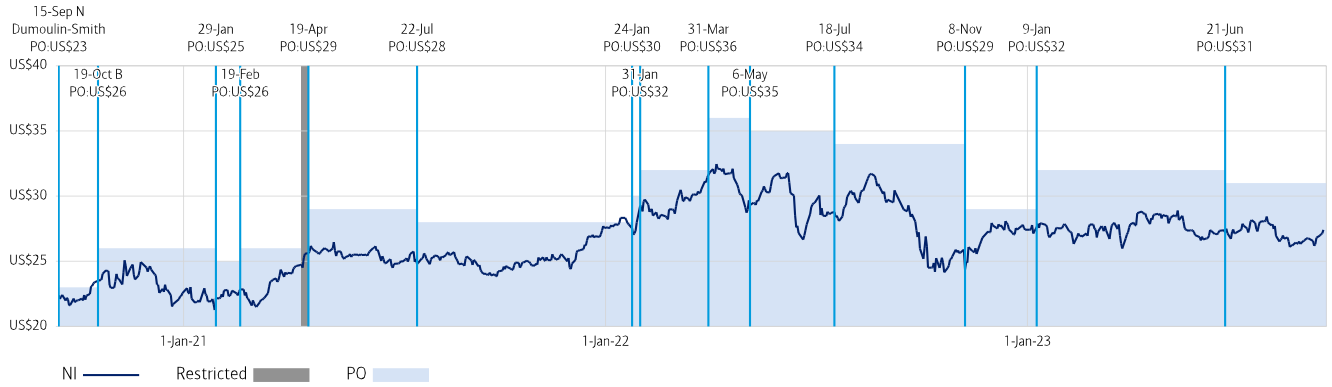
Idacorp (IDA) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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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 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	11	64.71%	Buy	9	81.82%
Hold	5	29.41%	Hold	4	80.00%
Sell	1	5.88%	Sell	0	0.00%

Equity Investment Rating Distribution: Energy Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	84	61.76%	Buy	65	77.38%
Hold	28	20.59%	Hold	20	71.43%
Sell	24	17.65%	Sell	15	62.50%

Equity Investment Rating Distribution: Utilities Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	80	51.61%	Buy	52	65.00%
Hold	40	25.81%	Hold	29	72.50%
Sell	35	22.58%	Sell	23	65.71%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1877	53.28%	Buy	1040	55.41%
Hold	815	23.13%	Hold	464	56.93%
Sell	831	23.59%	Sell	385	46.33%

[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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BofA GLOBAL RESEARCH

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US Electric Utilities & IPPs

Who's a Premium or a Discount? Contrasting our Utility Sum-of-the-Parts

Industry Overview

What is in a relative premium or discount?

We examine relative premiums and discounts applied in our sum-of-the-parts (SOTP) valuations for Premium, Value, SMID, and Gas LDC utilities. Our valuation process starts with a peer group multiple (arithmetic average excluding outliers) for electric and peer utilities. The relative premiums and discounts that we apply are a key subjective input into the valuation process, allowing us to express bullish/bearish outlooks on key names with individual utility opcos and jurisdictions as key drivers. We compare our regulated coverage side by side to allow improved transparency across names.

Value and SMID names see most dispersion

Not surprisingly, Premium utility names garner relative premiums to the peer multiple, either due to perception of a premium jurisdiction or historically strong execution. NEE has historically been the 'most' premium utility name in terms of trading multiple above the peer group. Electric utilities with operations in the Midwest are well represented in this group with generally supportive jurisdictions such as WI, MI, and MN – while investor perceptions of these have wobbled at times in recent months we still view regulatory treatment as highly supportive in a relative basis. SMID utilities tend to be clustered in the north and west of the US with mostly discounts reflecting challenging jurisdictions and subscale operating challenges – IDA is a notable outlier where we reflect a premium to the peer multiple given above peer growth.

MO, KS, LA among jurisdictions with biggest dispersion

A common investor question is "why don't you give ABC utility the same premium/multiple as XYZ utility in the same jurisdiction?" One of the most-cited examples is Missouri, where we assign a +2x premium for Ameren, -2x for Evergy, and -3x for Spire. While optically this is a valid point we point to a fairly wide disparity of outcomes across utilities – Missouri being a prime example where AEE has achieved successful settlements and owned generation approvals while EVRG has comparatively struggled. We also highlight Louisiana as a relevant delta where ATO is valued at a 2x premium, AEP's SWEPCO gets a -4x, and ETR is in the middle at -2x. Here too regulatory treatment and resulting earnings growth play a key role in relative deltas – as regulatory regimes treat utilities differently alongside differentiated segment visibility & leverage.

Swapping historical trends: ED to premium; ES a value ute

We stress that labels like "Premium" and "Value" are subjective and able to be revised depending on circumstances. Over time we have shifted the relative discount for ED's New York jurisdiction to a 2x premium following successive positive regulatory data points, and likewise have moved ES "down" to the Value bucket – note these have no bearing on stock ratings and rather reflect general categorization in a sector where deltas between growth rates and valuation multiples are comparatively narrow. We continuously look to refresh our thinking on individual states and utility opcos, and make modifications where and as necessary.

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Equity
United States
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Glossary
LDC: local distribution company
SMID: small and mid-caps
Tickers mentioned on the front page are spelled out in Exhibits inside this note.

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Premium utilities

Below we break out the sum-of-the-parts for our premium utilities.

Midwest utilities are well-represented in this group. States that have historically been considered premium jurisdictions include Michigan and Wisconsin – CMS, DTE, LNT, and WEC represent the largest operators in these jurisdictions. Several premium names are also exposed to the MISO multi-year transmission buildout either via direct ownership of opcos (AEE, XEL) or via a stake in the ATC – we apply a 4x premium here as transmission historically has garnered 10%+ authorized ROEs and in the MISO footprint in particular given the multi-year planning and transmission expansion initiative.

Water utilities historically trade at elevated premiums and accordingly we do not add to peer multiples, applying a -2x discount to WTRG.

Recent changes to the premium utility group include ED and SO. Both companies have received constructive regulatory outcomes recently (GA and NY) with multi-year constructive setups. Critically, in the current high rate environment both also have articulated a credible path to premium balance sheets with near-term goals of achieving high teens FFO to debt metrics on a consolidated basis.

Exhibit 1: Premium utilities
Premium utilities for the most part benefit from supportive jurisdictions, above-peer growth

	Rating	Ticker	Price	Div Yield	PO	MTM									
			$	%		Electric	Prem/Disc	Gas	Prem/Disc	Water	Prem/Disc	Non Utility	Prem/Disc	Others	Prem/Disc
Premium Utilities															
Alliant Energy Corp	Buy	LNT	$52	3%	$58	16.5x									
		IPL					1.0x								
		WPL					1.0x								
		ATC					4.0x								
Ameren Corp.	Buy	AEE	$81	3%	$90	17.2x		17.4x							
		Ameren Missouri					2.0x								
		Ameren Illinois Electric					2.0x								
		Ameren Illinois Gas							2.0x						
		Ameren Transmission					4.0x								
		Parent					2.0x								
American Water Works	Underperform	AWK	$141	2%	$139					25.4x					
		Regulated Water									0.0x				
		Market based Military Services									0.0x				
CMS Energy Corporation	Buy	CMS	$57	3%	$65	17.4x		17.6x				7.0x			
		Consumer Electric					2.0x								
		Consumer Gas							2.0x						
		DIG											-1.5x		
		Other Peakers											-3.0x		
Centerpoint Energy	Buy	CNP	$29	3%	$33	17.5x		18.2x							
		Electric					2.6x								
		Natural gas							2.6x						
		Vectren							2.6x						
		Corp							2.6x						
DTE Energy	Buy	DTE	$107	4%	$131	17.4x		17.6x				17.4x		17.6x	
		DTE Electric					2.0x								
		DTE Gas							2.0x						
		DTE Vantage											0.0x		
		Energy Trading													-17.6x
Consolidated Edison	Buy	ED	$92	3%	$96	16.6x		16.6x							
		CECONY - Electric					2.0x								

Exhibit 1: Premium utilities
Premium utilities for the most part benefit from supportive jurisdictions, above-peer growth

	Rating	Ticker	Price	Div Yield	PO	MTM						
		O&R Electric				0.0x						
		CECONY - Steam				0.0x						
		CECONY - Gas					1.0x					
		O&R Gas					0.0x					
		Competitive Business				0.0x						
		MVP					0.0x					
		Parent				0.0x						
Essential Utilities	Neutral	WTRG	$38	3%	$44		17.6 x		26.1 x			
		Water								-2.0x		
		Gas					1.0x					
NextEra Energy	Neutral	NEE	$69	3%	$76	17.3x			27.6 x		9.6x	
		FPL				3.0x						
		Transmission				5.0x						
		Water								0.0x		
		FPL NW (Gulf)				3.0x						
		Contracted Renewables										5.0x
		Contracted Gas										1.0x
		TX Pipelines										1.0x
		Merchant Wind										4.0x
		Oleander & Stanton										-1.0x
		Pipelines										1.0x
		Gas Infra										-4.5x
		Customer Supply & Trading										-1.0x
WEC Energy Group Inc.	Buy	WEC	$87	3%	$102	16.6x	16.6 x					
		WI Electric				3.0x						
		WPS				3.0x						
		WI Gas					3.0x					
		Peoples Gas					3.0x					
		North Shore Gas					3.0x					
		ATC				4.0x						
		We Power (PTF)				3.0x						
		MERC/MGU					3.0x					
		Blue Water				3.0x						
Xcel Energy Inc.	Neutral	XEL	$59	3%	$60	17.0x						
		NSPM				1.0x						
		SPS				1.0x						
		NSPW				3.0x						
		PSCO				0.0x						

Source: BofA Global Research

Value utilities

Below we break out sum of the parts detail for value utilities. The group is larger and more diversified than the premium names. Utilities receive relative premiums and discounts depending on both relative perception of the jurisdiction, along with individual opcos' historic and prospective ability to execute.

Utilities with challenged recent execution track records that drive discounts include AEP, AGR, D, ES, ETR, EVRG, and FE.

We also apply discounts to specific jurisdictions that we view as challenged or posing specific risks – California and Arizona being two prominent examples.

Note that within this group we also include utilities that deserve premium valuations that nonetheless trade with more discounted names – see DUK, NI, and OGE.

Exhibit 2: Value utilities
More variability as compared to premium names

	Rating	Ticker	Price	Div Yield	PO							MTM	
			$	%		Electric	Prem/Disc	Gas	Prem/Disc	Water	Prem/Disc	Non Utilit	
Value Utilities													
American Electric Power, Inc	Neutral	AEP	$81	4%	$91	16.3x							
		APCo					-3.0x						
		I&M					-2.0x						
		SWEPCO					-4.0x						
		PSO					-3.0x						
		Other Utilities					-2.0x						
		TX T&D					1.0x						
		Ohio T&D					0.0x						
		Transmission only Utilities					1.0x						
		Parent					0.0x						
Avangrid Inc.	Underperform	AGR	$35	5%	$34	16.5x		16.6x					
		NYSEG					-1.0x						
		RG&E					-1.0x						
		CMP					-1.0x						
		UI					-2.0x						
		NYSEG							-1.0x				
		RG&E							-1.0x				
		CNG							-2.0x				
		SCG							-2.0x				
		BGC							-1.0x				
		Maine Natural Gas							-1.0x				
Dominion Energy	Underperform	D	$49	6%	$44	16.5x		16.3x					5.0x
		VEPCO					-1.5x						
		SCE&G Electric					0.0x						
		SCE&G NND					-2.0x						
		Ohio Gas							0.0x				
		Pension Income											
		Wexpro							-8.1x				
		Questar Distribution							0.0x				
		PSNC and Other							0.0x				
		SCE&G Gas							0.0x				
		Milstone Nuclear											
		Renewables											
		LNG											
Duke Energy	Buy	DUK	$95	4%	$103	16.4x		15.6x					8.0x
		Duke Carolinas					1.0x						
		Progress Carolinas					1.0x						
		Duke Florida					2.0x						
		Duke Indiana					2.0x						
		Duke Ohio/Kentucky					0.0x						
		Piedmont							1.0x				
		Duke Ohio/Kentucky Gas							0.0x				
		Midstream Assets											
		Transmission Segment											

Exhibit 2: Value utilities
More variability as compared to premium names

	Rating	Ticker	Price	Div Yield	PO					MTM
		NMC					-6.0x			
		Parent Drag					0.0x			
Edison International	Underperform	EIX	$55	5%	$57	17.2x				
		CPUC					-3.0x			
		CPUC Variances					-3.0x			
		FERC					-1.0x			
		Parent					-3.0x			
Eversource Energy	Underperform	ES	$64	4%	$69	17.2x		17.2x	24.8x	
		CL&P					-3.0x			
		PSNH					0.0x			
		WMECO + NSTAR					0.0x			
		NSTAR Gas						0.0x		
		EGMA						0.0x		
		Yankee Gas						-3.0x		
		Aquarion								-10.6x
Entergy Corp.	Neutral	ETR	$99	4%	$107	16.5x				
		EAI					-1.0x			
		ELL					-2.0x			
		EMI					-1.0x			
		ENOI					-1.0x			
		ETI					1.0x			
		SERI					-1.0x			
Evergy, Inc	Underperform	EVRG	$54	5%	$52	16.5x				
		Metro					-2.0x			
		MO West					-2.0x			
		Kansas Central					-3.0x			
		Parent					-2.0x			
Exelon Corp.	Buy	EXC	$42	3%	$46	17.2x				
		ComEd					0.0x			
		PECO					0.0x			
		BGE					0.0x			
		PHI					0.0x			
		Parent					0.0x			
FirstEnergy Corp.	Underperform	FE	$37	4%	$36	16.8x				
		OH Dx: CEI, OE, & TE (Ex-PP). With '22 rate reset					-2.0x			
		PA Dx: MetEd, WPP, PenElec, Penn Power (Inc-PP)					-2.0x			
		WV T&D: MonPower					-2.0x			
		NJ T&D: JCP&L					-2.0x			
		MD D: Potomac Ed					-2.0x			
		Regulated Transmission: (FET + Intrastate)					-2.0x			
		FE: HoldCo Drag (ex. Signal Peak)					2.0x			
		FE: Signal Peak earnings								
		Interest Drag					2.0x			
NiSource Inc	Buy	NI	$28	4%	$31	16.3x		16.5x		
		Columbia Gas of OH						0.0x		
		Columbia Gas of PA						0.0x		
		NIPSCO Gas						1.0x		
		Columbia Gas of VA						0.0x		
		Columbia Gas of KY						0.0x		
		Columbia Gas of MD						0.0x		
		NIPSCO Electric					1.0x			
OGE Energy Corp	Neutral	OGE	$36	5%	$39	17.3x				
		OG&E Electric Utility					0.5x			

Exhibit 2: Value utilities
More variability as compared to premium names

	Rating	Ticker	Price	Div Yield	PO					MTM
		HoldCo					0.5x			
PG&E	Buy	PCG	$14	0%	$19	16.3x		16.8x		
		Electric - CPUC					0.0x			
		Electric - FERC					0.0x			
		Gas - CPUC							0.0x	
		Gas - FERC							0.0x	
Pinnacle West Capital Co.	Neutral	PNW	$79	4%	$78	16.2x	-1.0x			
PPL Corporation	Buy	PPL	$26	4%	$32	17.2x				
		PPL Electric Utilities					0.5x			
		PPL KY					0.5x			
		RI					0.5x			
		Parent Drag					0.0x			
Public Service Enterprise Group	Buy	PEG	$61	4%	$70	16.6x		16.6x		
		Electric					0.0x			
		Gas							0.0x	
		Long Island Power Authority (LIPA) Compensation					-3.0x			
		parent					0.0x			
Southern Company	Neutral	SO	$71	4%	$68	16.4x		16.5x		
		MS Power					2.0x			
		AL Power					2.0x			
		Georgia Power					2.0x			
		Nuclear Earnings					2.0x			
		Southern Gas							0.0x	
		SO Power Wind					0.0x			
		SO Power Solar					0.0x			
		SO Power Gas					0.0x			
		SO Power Other					0.0x			
		SO Gas Midstream							0.0x	
		SO Gas Retail							0.0x	
		Parent Drag					0.0x			
Sempra Energy	Buy	SRE	$142	3%	$82	17.1x		17.0x		10.1x
		SDG&E					-1.0x			
		SoCalGas							-2.0x	
		Oncore & Infra REIT					2.5x			
		IENOVA Gas								
		IENOVA Power								
		IENOVA Storage								
		Cameron Pipeline								
		Cameron Export								
		ECA Phase 1								
		Cameron Export								
		Port Arthur 1-2								

Source: BofA Global Research

SMID cap utilities

SMIDs are relatively geographically diversified with a bias to the Northwest US. As with the value utility names, we apply a mix of premiums and discounts to account for regulatory perception, historical execution, and forward-looking prospects.

Across the Upper Midwest we mostly take a constructive view, particularly for ALE and MGEE where we apply premiums of 1x for Minnesota and 3x for Wisconsin as both are viewed as supportive jurisdictions. Where appropriate we may assign different premiums/discounts to the same jurisdiction for two different utilities (see Missouri for EVRG and AEE) but in the case of MN and WI we remain consistent with larger cap peers XEL and WEC.

SMID caps with all or a significant allocation of rate base to the Pac-Northwest generally garner discount valuations – see AVA, NWE, POR. IDA remains an outlier at +2x given above=peer growth. On balance SMID cap utilities have had a more difficult time than lager peers in defraying impacts of inflation on O&M as well as higher rates on interest expense. This has generally translated to lower average trading multiples.

Exhibit 3: SMID cap utilities
A mix of premium and discount jurisdictions and opcos

	Rating	Ticker	Price	Div Yield	MTM						
			$	%	Electric	Prem/Disc	Gas	Prem/Disc	Water	Prem/Disc	Non Utility
SMID											
Allete	Underperform	ALE	$57	5%	16.2x						10.0x
		Minnesota Power				1.0x					
		Superior Water, Light, & Power (SWL&P)				1.0x					
		ATC				3.0x					
		New Energy Solar Development									
		BNI Energy Coal Production									
		South Shore, Properties, Parent Drag									
Avista Corp	Underperform	AVA	$35	5%	16.0x		15.8x				
		Washington - Utilities (Electric and Natural Gas)				-2.0x					
		Idaho - Utilities (Electric and Natural Gas)				-2.0x					
		Oregon - Utilities (Natural Gas)				-2.0x					
		Alaska (AEL&P)				-1.0x					
		HoldCo Expense									
		Other Assets & Investments									
Black Hills Corp	Underperform	BKH	$56	4%	17.1x		17.6x				8.0x
		Gas Utilities						0.0x			
		Electric Utilities				0.0x					
		Coal Mine									
		Wyodak									
		Wygen 1 (Cost-Plus)									
		Wygen 2 (Ratebase 400bps + A-Utes Bond ROE)									
		Wygen 3 (Ratebase 400bps + A-Utes Bond ROE)									
		Neil Simpson (Ratebase: 4%+ A-Rated bonds ROE)									
		Local Businesses									
		Wygen Coal Plant (65 MW)									
		Wind project				1.0x					
Hawaiian Electric Industries	Underperform	HE	$13	11%	15.5x						
		Electric				-1.0x					
		Bank									
Idacorp, Inc	Neutral	IDA	$99	3%	16.8x						
		Idaho Power				2.0x					
		Parent Drag				2.0x					
MDU Resources Group Inc	Buy	MDU	$20	4%	15.8x		16.6x				
		Electric				0.0x					
		Gas						0.0x			
		Gas Pipeline									9.6x
		Construction Services									10.1x
		Parent			16.2x	0.0x					
MGE Energy	Underperform	MGEE	$74	2%	18.0x		17.6x				
		Electric				3.0x					
		Gas						3.0x			

Exhibit 3: SMID cap utilities
A mix of premium and discount jurisdictions and opcos

	Rating	Ticker	Price	Div Yield	MTM					
		Fixed Return			3.0x					
		Transmission Return			3.0x					
		Parent			2.0x					
NorthWestern Corp	Buy	NWE	$51	5%	17.6x					
		Electric			-1.0x					
Portland General Electric Company	Buy	POR	$45	4%	16.4x					
		Electric			-1.0x					
PNM Resources	Buy	PNM	$44	3%	17.9x					
		PNM - New Mexico			0.0x					
		PNM - FERC			0.0x					
		TNMP - TX			0.0x					
		Parent			0.0x					
Unitil Corp	Underperform	UTL	$48	3%	19.1x		17.7x			
		Consolidated			0.0x		0.0x			

Source: BofA Global Research

BofA GLOBAL RESEA

Gas utilities

Gas LDCs tends to be geographically diversified. Premiums and discounts applied in our sum of the parts reflects company-specific execution and in several instances diverges from multiples applied to the same jurisdictions for electric peers. ATO tends to garner premium multiples in most jurisdictions – LA is notable at +2x and stands in contrast to Entergy at -2x and AEP's SWEPCO at -4x. While ATO's Kansas jurisdiction is given an in-lien multiple, this is a meaningful delta to EVRG's -3x multiple. Spire (SR) likewise operates in several jurisdictions where its multiples are below those of electric peers including MO where SR's -3x compares to -2x for EVRG and +2x for AEE, and AL/MS where SR's in line is below +2x for SO's electric subsidiaries. Note that while the valuation multiple deltas may be comparatively large, we view these as appropriate given relative variation in outcomes across these companies.

Exhibit 4: Gas LDCs
Relative valuation largely reflects execution

	Rating	Ticker	Price	Div Yield	MTM									
			$	%	Electric	Prem/Disc	Gas	Prem/Disc	Water	Prem/Disc	Non Utility	Prem/Disc	Others	
Gas Utilities														
Atmos Energy Corp	Buy	ATO	$116	3%			18.3x				9.0x			
		Mid-Tex						2.0x						
		West Texas						2.0x						
		Louisiana						2.0x						
		Mississippi						2.0x						
		Kentucky/Mid-States						2.0x						
		Tennessee						2.0x						
		Kansas						0.0x						
		Colorado						2.0x						
		Virginia						2.0x						
		Pipeline & Storage										2.0x		
New Jersey Resources Corp	Underperform	NJR	$44	4%			17.8x				10.0x		9.4x	
		Gas						0.0x						
		Energy Services										0.0x		
		Home Services										0.0x		
		Midstream												
Northwest Natural Gas Co	Neutral	NWN	$41	5%			18.3x		29.9x		8.0x			
		Oregon - Utilities (Gas)						1.0x						
		Washington - Utilities (Gas)						0.0x						
		North Mist - Storage Facility						0.0x						

Exhibit 4: Gas LDCs
Relative valuation largely reflects execution

	Rating	Ticker	Price	Div Yield	MTM				
		Gas Storage, Appliance, Asset mgmt						0.0x	
		NWN Water Utility					0.0x		
ONE Gas Inc	Neutral	OGS	$75	3%		17.6x			
		Kansas				0.0x			
		Oklahoma				0.0x			
		TX				1.0x			
Spire Inc	Underperform	SR	$61	5%		16.6x		9.5x	
		Spire MO				-3.0x			
		Spire AL				0.0x			
		Spire MS				0.0x			
		Spire Gulf				0.0x			
		STL Pipeline						0.0x	
		Storage						-4.0x	
		Marketing						-2.0x	
Southwest Gas Holdings Inc	Neutral	SWX	$64	4%		16.6x		9.2x	6.9x
		AZ				-3.0x			
		NV				-3.0x			
		CA				-3.0x			
		FERC							
		Infra							
		Pipeline						0.0x	
UGI Corp	Underperform	UGI	$24	6%	16.3x	17.3x		8.9x	8.9x
		UGI Utilities - Electric			0.0x				
		UGI Utilities - Gas				0.0x			
		APU							
		UGI International						-4.0x	
		Legacy Midstream						-3.0x	
		Auburn Pipeline						0.0x	
		Columbia Midstream Group						-3.0x	
		Bethlehem LNG						1.0x	
		Pine Run and Stonehenge						0.0x	

Source: BofA Global Research

Exhibit 5: Stocks mentioned
Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
ALE	ALE US	Allete Inc	US$ 56.56	B-3-7
LNT	LNT US	Alliant Energy Corp	US$ 51.78	A-1-7
AEE	AEE US	Ameren Corp	US$ 80.77	A-1-7
AEP	AEP US	American Elec Power	US$ 80.04	A-2-7
AWK	AWK US	American Water	US$ 138.9	B-3-7
ATO	ATO US	Atmos Energy	US$ 115.01	A-1-7
AGR	AGR US	Avangrid	US$ 34.65	A-3-7
CMS	CMS US	CMS Energy	US$ 57.21	B-1-7
ED	ED US	Consolidated Edison	US$ 91.49	A-1-7
DTE	DTE US	DTE Energy	US$ 106.78	A-1-7
DUK	DUK US	Duke Energy	US$ 95.18	A-1-7
EIX	EIX US	Edison Intl	US$ 71.56	B-3-7
ETR	ETR US	Entergy Corp.	US$ 98.4	B-2-7
WTRG	WTRG US	Essential Utilities	US$ 37.7	B-2-7
EVRG	EVRG US	Evergy	US$ 54.14	B-3-7
ES	ES US	Eversource Energy	US$ 64.21	B-3-7
EXC	EXC US	Exelon Corp	US$ 41.65	B-1-7
FE	FE US	FirstEnergy	US$ 36.91	B-3-7
HE	HE US	Hawaiian Electric	US$ 13.12	A-3-8
IDA	IDA US	Idacorp	US$ 98.56	B-2-7
MDU	MDU US	MDU Resources	US$ 20.14	B-1-7
NEE	NEE US	NextEra Energy	US$ 68.64	B-2-7
NI	NI US	NiSource Inc	US$ 27.67	B-1-7
NWE	NWE US	NorthWestern Corp	US$ 51.96	B-1-7
OGE	OGE US	OGE Energy Corp	US$ 35.77	B-2-7
PCG	PCG US	PG&E Corp.	US$ 17.31	C-1-9
PNW	PNW US	Pinnacle West Capit	US$ 78.62	B-2-7
POR	POR US	Portland General	US$ 44.44	B-1-7
PPL	PPL US	PPL Corp.	US$ 25.66	B-1-7
PEG	PEG US	Public Service	US$ 61.35	B-1-7
SRE	SRE US	Sempra Energy	US$ 73.1	B-1-7
SO	SO US	Southern Company	US$ 71.09	A-2-7
SR	SR US	Spire	US$ 60.65	B-3-7
UGI	UGI US	UGI Corp.	US$ 24.43	B-3-7
WEC	WEC US	WEC Energy Group Inc	US$ 86.26	A-1-7

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

Allete Inc (ALE)

Our $53 PO is based on a SOTP analysis.

For regulated utilities (Minnesota Power, Superior Water Light & Power, and American Transmission Co), we apply an electric peer P/E of 15.8x grossed up by 5% to account for capital appreciation across the sector. For MP and SWL&P, we apply a +1x premium to the peer P/E to account for above-peer growth. For ATC, we apply a +3x premium consistent with other owners of transmission assets given upside potential, federal equity layer & ROE.

We value contracted wind on a DCF basis with WACC of 9.9%, for an implied EV/EBITDA valuation of 9.0x 2025E. We value the wind development company (devco) based on est. weighted avg MWs in development and assuming a 2.0x EBITDA development spread.

We value the New Energy solar devco using an 10x 2023 EBITDA, in line with recent transaction multiples and recognizing the growth pipeline of the asset. We value the BNI coal mine asset at 7.0x 2025E EPS, in line with publicly-traded peers. We value the Corporate & Other segments at 7.0x 2025 EPS, reflecting modest visibility.

Upside risks: constructive regulatory/legislative outcomes, lower ROE lag, lower interest rate/cost of capital, favorable returns on unregulated projects, capex vs guidance, load growth, lower commodity price volatility. Downside risks: regulatory/legislative outcomes, capex vs guidance, taconite/industrial sales changes, returns on unregulated projects, interest rates & commodity price volatility, weather, natural disasters

Alliant Energy Corporation (LNT)
Our $58 PO is based on a sum of the parts analysis employing relative premium and discounts to the large cap regulated peer multiple of 15.8x 2025E P/E. We note that electric peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector. We apply a 1.0x P/E premium on IPL as we see the rate case overhang being resolved. We apply a 1.0x P/E premium on Wisconsin Power & Light Company reflecting 1) low risk investment nature of the state, 2) above average ROEs, 3) higher than average growth runway for investments, and 4) potential risks around solar deployment in both WI and IA. At ATC, we reflect a 4.0 x P/E premium on LNT's 16% share in the transmission company. Growth expectations for this segment are high, paired with above average ROEs that we believe face less downward pressure vs. regulated state distribution ROEs. We apply an in line multiple at the parent to account for the blend of numerous businesses some which benefit from long term stable PPAs via intercompany generation. Risks to our Price Objective are: 1) rate case outcomes, 2) further equity dilution beyond our estimates, 3) interest rate fluctuations, 4) natural disasters, and 5) inflation and ability to earn the allowed rate of return

Ameren Corporation (AEE)
Our $90 price objective is predicated on a P/E based sum of the parts, valuing each business subsidiary relative to the 2025E ratebase weighted peer multiple of 15.5x for electric and 14.9x for gas. 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 1.0x premium to peers at AEE Illinois Electric and in line at AEE Illinois Gas to account for decoupling on the distribution business which aids in earnings predictability. At Ameren Transmission, we apply a 4.0x premium to peers to reflect the FERC ROEs and robust growth outlook.

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 2023 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 $91 is based on sum-of-the-parts (SOTP) analysis. We ascribe a peer forward FY25E P/E multiple (15.8x) with a 1.0x premium for its Texas transmission and distribution utilities and transmission-only utilities segments and a 0x premium (in-line multiple) for Ohio. We apply a -3x for ApCo on under-earn and coal securitization risk. We apply -4x at SWEPCO on regulatory execution risk. Elsewhere we apply -2x on earnings lag and below-average jurisdictions. Vertically integrated utilities are assigned a -2x discount on regulatory and execution risks. For the unregulated portion, we apply a 3.5x discount to the legacy energy supply and marketing business and an 8x premium to the contracted renewables business to reflect sale aspirations. Risks to achievement of the price objective are 1) regulatory outcomes are less favorable than expected, which could result in reduced return on equity (ROE), 2) large capital intensive projects 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.

American Water Works (AWK)
Our American Water Works (AWK) Price Objective of $139 is based on a sum-of-the-parts methodology. The base P/E is the water sector average 2025 23.4x excluding AWK. The base multiple is grossed-up +7% for the sector growth outlook. We apply an in-line multiple to the water utilities as AWK is the primary public water company and has a mix of favorable and unfavorable attributes that largely balance out.

Risks to achievement of the Price Objective (PO) and rating are changes in: 1) regulatory, legislative, and judicial outcomes, 2) ability to execute capital and operating expenditures forecasts, 3) equity needs and credit ratings, 5) pension returns, return on asset assumptions, and discount rates, 6) interest rates, 7) weather and access to water, 8) management changes, 9) military services growth, 10) stock price for exchangeable note, and 11) mergers and acquisitions.

Atmos Energy Corporation (ATO)
Our $130 PO is based on our 2025E sum-of-the-parts (SOTP) analysis, based on the gas LDC peer group multiple of 16.3x.
Our gas peer P/E multiple is grossed up to reflect the group's 5% CAGR (2021-26E) to reflect capital appreciation across the sector. We then apply a 2.0x 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 9.0x EV/EBITDA multiple as a base to our '25E 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 $34 PO is based on a sum of the parts analysis. The core utilities are valued on by applying discounts to the base sector P/E of 15.5x/15.5x 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 10x 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 estimates are 1) earned ROEs at the utilities, 2) utility capital expenditure forecasts, 3) regulatory/political/legislative outcomes, particularly regarding the pending acquisition of PNM Resources, 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 $65 is based on a SotP relying on 2025E forward P/E multiples for the utility business and a 2025E forward EV/EBITDA multiple for CMS' IPP assets. For the utility seg we apply a 2.0x prem to the average 2025E regulated multiple P/E of 16.0x for the electric segment and of 16.0x for the gas segment, with the 10-yr capex update

providing clear sight on ratebase growth and further upside, as well as continued 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 +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 through 2030 given the plant is no longer expected to be sold to Consumers.

Downside 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 $96 PO is based on a sum-of-the-parts analysis applying premiums and discounts to the regulated group multiples 14.8x/14.3x for electric/gas respectively with an in-line multiple for Electric, Steam, & Gas to reflect a combination of historically challenging regulation but above-peer growth and de-risked profile. We apply a 2x premium to electric and 1x premium to gas to reflect regulatory de-risk and growth prospects. Both electric and gas peer 2025 P/E multiples are grossed up by 5% to reflect capital appreciation across the sector.

For noncore segments we apply an in line valuation to Con Edison Electric Transmission (CET) given potential for earnings growth and attractive regulatory characteristics. For the Mountain Valley Pipeline stake we apply a 10x EBITDA multiple to our 2024 EPS estimate reflecting recent positive legal and legislative developments.

Upside/downside risks are 1) earned regulatory returns, 2) capital expenditures, 3) regulatory/political/legislative changes, 4) interest rates, 5) natural disasters, 6) execution on unregulated projects. Additional downside risk: lack of approval or modification of the JP by the New York state commission.

DTE Energy (DTE)
We value DTE Energy at $131 using a sum-of-the-parts (SOTP) approach. We value the utility segment on a 2025E 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 2x premium to both our regulated electric and gas utility peer multiples (of 16.0x and 16.0x, respectively). Both electric and gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We value the DTE Vantage segment on a multiple of 2025 EPS - the grossed-up electric multiple of 17.3x 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 17.5x multiple to both the interest expense and corporate overhead expenses at the parent. Risks are: 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 $103 PO is derived from a sum-of-the-parts valuation. We value the Electric and Gas utilities using peer 2025E P/E multiples. We apply a 2x multiple premium to Duke's operations in FL and 2x in IN to reflect more favorable regulatory environments (and potential generation opps in IN). We apply a 1x multiple to the Carolinas given upside to spending in improving regulatory construct combined with latest IRP & wider legislative

reforms into 2023.

We value the other regulated electric utilities at 15.4x and the gas utilities at peer group multiples of 14.8x 2025E 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 2025E EV/EBITDA basis. We use 8.0x multiples for midstream and 9.0x for transmission segments. We subtract out the impact of commercial debt, and add back for the renewable debt.

Upside risks: constructive rate case results, higher capital expenditure additions vs our assumptions, lower interest rates.

Downside risks: poor rate case results, operating errors, and negative changes in the regulatory environment, Macro risks: Increases in interest rates and decreases in equity market valuations.

Edison International (EIX)
Our $57 PO is based on sum of the parts analysis with a peer 16.3x 2024 P/E grossed-up 5% for group growth. A -3x 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.

Positive and negative risks are changes in: 1) Wildfire and other natural disasters/catastrophic events, 2) regulatory outcomes, 3) interest rates, 4) equity needs, 5) earned returns and operating costs, 6) Edison Energy returns, 7) ability to deploy capital, 8) environmental, social, & governance [ESG] profile, and 9) wildfire liabilities for shareholders.

Entergy (ETR)
Our $107 Price Objective is based on a sum-of-the-parts analysis. The 2025E electric utilities average P/E of 15.8x is grossed-up +5%, to reflect capital appreciation across the sector. We apply -1x discounts to Arkansas, Mississippi, and SERI to reflect elevated regulatory uncertainty and the below-average credit rating versus peers for consolidated Entergy. We value Louisiana at a -2x discount, consistent with the treatment for American Electric Power, due to even higher regulatory volatility than other jurisdictions. We net out 50% of the parent HoldCo long-term debt and apply a P/E multiple to 50% of the interest expense.

Positive and negative risks to achievement of our Price Objective are: (1) regulatory, political, and legislative changes, (2) natural or nuclear disasters including hurricanes, (3) ability to deploy capital expenditures consistent with guidance, (4) earned rates of returns at the jurisdictions, (5) interest rates fluctuations, (6) equity issuances relative to management's forecast and access to capital markets, (7) pension and nuclear decommissioning fund performance and (8) costs and operational volumes at the remainder of the wholesale commodity subsidiary.

Essential Utilities (WTRG)
Our Price Objective of $44 is based on a 2025 P/E sum-of-the-parts methodology. The base natural gas (15.8x) and water (24.9x) 2025 P/Es are used and grossed up +5% and +7%, respectively, to reflect capital appreciation opportunities across the subsectors. The water utilities are valued at a -2x P/E discount for below average growth. The natural gas utilities are valued at a -1x P/E due to regulatory uncertainty and historically earnings above allowed levels. The parent & other costs are valued at a blended water/natural gas multiple.

Positive and negative risks to achievement of the Price Objective are: 1) regulatory, legislative, judicial, and political outcomes, 2) ability to close pending and future acquisitions, 3) repairs tax guidance, 4) weather, natural disasters, and gas accidents, 5) change in interest/discount rates and pension returns, 6) ability to control costs and earn the allowed rate of return, 7) water contamination and standards, 8) bad debts and macroeconomics factors,

Evergy, Inc (EVRG)
Our $52 price objective for Evergy (EVRG) is based on sum of the parts valuation, applying an in-line utility peer 2025E P/E of 14.6x. The electric peer P/E multiple is grossed up for one year by 5% to reflect capital appreciation across the sector. We further apply a -2.0x turn discount across Missouri and -3x for the Kansas Central subsidiaries based on our perception of a challenging regulatory setup that will pressure future capital spend and Evergy's ability to sustain a consistent EPS growth rate in light of intense regulator scrutiny of customer bill pressures. Downside risks to our price objective include adverse regulatory outcomes, inability to deploy capital expenditures consistent with guidance, operational performance issues including at the nuclear facility, and earning below the authorized rate of return. Upside risks to our price objective include favorable regulatory outcomes in important proceedings, accretively deploying additional capital expenditures above guidance, higher than anticipated O&M benefits and merger synergies leading to a higher earned return on equity, and the ability to recover capital invested in retired coal assets.

Eversource Energy (ES)
Our sum of the parts based price objective of $69 uses P/E multiples on 2025E earnings. The valuation is based on a 2025 sum of the parts analysis. We apply the 2025 average peer P/Es of 15.9x electric, 15.8x natural gas, and 23.8x water. For Connecticut electric & gas utilities, we value at -20% discount (-3.3x) to reflect historical challenges and prospective earnings risks. Connecticut water is valued in-line with natural gas. The other utilities are valued at a -1x discount for below-average consolidated growth and weaker balance sheet metrics. Parent net loss per share is valued at an average electric utility multiple.

Upside and downside risks to our Price Objective are 1) regulatory/political/legislative changes, 2) capital expenditures forecasts, 3) ability to earn the regulatory allowed ROE, 4) offshore wind development, 5) natural disasters & storms, 6) operational performance and gas incidents, 7) integration of historical and prospective M&A, 8) pension plan performance, and 9) equity issuances.

Exelon (EXC)
Our $46 PO is based on an sum of the parts valuation. Our base electric peer 2025 P/E multiple of 15.8x is grossed up for a year by 5% to reflect capital appreciation across the sector. We apply an in-line multiple across EXC utilities ComEd, PECO, BGE, PHI with above-average growth prospects and below average risks counterbalanced but non-linear growth and inconsistent execution.

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 and interest rates, and 7) changes in credit rating agency metric requirements.

FirstEnergy (FE)
The $36 Price Objective is based on a sum-of-the-parts valuation. Our multiples are driven by relative P/E premiums/discounts to the 15.8x 2025E regulated peer multiple. Peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across

the sector, a consistent approach across our coverage universe. We apply -2x discount to reflect rate review risk, below average risk, and pension exposure. We subtract out the holding company debt given the above-average leverage

Upside and downside risks to the Price Objective are: 1) regulatory/political/legislative outcomes, 2) ability to earn the allowed ROEs and/or other changes in regulatory earnings, 3) weather and natural disasters, 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, 8) economic conditions & interest rates, and 9) taxes.

Hawaiian Electric Industries (HE)
Our $8.50 PO for Hawaiian Electric Industries is based on a sum of the parts approach. We apply:

Regulated Utility: A 14.8x base 2025E sector peer forward mean P/E multiple is grossed up +5% to reflect capital appreciation across the sector. We apply a -10% discount to incorporate below-average growth profile and performance based rates uncertainty related to achievement of performance incentive mechanisms (PIMs).

We assume an approximate -$18/sh post-tax liability on an uncertain 50/50 probability of $5.4Bn property damage liable at the utility. There is no inverse condemnation of strict liability statute in HI, but see ongoing litigation risks from Maui fires.

Bank: A 2023E tangible book value median multiple of 1.53x in-line with small/mid-cap regional banking companies. Tangible book value calculation includes held-to-maturity unrealized gains and (losses).

HoldCo & Other: Pacific Current estimated asset value less associated net debt for Pacific Current and the HEI parent HoldCo

Upside and downside risks are: 1) wildfire liabilities and litigation, 2) political, regulatory, and legislative changes, 3) capital expenditures, 4) inflation and operating costs, 5) bank loss reserves and margins, 6) non-interest income and interest income at the bank, 7) change in banking deposits, 8) commodity prices, 9) achievement of performance incentive mechanisms [PIMs], 10) pandemics, storms, and natural disasters, and 11) liquidity.

Idacorp (IDA)
Our $113 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 2025E large cap P/E multiple of 16.7x 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 a 2.0x P/E premium to the base peer multiple to reflect the positive attributes including constructive regulation, execution track record, strong balance sheet, and ESG attributes. Due to the magnitude of the rate base & earnings step-up in 2026, we believe it is appropriate to incorporate 2026 at a discounted level. Example of investments here are Boardman-to-Hemmingway transmission project (over $500Mn rate base, or 9%) that is not reflected in EPS through 2025. Hypothetically giving full credit for 2026 EPS benefit (i.e. no discount) would be worth an incremental $1/sh.

Positive and negative risks to our Price Objective are: 1) political, regulatory, or legislative changes, 2) execution of capital projects, including major investments, 3) workforce attrition and operating cost inflation, 4) changes in interest rates, 5) capital markets access and pricing for debt/equity, 6) ability to earn the regulatory allowed rate of return, 7) crypto mining, memory chip, data center, & large customer load patterns, 8) permitting, 9) natural disasters, precipitation, and weather patterns.

MDU Resources Group, Inc. (MDU)
Our $23 PO is derived from SOTP. At the regulated electric and gas utilities, we use a P/E approach on our 2025 estimates and use peer multiples of 15.0x for electric and 14.3x for gas, we then gross this multiple by +5% to account for sectorwide EPS growth to derive a 12-month forward PO.

We value MDU's stake in publicly-traded Knife River (KNF) based on the latest reported price at the time of publishing, $47.83.

We value the Construction Services business using a '24 EV/EBITDA estimate, applying a multiple of 10.4x based on an average of several publicly-traded specialty construction services peers.

We value the Pipeline business using a '24 EV/EBITDA est., applying a multiple of 9.7x based on an average of several publicly-traded midstream peers.

We 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 adverse rate case outcomes.

NextEra Energy (NEE)
Our $76 PO is derived using an sum-of-the-parts (SOTP) approach, with the utilities and parent segment valued on a 2025E P/E basis, and the generation segment valued on a 2025E EV/EBITDA basis. In addition, we include NEE's ownership stake in NextEra Energy Partners (NEP) as well as the value of fixed fee IDR (DCF, at 6.7% disc rate). We assign 25E peer multiples of 15.5x for electric and 22.3x for water (grossed up by 5% and 7%, respectively, to reflect capital appreciation) with discount/premium to reflect the growth/risk profile of the businesses. We apply a 3x premium for FPL and Gulf. For NEER, we apply a peer EV/EBITDA multiple of 9.5x, which we adjust depending on asset type. We give contracted renewables and 5x premium given fuel type and contracted nature. We utilize a DCF of new renewable for projects beyond 2024 and include a 12x terminal multiple. We value contracted nuclear on a DCF approach using an 8% discount rate. We apply a 1x premium multiple to pipelines, -4.5x 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 our PO are: 1) regulatory/political/legislative outcomes, 2) weather and natural disasters, 3) commodity price changes, 4) fluctuations in stock prices for NextEra Energy Partners, 5) renewable development margins & margin, and 6) election commission review.

NiSource Inc (NI)
Our $31 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2025 forward P/E multiples that are marked-to-market to the latest peer utility multiples of 15.8x for gas and 15.8x for electric. Consistent across our coverage universe, the base electric & gas peer P/E multiples are grossed up by +5% to reflect capital appreciation across the sector. We utilize a +1x premium for NIPSCO Gas/Electric due to generally constructive regulatory outcomes. We subtract the value of excess holding company debt at the parent not supporting the utility subsidiaries.

Positive and negative risks to our Price Objective are changes in 1) regulatory, political, and legislative outcomes, 2) ability to execute on capital expenditure plan, 3) inflation, operating expense, and interest rates as they influence earned rates of return, 4)

customer count and load growth, 5) commodities, 6) natural disasters, 7) pension plan returns, 8) equity and asset sale needs.

NorthWestern Corporation (NWE)
Our $63 price objective is based 2025E price/earnings (P/E) methodology. We apply the electric utility sector P/E of 16.2x as a base then gross-up +5% to reflect capital appreciation across the sector. We apply a -1x discount to reflect historically challenged regulation, below-average rate base (4-5%) / EPS (3-6%) growth, and inflationary concerns.

Risks to our price objective are changes in 1) regulatory, political, and legislative 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 rates, 6) natural disasters and wildfires, and 7) management changes.

OGE Energy Corp (OGE)
Our OGE PO is $39/share based on a sum of the parts. For the utility and holdco we apply the FY25 peer multiple of 16.0x. Electric peer P/E multiple is grossed up for +5% to reflect capital appreciation across the sector, a consistent methodology across our coverage universe. We apply a 1x premium for incremental growth not yet embedded in plan as well as the above-average balance sheet metrics

Upside and downside risks are changes in: 1) regulatory, legislative, and political outcomes, 2) ability to earn the allowed rate of return, 3) interest rates and commodity costs, 4) customer and sales growth, particularly energy and data mining customers, 5) natural disasters, 6) credit rating agency requirements, 7) capital expenditure plan, and 8) request for proposal outcomes.

PG&E Corporation (PCG)
Our PO of $19 reflects an in-line P/E versus the respective electric (16.1x) and gas (16.0x) peer P/E groups with both grossed-up by 5% to reflect capital appreciation across the sector) based on 2025E. The acute wildfire risk is incorporated separately via a scenario probability weighted at 100% assuming PCG hits the cap in 3-year increments. Lastly, we net out 50% weighting of HoldCo debt and add back 50% weighting of interest expense to derive our Price Objective.

Risks to achievement to estimates and Price Objective are: 1) Wildfire and other natural disasters/catastrophic events, 2) regulatory outcomes, 3) interest rates, 4) equity needs, 5) earned returns and operating costs, 6) Fire Victim Trust monetizations, 7) ability to deploy capital, 8) asset sales, 9) management changes, and 10) environmental, social, & governance [ESG] profile.

Pinnacle West (PNW)
Our price objective of $78 is based on a peer utility P/E multiple of 15.4x on our 2025E EPS of $5.14 with a -1.0x 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 by 5% to reflect capital appreciation across the sector.

Upside and downside risks to the Price Objective are changes in 1) regulatory, political, and legislative relationships/outcomes, 2) load growth in territory versus expectations, 3) riders and capital trackers implementation 4) weather, nuclear, and natural disasters, 5) interest rates, 6) pension liabilities and asset returns, 7) equity needs relative to forecasts, 8) capital expenditures, and 9) ability to control costs to earn a return on equity.

Portland General Electric Company (POR)
Our $55 price objective is based on our 2025E EPS estimate using the 16.3x electric peer P/E base multiple. We gross-up +5% to reflect capital appreciation across the sector, a consistent approach across the coverage universe. We value shares based on a 2025E P/E methodology applying a -1x discount which we believe is appropriate for the below-average growth profile that is based in part on success in forthcoming competitive generation solicitations.

Positive and negative risks to achievement of the Price Objective are 1) political, regulatory, or legislative changes 2) power costs in the Power Cost Adjustment Mechanism [PCAM], 3) wildfires and other natural disasters, 4) ability to deploy capital, 5) ability to control operation expenses to achieve the allowed rate of return, 6) changes in interest rates, 7) load growth/contraction, 8) request for proposals, and 9) trading profits or losses.

PPL Corporation (PPL)
Our $32 price objective is based on a sum of the parts methodology applying respective premium/discounts to the 2025E peer group multiple of 16.0x. Electric peer P/E multiple is grossed up by 5% to reflect capital appreciation across the sector, a consistent methodology across our coverage universe. We value all of the utility subsidiaries at +0.5x premium to the sector to reflect the lack of regulatory activity, above-average credit metrics, transmission earnings mix, and reasonable jurisdictions.

Risks to the achievement of our Price Objective are: 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 and execution, 7) natural disasters/weather, 8) equity issuance/repurchase plans, 9) corporate taxes, 10) pension returns, and 11) litigation.

Public Service Enterprise Group (PEG)
Our $70 PO is derived from our 2025 sum of the parts valuation. For the regulated utilities we utilize the electric (15.5x) and gas (15.6x) 2025E sector P/E multiples, which we then gross-up by 5% to reflect capital appreciation across the sector. We apply a +1x premium to PSE&G Utility due to increasing comfort with the growth outlook in a favorable jurisdiction. PSE&G Utility offering low-risk transmission & distribution (T&D) profile.

Positive or negative risks to achievement of the price objective 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, 6) inflation, 7) interest rates, and 8) pension returns.

Sempra Energy (SRE)
Our $82 PO is based on a sum of the parts valuation of 2025E earnings. The US utilities are valued using the electric (16.3x) and gas (16.2x) average P/E that we grossed-up +5% to account for sector growth. We apply a -2x discounted valuation to the California gas utility (SoCal Gas) for concerns about long-term use of natural gas. We apply a -1x discounted valuation to the California electric utility (SDG&E) to reflect the wildfire risk exposure. 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 10x EV/EBITDA, an implied premium to the Mexican market (5.5x) and select premium US midstream comparable (Williams and TC Energy at approximately 9-10x) 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 and cash netting.

Risks to achievement to our price objective are: 1) Wildfire and other natural

disasters/catastrophic events, 2) regulatory outcomes, 3) interest rates, 4) equity needs, 5) earned returns and operating costs, 6) LNG development, 7) ability to deploy capital, and 8) environmental, social, & governance [ESG] profile.

Southern Company (SO)
Our $68 PO is derived from a sum-of-the-parts analysis (SOTP). We use a P/E valuation approach on 2025 estimates and use peer multiples of 14.6x for electric and 14.5x 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 also apply an adjustment factor to reflect slightly higher interest rate expectations than Street consensus. We subtract 50% of the 2025 parent interest expense multiple by an electric P/E peer multiple to reflect parent leverage supporting the utilities. We net out total parent drag and add back the remaining parent interest expense with a 50% weighting. Upside/downside risks to achievement of the PO are: 1) Vogtle construction timing and costs, 2) regulatory, political, and legislative changes, 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 and sales growth, 7) O&M trends, 8) interest rates, 9) environmental policies and regulations, 10) M&A, and 11) interest rates.

Spire (SR)
Our $66 PO for SR is based on a sum-of-the-parts analysis. Consistently across our coverage universe we apply the peer gas 2025 P/E multiple (16.8x) as a starting point and 'gross-up' by five percent to account for growth across the sector. We include a 3x discount for Missouri given a less-constructive regulatory environment and an in-line multiple for Mississippi/Gulf and AL assets given their location and de-risked nature. For the midstream assets, we use a base 9.5x EV/EBITDA multiple with a 4x discount for storage given uncertainty, and a 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, and 7) favorable unregulated performance.

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 $25 PO is derived from our SOTP analysis. We mark-to-market (MtM) our UGI Utilities segment to 2025E peer 2025E P/E multiples of 16.2x for gas & 14.3x for electric. For U.S. & international LPG, we apply an 8.9x EBITDA base multiple in-line with propane comps & apply a -4x discount to UGI International (based on a challenged energy environment in Europe) and a -4x discount to AmeriGas based on challenges to customer retention & a slow return to the M&A market. We apply an 8.9x 2025E EV/EBITDA multiple to the midstream segment with premiums based on the asset. For the renewables business, we take the NPV of future cash flows, which implies a 3.2x FY25E EV/EBITDA multiple. For parent debt in the Corp & Other segment we net out 50/50 weighting for recapitalization & add back 50% of parent interest exp.

Upside risks: favorable weather, improving propane logistics efficiencies domestically or in Europe, increased conversion rates or faster new home construction within PA, and favorable currency exchange rates. Macroeconomic concerns are declining interest rates, lack of volatility and declining natural gas prices, and a general economic upturn.

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.

WEC Energy Group Inc (WEC)
Our $102 PO is based on 2025E SoTP, with a large cap electric group multiple of 15.8x and gas regulated multiple of 16.0x. Electric and 15.3x gas peer P/E multiples are grossed up for a year to reflect capital appreciation across the sector. We apply a 3.0x premium to WEC's WI electric & gas subs for surety in earnings growth for the next two years following the Commission's recent settlement. 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 3.0x 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 5.6%, 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 $60. 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 2025E forward P/E multiple of 14.8x 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 make an additional adjustment to reflect the difference in interest rate forecasts between BofA and Street as well as historical valuation sensitivity to rates.

We apply a 1x premium to XEL subsidiaries in MN and in line for CO, 1X for NM/TX, and 3x for 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 net back 50% of the parent interest expense and instead subtract out 50% of parent debt to more accurately reflect HoldCo leverage.

Risks to achievement of the price objective are 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, Dariusz Lozny, CFA 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				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Array Technologies	ARRY	ARRY US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Alex Vrabel
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	ENLT	ENLT US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	XENLF	ENLT IT	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	Nextracker Inc	NXT	NXT US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG 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
	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
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
NEUTRAL				
	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	Dariusz Lozny, CFA
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Dariusz Lozny, CFA
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	American Electric Power	AEP	AEP 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
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	New Fortress Energy	NFE	NFE US	Cameron Lochridge
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Allete Inc	ALE	ALE 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
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	EVgo Inc.	EVGO	EVGO US	Alex Vrabel
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	Generac Holdings Inc.	GNRC	GNRC 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
	Spire	SR	SR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith

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Important Disclosures

Equity Investment Rating Distribution: Energy Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	84	61.76%	Buy	65	77.38%
Hold	28	20.59%	Hold	20	71.43%
Sell	24	17.65%	Sell	15	62.50%

Equity Investment Rating Distribution: Utilities Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	80	51.61%	Buy	52	65.00%
Hold	40	25.81%	Hold	29	72.50%
Sell	35	22.58%	Sell	23	65.71%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1877	53.28%	Buy	1040	55.41%
Hold	815	23.13%	Hold	464	56.93%
Sell	831	23.59%	Sell	385	46.33%

[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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Industry Overview

NI: Delaying mandatory convert remarketing

NiSource (NI) updated that it is postponing the remarketing of its Series C Mandatory Convertible Preferred Stock after just announced on September 15th and originally issued in April 2021. NI attributed the change to unfavorable market conditions and intends to pursue remarketing again in the next period during November 2023. The associated Equity Units have a 7.75% annual contract rate and an obligation to purchase NiSource common stock on December 1st. The Mandatory Convert will automatically convert on March 1st, 2024, if *not* converted earlier. According to the filing If there is not a successful remarketing ("remarketing failure"), on December 1st, the conversion rate will be zero and there is no automatic delivery or transfer.

This is a small negative for shares of NI but we ultimately view the remarketing process and associated pressure as a short term factor. There could be incremental dilution as part of the process; however, we do not believe this would be overly material and we see offsetting upside drivers to mitigate. Maintain Buy on shares of NI which trade at an attractive relative valuation and a largely derisked regulatory backdrop. Aside from the remarketing efforts, we will watch for favorable rate base/capex update with 3Q23/EEI financial conference, and any regulatory pushback on cost of the proposed Indiana peaker here.

AEE: Resource plan sees more gas, renewables inflation

Ameren Corp (AEE) filed the latest iteration of its long-term integrated resource plan (IRP) in Missouri, updating the version of the IRP first presented in 2020 and updated annually. Coal retirements were largely addressed in the 2020 filing though the latest plan moves Rush Island up by one year to 2024 (court decision pending) and push out of Sioux incrementally to 2032 from 2030. Renewable deployments are unchanged in capacity terms through 2030 at 2,800MW with an even split between solar and wind in the latter half of the decade at 1,000 MW each. Notably the cost of the 2,800 MW has increased +$1Bn (+23%) to $5.3B, for an effectively unchanged plan. It is worth noting that with the inclusion of tax credits created by the Inflation Reduction Act (IRA) the company sees the total bill impact to its customers for these renewables as largely unchanged. Compared to the 2022 version, the latest plan has substantially more natural gas with an 800MW simply cycle targeted for in service 2027 and 2,000 MW combined cycle by 2033 with hydrogen flexibility. Energy storage has been accelerated by five years though still remains a modest part of the overall plan at 400 MW. There is an additional placeholder for 2,400 MW in new clean dispatchable additions by 2043. Overall AEE's updated IRP filing echoes trends seen in other utility filings with renewables either unchanged or scaled back given cost and supply chain constraints and new gas generation used to address reliability. Ameren has had success in achieving regulatory approval from the Missouri commission for wind and more recently solar projects, de-risking its near-term MW additions – four solar projects currently pending are the next area to watch. *Maintain Buy on shares of AEE given premium growth rate and long-run support from transmission investment opportunities.*

28 September 2023

Equity
United States
Utilities

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IRP: Integrated Resource Plan
MW: Megawatts
IRA: Inflation Reduction Act

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FE & OGE: Dividend growth updates across the spectrum

FE: Dividend growth resumes at 5%. Below 6-8% EPS CAGR

FirstEnergy Corp (FE) increased its dividend for the first time since late 2019, a +5% dividend increase to $0.41. This will support a ~4.7% dividend yield. The new CEO stated that the increase was supported by the Board of Director's confidence in the long-term business plan. The FE stated that it plans to recommend dividend increases that are in-line with operating earnings growth over time. *The resumption of dividend growth is favorable and consistent with the 4Q23 guidance target. The 5% dividend growth is lower than the 6-8% guidance for annual operating EPS growth. The pro forma payout ratio at the midpoint $2.54 FY23 guidance midpoint is 65%, at the middle of management's 60-70% target payout ratio. We maintain Underperform on shares of FE which are relatively expensive in part due to the mix of pension and coal mining earnings.*

OGE: Limited dividend growth consistent with plan

In contrast to FE above, OGE Energy (OGE) increased its dividend per share only +1% although the slow dividend growth is consistent with the company's plans is it works through its higher payout ratio after the Enable/Energy Transfer divestiture. OGE currently has an above-average dividend at ~5%. *The de minimis dividend growth is consistent with our expectations and prudent given the high payout ratio as well as parent financing needs. Our top focus for OGE is the ability to translate a 5-7% utility EPS growth rate into a comparable consolidated EPS growth rate. The relentless increase in interest rates will introduce more drag. We maintain Neutral on shares of OGE which are trading approximately at fair value.*

MDU: MT approves 9% revenue increase settlement

MDU Resources' (MDU) settlement in its Montana rate case was approved by the Montana Public Service Commission, granting a revenue increase of +$6.1m (+9%) effective October 1st with interim rates having been placed in effect in June. ROE was set at 9.65% with equity at 50.3%. Previous settlements had been 'black box' without disclosing the cost of capital elements, but the percentage increase nonetheless is a constructive development. The 88 MW Heskett plant is not included in the revenue requirement as it was not in service during the test year – expect this to be pushed into the next filing in the state. MDU has had a series of positive rate case outcomes this year with this being the latest. *Maintain Buy on MDU shares offer attractive value based on sum of the parts valuation. The rate case settlement for peer Northwestern Corp (NWE) is still pending approval of the Montana Public Service Commission.*

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
SolarEdge Technologies: Valuation looking more compelling but can't ignore the outstanding risks	Julien Dumoulin-Smith	28 September 2023
Generac Holdings Inc.: GNRC Analyst Day First Look – Above expectations but a lot of assumptions	Julien Dumoulin-Smith	27 September 2023
NextEra Energy: NEE sells FL utilities in a surprise. Cuts NEP growth outlook due to financing.	Julien Dumoulin-Smith	27 September 2023
SunRun: A case study on cash generation for RUN, finding confidence in the model	Julien Dumoulin-Smith	27 September 2023
US Electric Utilities & IPPs: ERCOT: Revisiting ancillaries and market monitor report	Julien Dumoulin-Smith	26 September 2023
US Utilities & IPPs: PowerPoints: D Offshore/AMZN, CMS/DTE Reliability, & PPL KY Generation Feedback	Julien Dumoulin-Smith	26 September 2023
US Electric Utilities & IPPs: 2023 IPP & Power Conference recap: our top 10 list of key themes to watch	Julien Dumoulin-Smith	25 September 2023

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
NI	NI US	NiSource Inc	US$ 25.18	B-1-7
AEE	AEE US	Ameren Corp	US$ 76.11	A-1-7
FE	FE US	FirstEnergy	US$ 35.24	B-3-7
OGE	OGE US	OGE Energy Corp	US$ 33.52	B-2-7
MDU	MDU US	MDU Resources	US$ 19.74	B-1-7

Source: BofA Global Research

Price objective basis & risk

Ameren Corporation (AEE)
Our $90 price objective is predicated on a P/E based sum of the parts, valuing each business subsidiary relative to the 2025E ratebase weighted peer multiple of 15.5x for electric and 14.9x for gas. 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 1.0x premium to peers at AEE Illinois Electric and in line at AEE Illinois Gas to account for decoupling on the distribution business which aids in earnings predictability. At Ameren Transmission, we apply a 4.0x premium to peers to reflect the FERC ROEs and robust growth outlook.

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 2023 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.

FirstEnergy (FE)
The $36 Price Objective is based on a sum-of-the-parts valuation. Our multiples are driven by relative P/E premiums/discounts to the 15.8x 2025E regulated peer multiple. Peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector, a consistent approach across our coverage universe. We apply -2x discount to reflect rate review risk, below average risk, and pension exposure. We subtract out the holding company debt given the above-average leverage

Upside and downside risks to the Price Objective are: 1) regulatory/political/legislative outcomes, 2) ability to earn the allowed ROEs and/or other changes in regulatory earnings, 3) weather and natural disasters, 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, 8) economic conditions & interest rates, and 9) taxes.

MDU Resources Group, Inc. (MDU)
Our $23 PO is derived from SOTP. At the regulated electric and gas utilities, we use a P/E approach on our 2025 estimates and use peer multiples of 15.0x for electric and 14.3x for gas, we then gross this multiple by +5% to account for sectorwide EPS growth to derive a 12-month forward PO.

We value MDU's stake in publicly-traded Knife River (KNF) based on the latest reported price at the time of publishing, $47.83.

We value the Construction Services business using a '24 EV/EBITDA estimate, applying a multiple of 10.4x based on an average of several publicly-traded specialty construction services peers.

We value the Pipeline business using a '24 EV/EBITDA est., applying a multiple of 9.7x based on an average of several publicly-traded midstream peers.

We 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 adverse rate case outcomes.

NiSource Inc (NI)
Our $31 PO is based on a sum of the parts valuation. We value each gas and electric utility separately using 2025 forward P/E multiples that are marked-to-market to the latest peer utility multiples of 15.8x for gas and 15.8x for electric. Consistent across our coverage universe, the base electric & gas peer P/E multiples are grossed up by +5% to reflect capital appreciation across the sector. We utilize a +1x premium for NIPSCO Gas/Electric due to generally constructive regulatory outcomes. We subtract the value of excess holding company debt at the parent not supporting the utility subsidiaries.

Positive and negative risks to our Price Objective are changes in 1) regulatory, political, and legislative outcomes, 2) ability to execute on capital expenditure plan, 3) inflation, operating expense, and interest rates as they influence earned rates of return, 4) customer count and load growth, 5) commodities, 6) natural disasters, 7) pension plan returns, 8) equity and asset sale needs.

OGE Energy Corp (OGE)
Our OGE PO is $39/share based on a sum of the parts. For the utility and holdco we apply the FY25 peer multiple of 16.0x. Electric peer P/E multiple is grossed up for +5% to reflect capital appreciation across the sector, a consistent methodology across our coverage universe. We apply a 1x premium for incremental growth not yet embedded in plan as well as the above-average balance sheet metrics

Upside and downside risks are changes in: 1) regulatory, legislative, and political outcomes, 2) ability to earn the allowed rate of return, 3) interest rates and commodity costs, 4) customer and sales growth, particularly energy and data mining customers, 5) natural disasters, 6) credit rating agency requirements, 7) capital expenditure plan, and 8) request for proposal outcomes.

Analyst Certification

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

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Array Technologies	ARRY	ARRY US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Alex Vrabel
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	ENLT	ENLT US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	XENLF	ENLT IT	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	Nextracker Inc	NXT	NXT US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG 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
	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
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
NEUTRAL				
	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	Dariusz Lozny, CFA
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Dariusz Lozny, CFA
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	American Electric Power	AEP	AEP 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
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	New Fortress Energy	NFE	NFE US	Cameron Lochridge
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith

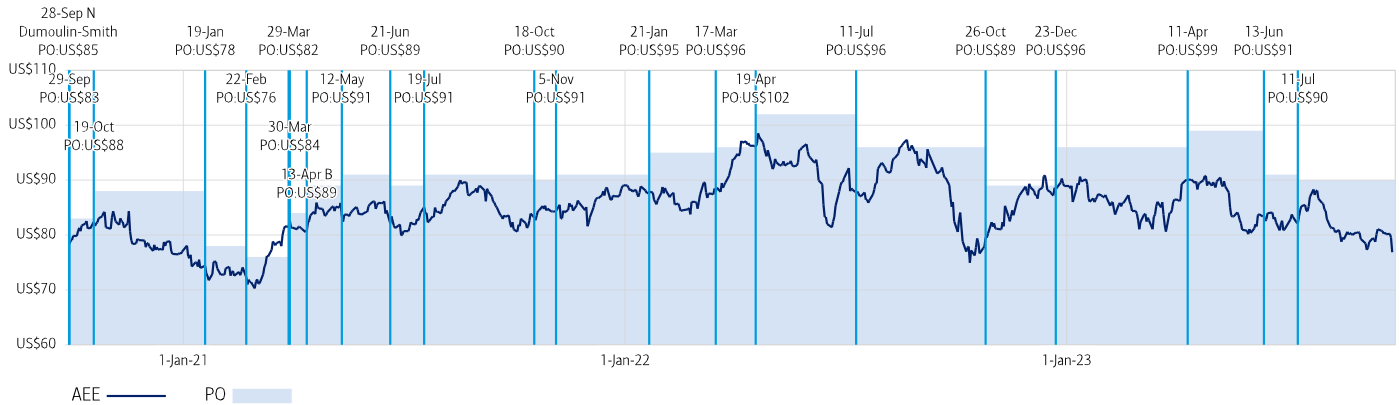
North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
UNDERPERFORM				
	Allete Inc	ALE	ALE 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
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	EVgo Inc.	EVGO	EVGO US	Alex Vrabel
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	Generac Holdings Inc.	GNRC	GNRC 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
	Spire	SR	SR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

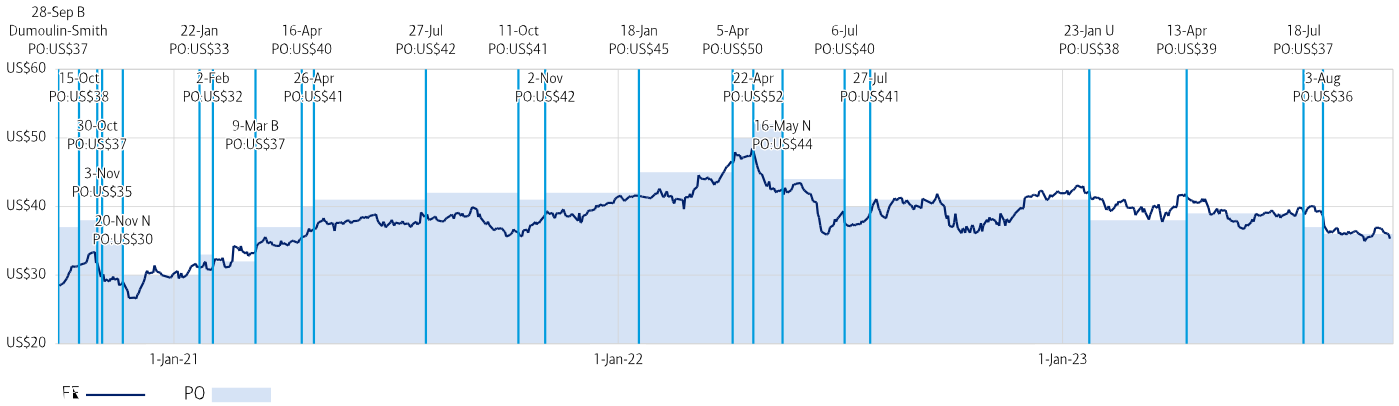
Ameren Corp (AEE) Price Chart



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.

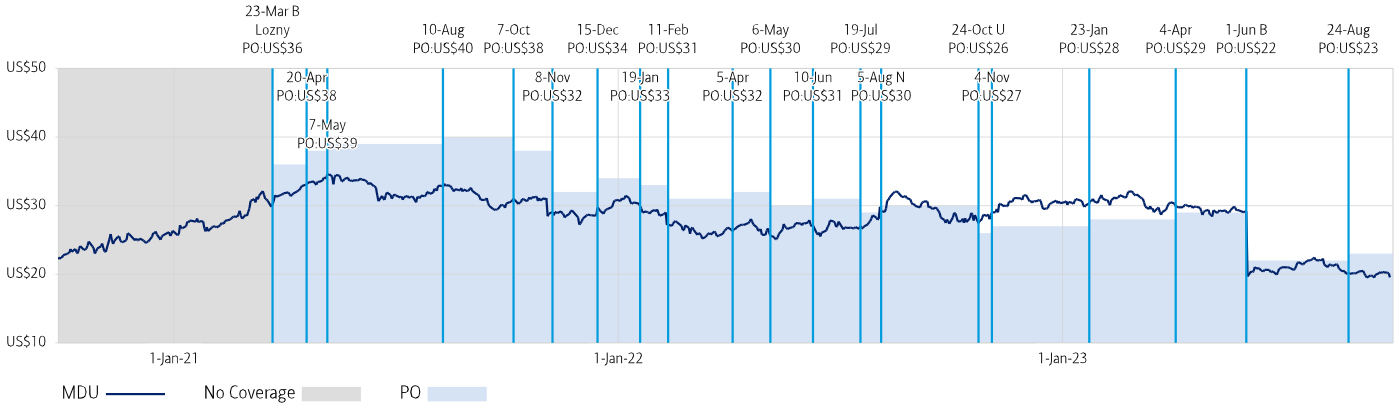
FirstEnergy (FE) Price Chart



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.

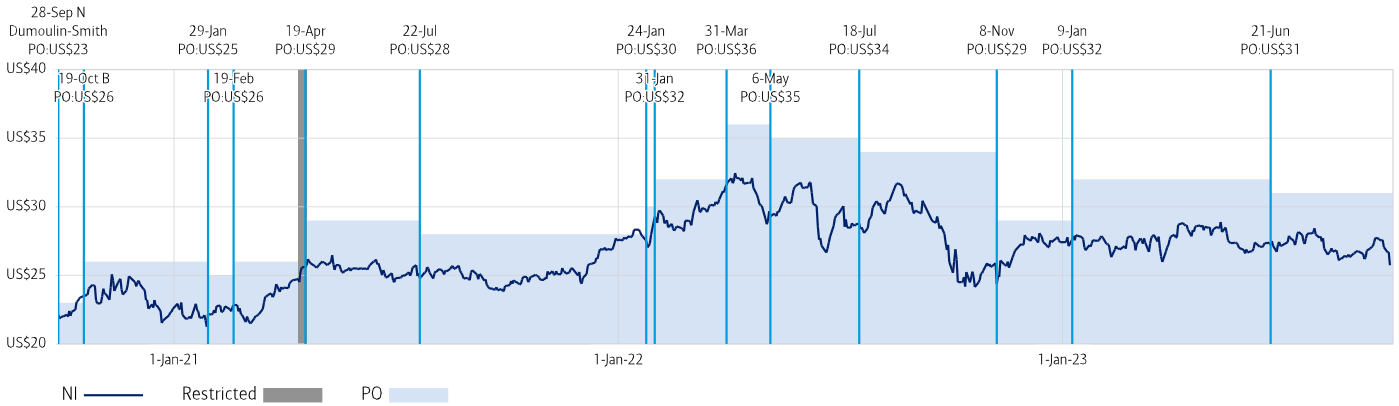
MDU Resources (MDU) Price Chart



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.

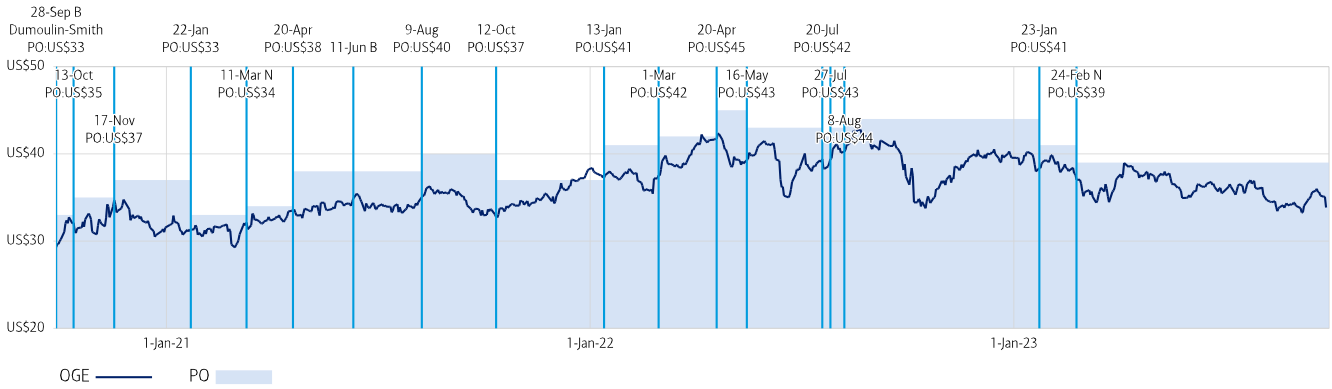
NiSource Inc (NI) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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OGE Energy Corp (OGE) 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 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	84	61.76%	Buy	65	77.38%
Hold	28	20.59%	Hold	20	71.43%
Sell	24	17.65%	Sell	15	62.50%

Equity Investment Rating Distribution: Utilities Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	80	51.61%	Buy	52	65.00%
Hold	40	25.81%	Hold	29	72.50%
Sell	35	22.58%	Sell	23	65.71%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1877	53.28%	Buy	1040	55.41%
Hold	815	23.13%	Hold	464	56.93%
Sell	831	23.59%	Sell	385	46.33%

[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). Our investment ratings are: 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. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. 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: Ameren Corp, FirstEnergy, MDU Resources, NiSource Inc, OGE Energy Corp.
BofAS or an affiliate was a manager of a public offering of securities of this issuer within the last 12 months: FirstEnergy Corp, 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: Ameren Corporation, FirstEnergy Corp, MDU Resources, NiSource Inc, OGE Energy Corp.
BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: Ameren Corporation, FirstEnergy Corp, MDU Resources, NiSource Inc, OGE Energy Corp.
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: Ameren Corporation, FirstEnergy Corp, MDU Resources, NiSource Inc, OGE Energy Corp.
BofAS or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: Ameren Corporation, FirstEnergy Corp, MDU Resources, NiSource

Inc, OGE Energy Corp.
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: Ameren Corporation, FirstEnergy Corp, MDU Resources, NiSource Inc.
BofAS together with its affiliates beneficially owns one percent or more of the common stock of this issuer. If this report was issued on or after the 9th day of the month, it reflects the ownership position on the last day of the previous month. Reports issued before the 9th day of a month reflect the ownership position at the end of the second month preceding the date of the report: NiSource Inc.
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: Ameren Corp, FirstEnergy, MDU Resources, NiSource Inc, OGE Energy Corp.
The issuer is or was, within the last 12 months, a securities business client (non-investment banking) of BofAS and/or one or more of its affiliates: Ameren Corporation, NiSource Inc.
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GUGGENHEIM

Guggenheim 360°

Power & Utilities

July 17, 2023

Guggenheim Regulatory Baseline: Taking the Midyear Pulse of Our 40+ States

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Ticker	Price	Rating
AEE	85.47	Neutral
AEP	87.22	Buy
ALE	57.92	Sell
AWK	146.21	Neutral
CMS	60.95	Neutral
CNP	30.12	Buy
D	52.64	Buy
DTE	112.95	Buy
DUK	93.01	Buy
ED	93.08	Neutral
ES	72.82	Buy
ETR	99.88	Buy
EVRG	60.16	Buy
EXC	42.02	Buy
FE	39.75	Buy
HE	37.94	Neutral
LNT	54.16	Neutral
NEE	73.20	Buy
NI	27.94	Buy
NWE	56.85	Sell
OGS	76.21	Neutral
PCG	17.82	Buy
PEG	63.84	Buy
PNW	83.20	Neutral
PPL	26.76	Buy
SO	71.38	Buy
SRE	148.44	Buy
WEC	91.40	Neutral

Key Message: Against the backdrop of an eventful 1H23 on the regulatory and legislative fronts, we are refreshing our house thoughts on our coverage universe's 40+ states as we head into the balance of the year. In our view, the number of positive and negative shifts accelerated in the first half of the year, with familiar outliers to the upside (AZ) and the downside (CT) coming alongside what we see as more subtle shifts in many other jurisdictions. To that end, we have identified 24 jurisdictions of particular note, classified across: **9 positive** states (improving backdrop, favorable outcomes), **7 negative** states (poor case outcomes, turnover, negative comments, deteriorating construct), and **8 "watchlist"** states (future *potential* improvement/deterioration from unresolved externalities and/or known unknowns). The 8 states on our watchlist in particular present upward/downward considerations heading into the 2nd half and beyond for several tickers (D, EVRG, LNT, NEE, WEC, NWE (SD)), alongside developing positive (CNP, CMS, DTE, DUK, ED, HE, NWE (MT),PCG, PEG, PNW, SRE) and negative (including ES, ETR, SO, AEE, EXC, PPL, ALE) narratives.

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Note: We are hosting GA Commissioner Shaw virtually on 7/24 at 11AM.

What's happening? We are updating our qualitative thoughts on our 40+ regulatory jurisdictions following a very active 1H23 and the recent conclusion of most states' spring legislative cycles, **drawing upon our extensive YTD commissioner, stakeholder, and C-suite dialogues.** While not a direct readthrough to estimates, we see this exercise as crucial to investor conversations on premia and sentiment heading into 2H23. To further aid our thoughts and investor accessibility, we have bucketed our states in to 4 key classifications:

1) positive change (AZ, CA, HI, MI, MT, NC, NJ, NY, TX),

2) negative change (CT, GA, IL, KY, LA, MD, MN),

3) our **watchlist** (FL, IA, KS, OH, SD, VA, WI, WV), and

4) status quo states (AL, AR, CO, DC, DE, ID, IN, MA, MO, MS, ND, NH, OK, OR, PA, RI, SC, TN, UT, WA)

For those names in our first 3 buckets (positive/negative/watchlist), we summarize the specific backdrops and drivers of our concern/optimism alongside a broader update on personnel shifts and forthcoming 2H23 data points. We also provide an updated database of commissioner changes across our *entire* coverage universe for your ongoing reference, including our 20 **status quo** states. **The class of 1H23 swelled to a notable 27 new commissioners across 19 of our jurisdictions, driving, in part, several of our watchlist designations.**

What's the implication for our coverage? While many of the positive and negative developments in recent months have already found their way into premiums and discounts across our coverage universe (ES, PNW, CNP), we see the potential for further improvement *or* degradation across many of the 24 jurisdictions we examine further in this note. **In our view, investors continue to grapple with a heavily barbelled utility comp set at the moment** (deep discount vs. premium), with a significant part of the more intangible components of the premium/discount attributable to regulatory backdrops (note: the other major intangible, in our view, is investor perceptions of mgmt [e.g., AEE, CNP, LNT, WEC]).

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GUGGENHEIM 1H23 REGULATORY ROUNDUP

In this note, we lay out our Guggenheim classifications for the 40+ jurisdictions our utilities under coverage operate in, organized by changes in our views or *potential* changes (watchlist). 24 of our jurisdictions are under some sort of review, which we detail in depth below. For those 20 names we deem status quo, we provide a more cursory commissioner roundup below.

HOW ARE WE ARRIVING AT OUR CLASSIFICATIONS?

Drawing upon our 1x1 conversations with commissioners, corporates, and stakeholders in the first half of the year, we have classified our coverage universe into 4 categories for investors' reference. Our *changing* classifications use the start of the year as the reference point, alongside key *prospective* details where we anticipate there could be changes. What does that mean? We have tried to flag jurisdictional changes relative to investors' longstanding views *prior to the new year*. Our focus on changing stories means this is *not* an overall grading system - i.e., if Jurisdiction X has been challenging for years and nothing changed, we have left it in "status quo". Select examples of specific catalysts driving our views include:

Positive: **Constructive case outcomes** in 1H23 (e.g., ROEs), **positive commissioner turnover** (departure of negative actors), improving **commentary from existing commissioners,** new or *anticipated* regulatory construct improvements (advanced ratemaking, etc.)

Negative: **Unfavorable case outcomes** in 1H23, **negative, or *potentially* negative commission turnover,** new or uncharted **policy or regulatory overhangs** (e.g., new retirement requirements in KY), deteriorating commentary from existing commissioners

Watchlist: **Unresolved externalities** (e.g., political, policy), significant **commission turnover** (e.g., 3 out of 5 quorum shift), **lack of established case record** (e.g., several years)

Figure 1: Guggenheim Regulatory Classifications

Changing			Status Quo (*No Change in our view*)	
Positive	**Negative**	**Watchlist**		
AZ	CT	FL	AL	ND
CA	GA	IA	AR	NH
HI	IL	KS	CO	OK
MI	KY	OH	DC	OR
MT	LA	SD	DE	PA
NC	MD	VA	ID	RI
NJ	MN	WI	IN	SC
NY		WV	MA	TN
TX			MO	UT
			MS	WA
9	**7**	**8**		**20**

Source: Guggenheim Securities LLC

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OUR WATCHLIST

Our 8 watchlist states present 2H23 deterioration or improvement opportunities for their associated utilities on the back of **1)** externalities (FL, VA), **2)** irregular regulatory processes (RPUs in IA, CPCN in KY), and **3)** normal-course rate case data points (KS, WI). Note: we discuss what could drive further positive or negative watchlist changes in the individual state sections below.

Figure 2: Guggenheim Watchlist

Watchlist	Impacted Tickers	Rationale for Watchlisting
FL	NEE (100% of rate base) DUK (~19% of rate base)	Legal and political noise around the FPSC, legal challenges to rate cases
IA	LNT (~45% of rate base)	2 out of 3 commissioners are brand new (incl. chair) Rehearings underway for RPU filings (advanced ratemaking)
KS	EVRG (~53% of rate base) OGS (26% of rate base)	First major case in ~5 years for EVRG Lack of clear readthrough from other cases (e.g. gas LDCs) KS investor baseline is a challenging jurisdiction in our view (heighten +/- uncertainty)
OH	NI (29% of rate base) FE (24% of rate base) AEP (~11% of rate base) DUK (6% of rate base) D (~5% of rate base)	Ongoing legal/political noise Positive regulatory data points (settlements approved) but major cases forthcoming
SD	NWE (20% of rate base)	Sustained period without case visibility (~10 years) ROEs generally not disclosed
VA	D (~65% of rate base) NI (~7% of rate base) AEP (~5% of rate base) AWK (~1% of rate base)	SCC vacancies have become politicized No timeline on filling 2 of the 3 vacant seats Significant policy implementation ongoing (albeit with legislative guardrails)
WI	WEC (~66% of asset base) LNT (~55% of rate base) ALE (<10% of rate base)	Prior case concerns (WEC in 2022) Positive recent Gugg dialogue with 2 of 3 commissioners (incl. chair) Ongoing WPL case
WV	FE (19% of rate base) AEP (~8% of rate base) AWK (~4% of rate base)	Noisy regulatory and policy backdrop (securitizations, plant closures)

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POSITIVE STATES

AZ	CA	HI	MI	MT
NC	NJ	NY	TX	

ARIZONA

Ticker(s) and exposure:	PNW (100% of rate base[1])
New Commissioners in 2023:	2/5
Major Legislative Changes in 1H23:	No

Why Positive?

The impact of regulatory turnover has been pronounced in AZ, following the Nov. 2022 election of **two new commissioners** who both came to the job already having **significant utility-related experience** and who investors perceive as making good so far on their campaign promises to fix the regulatory construct in the state. For example, the prospect of moving from historical test years and post-test year plant (PTYP) to **forward-looking test years** is being considered, with the goal of reducing the time and money currently spent conducting long, drawn-out rate cases, **as well as reducing the regulatory lag encountered by utilities**. Earlier this year, we hosted Commissioner Nick Myers and Commissioner Kevin Thompson (who also attended our January NARUC roundtable) for a live video conference with investors. The two newly-elected Arizona regulators campaigned together in 2022 on a platform to fix the issues that had been plaguing utility regulation in Arizona, a message that resonated with investors as a clear improvement vs. the ACC's prior makeup. For more, see our note HERE.

The next key datapoint we are monitoring in AZ is the ACC's August 8th-9th Open Meeting, where a decision will be handed down in Tucson Electric Power's rate case (Docket E-01933A-22-0107). In particular, we will be looking to see where the **commission sets the utility's ROE** vs. its currently authorized level of 9.15% (set in Dec. 2020), the ALJ's recommendation of 9.4%, and **Staff's recommendation of 9.5% (originally 9.6%), which is directly comparable to Staff's recommendation for Arizona Public Service, PNW's utility.**

CALIFORNIA

Ticker(s) and exposure:	PCG (100% of rate base) EIX (100% of rate base) SRE (~50% of rate base) AWK (~4% of rate base)
New Commissioners in 2023:	1/5
Major Legislative Changes in 1H23:	No

Why Positive?

CA has been a continuously improving regulatory construct story, with further upside re-rating potential. In the wake of 2018 wildfires, the legislature

[1] 18% of PNW's rate base is FERC transmission. For the purposes of this note, our rate base percentage considerations herein are distribution-focused. All rate bases are approximate.

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provided prescriptive regulatory backstops to wildfire liabilities (AB1054, SB901) and refocused the CPUC on less ambiguous and timely decision making. The core regulatory mechanisms have always been favorable (separate cost of capital mechanism, multiyear plans, revenue decoupling, RAMP framework for GRC investments, etc.), but we are now seeing a commission publicly commit to timely outcomes, recognition of rate design issues (incl. cost shift), and **we find more alignment than in recent history between State policy, CPUC, and the Investor-Owned Utilities.**

Upcoming datapoints include a highly probable cost of capital (CCM) trigger upwards based on current bond index yields (October 2023), PG&E GRC outcome (imminent), and SDG&E/SCG GRC datapoints (August 4, 2023). Undergrounding implementation plans and a crucially important EIX filing to recover wildfire claims are upcoming in 2H23.

What positive outcomes can we anticipate? PCG rate case decision imminent, SDGE/SCG Staff and Intervenor testimony next; CA Cost of Capital, EIX GRC and Wildfire Claim recovery likely 2024 datapoints. The nearest datapoint is the PCG rate case, and a substantial approval of requested capex and cost increases would be a positive outcome, **primarily consisting of a CPUC approved rate base of ~$50B (or substantial portion) for the 2023 test year** in support of the 9.5% rate base CAGR guidance (per PCG). Similarly, we are looking for rate base approval %s in the high 90s for SDGE and SCG in support of the 8% SRE CA Utilities rate base growth CAGR. **On cost of capital, the CA IOUs have taken a range of positions on potential outcomes** (ranging from PCG noting intention to maintain EPS guidance regardless of CoC outcome and reinvest incremental earnings into rate base to SRE, which firmly believes the prior evidentiary record supports a CCM trigger upwards, although EPS upside is not in current planning assumptions). Cost of capital filings will come in October 2023, but firm datapoints may take into early 2024 to emerge (**based purely on bond yields at 50bp step up is a reasonable settled outcome, in our view**). EIX 2025 GRC and the upcoming wildfire liabilities filing will also take some time to gather evidentiary record, which we anticipate will be in 2024.

HAWAII

Ticker(s) and exposure:	HE (100% of rate base)
New Commissioners in 2023:	0/3
Major Legislative Changes in 1H23:	No

Why Positive?

HI has progressively become more constructive with regulatory reforms as well as HE Utilities working on stakeholder alignment (both HPUC and customer driven). HI has implemented the PBR framework including annual revenue adjustments based on a formula including inflation, and HPUC continues defining performance mechanisms. While ROEs remain low and HPUC history has been challenging**, there is a definite improvement in regulatory construct in recent history** (HE has currently called out up to $20M of performance incentives or almost 10% of total company earnings, but the mechanisms are generally bi-direction and don't guarantee 100% achievement).

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MICHIGAN

Ticker(s) and exposure:	CMS (100% of rate base) DTE (100% of rate base) AEP (2% of rate base) WEC (1% of asset base)
New Commissioners in 2023:	1/3
Major Legislative Changes in 1H23:	No

Why Positive?

MI regulatory construct came under question at the end of 2022, and the MPSC saw some turnover and reappointments in 2023. The 2022 DTE GRC outcome highlighted a tough litigating position, and the commission was reluctant to adopt capital market conditions (perhaps due to the timing of evidentiary record). The subsequent datapoints from regulatory filings by CMS and DTE **have been generally constructive,** with the commission voicing support for the majority of capex spending, implementation of investment recovery mechanisms (IRM) at least in small part, and most recent Staff recommended ROE bands showed a 20bp step up vs. prior recommendations. **The MI governor appointed a new commissioner (Alessandra Carreon, focused on electrification) to serve out Tremaine Phillips' term and reappointed Dan Scripps as Chair for a 6-year term, which provides regulatory stability.**

MONTANA

Ticker(s) and exposure:	NWE (79% of rate base)
New Commissioners in 2023:	1/5
Major Legislative Changes in 1H23:	Yes

Why Positive?

As we previously noted in our 2023 Outlook piece (link HERE), we saw **the commission's comparatively quick response (vs. prior MT rate cases)** to NWE's **request for interim rates** (authorizing them effective Oct. 1, 2022) as **incrementally positive for Montana's regulatory construct**. Then, on April 3, 2023, **NorthWestern and the primary intervenors** in its MT rate case (i.e., the Montana Consumer Counsel, the Montana Large Customer Group, Walmart Inc. (NYSE:WMT), and the Federal Executive Agencies) **were able to reach a settlement** that included, among other things, agreement on electric and natural gas base revenue increases (**specifying electric/gas ROEs of 9.65%/9.55%, respectively, consistent with current authorized ROEs**), as well as an update to the company's **important PCCAM mechanism**, which adjusts the base costs and provides for more timely recovery of deferred balances (for more, see our write-up of the settlement HERE).

Another **notable positive development in MT in 1H23 has been the legislature's support** (including **SB 557** & **HB 971**, among others) **in response to the prospect of Yellowstone's construction grinding to a halt.** Recall for context: "*On April 4, 2023, the Montana District Court issued an order finding MDEQ's environmental analysis was deficient in not addressing exterior lighting and greenhouse gases. The Court remanded it back to MDEQ to address the*

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deficiencies and vacated the air quality permit pending that remand. As a result of the vacatur of the permit, [NWE was] required to stop construction [of the Yellowstone County Generating Station]." – NWE's 1Q23 10-Q filing (link HERE).

What's next? The MPSC will conduct commission work sessions in the weeks ahead followed by a **decision anticipated by mid-August**. This is the key upcoming datapoint we are watching for in Montana as **a constructive order, in our view, would solidify that the state has meaningfully improved as a regulatory jurisdiction**.

NORTH CAROLINA

Ticker(s) and exposure:	DUK (~50% of earnings base) D (~3% of rate base)
New Commissioners in 2023:	0/7
Major Legislative Changes in 1H23:	No

Why Positive?

Both of DUK's NC utilities are currently in the process of navigating through new **NC Base Rate Case and PBR** proceedings for the first time, following the NCUC incorporating into rulemaking the many changes brought about by the state's "**Energy Solutions for North Carolina**" law (originally known as **HB 951**). The new regulatory framework in North Carolina now permits for **multi-year rate increases, robust earnings sharing mechanisms, performance-based ratemaking, performance incentive measures, and residential decoupling**, among other advancements. DEP was able to reach a **partial settlement with Staff in April, although ROE and capital structure were not included**. While **North Carolina has no set methodology regarding ROEs**, we continue to expect constructive outcomes from the NCUC's final orders, ones that demonstrate that in addition to Duke's significant ongoing investment in its clean energy fleet transformation for many years to come, the now fully regulated company (*after its anticipated divestiture of Commercial Renewables*) will be **supported by a regulatory framework that may begin to rival other top-tier premium jurisdictions across the country**.

We expect a **final decision in DEP's case in August** and are also watching for the **terms of any settlement DEC** might reach **ahead of hearings**, which are **scheduled to commence on August 21st**.

NEW JERSEY

Ticker(s) and exposure:	PEG (100% of rate base) NJR (100% of rate base) AWK (~24% of rate base) FE (17% of rate base) EXC (6% of rate base)
New Commissioners in 2023:	2/5
Major Legislative Changes in 1H23:	No

Why Positive?

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NJBPU has leaned more constructive on implementation of state energy policy providing opportunities to earn outside of the GRC construct including IIP (not including more CEF, Energy Storage, etc.) and the SAA with PJM on offshore wind integration. While historically NJBPU has been confrontational in certain regards, **the overall policy alignment has allowed for a smooth regulatory process including multiple infrastructure investment programs** (IIPs), which help offset regulatory lag between rate cases. The commission previously challenged ROEs but has been fair in equity ratios allowed in prior decisions. Overall, **policy alignment and inclusion of new infrastructure development are modestly constructive for our outlook on the NJBPU,** and the commission has been proactive in voicing energy transition support for NJ. As a reminder, we hosted Commissioner Christodoulou earlier this year – see HERE.

NEW YORK

Ticker(s) and exposure:	ED (100% of rate base)
New Commissioners in 2023:	0/7
Major Legislative Changes in 1H23:	No

Why Positive?

NYPSC has become more aligned with the needs of energy policy including addressing needed energy transition upgrades in interim (non-GRC) proceedings. CECONY settlement datapoints recognize cost of capital changes, and while commission remains strict on bill impacts, cost management, and performance metrics, there has been less uncertainty on capex and earnings drivers, which is the main reason for our positive outlook. NYPSC has historically been seen as less rational and more politically motivated, but that gap has been bridged in more recent proceedings as the commission has recognized the capex needs and customer costs of the energy transition.

Most recently, the NYPSC included the CECONY settlement on the July 20, 2023 commission meeting agenda, which could see an approval or incremental commentary around core regulatory constructs. The settlement arrived at a 9.25% allowed ROE, which was above our assumed 9.20% assumption but below the most recent capital market datapoints (i.e., lagging on the way up given backwards looking testimony). **What could be further potential upside is the upcoming O&R rate case (2024 process for 2025 rates), which was the first upwards ROE approval in NY's recent history (at 9.2%) and could see the commission move higher on new cost of capital testimony (later 2024 event)**. Finally, NYISO noted a potential inflection point on capacity/generation needs with NYC retirements based on emissions regulations, a lack of new transmission into the city, and potential for an electrification inflection shrinking reserve margins (i.e., incremental transmission requirements for CECONY).

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TEXAS

Ticker(s) and exposure:	CNP (~50% of rate base) SRE (~40% of rate base) OGS (~32% of rate base) AEP (~17% of rate base) ETR (~10% of rate base)
New Commissioners in 2023:	0/5
Legislative Changes in 1H23:	Yes (DCRF, etc.)

Why Positive?

TX Legislature drastically improved the regulatory constructs for the PUCT in recent years. The most recent session saw DCRF improvement (aligned with TCOS, 2x per year filing), non-officer incentive comp recovery, resiliency planning framework, CPCN approval deadlines, etc. Both SRE and CNP have been vocal about improvement in regulatory lag and potential for higher capex. Datapoints from Oncor rate case and ETR rate case have generally been constructive, including ROEs and stability of deferred cost recovery. Chairman Lake's planned departure was a surprise but, in our view, par for the course as the commission was fully restaffed recently and achieved the goal of reliability and timely outcomes (i.e., Chairman Lake was not anticipated to lead the commission into perpetuity). While there was a thesis of a more right-leaning governor's office, we note that the entire commission has been nominated by the same governor (i.e., **we do not see any shifts in policy implementation**).

What are the positive drivers? DCRF and incentive comp recovery are most direct, resiliency and CPCN rules more LT. Both CNP and SRE have noted that the most direct earnings impact from the regulatory changes would be from reduction in regulatory lag. **CNP quantified DCRF reform (i.e., aligned with TCOS) to be up to a 60bp lag reduction** (dependent on timing of capex and recovery) and SRE/Oncor intends to quantify the benefits on the 2Q earnings call (we anticipate a similar level of peak lag reduction). **While the improved regulatory mechanism will create an opportunity to step up capex on its own, SRE further noted that the resiliency planning reform will likely function similar to rider recovery** on the specific subset of investments and both Oncor and CNP have been ramping up resiliency plans; CNP worked on Resiliency Now as an upside to plan, and Oncor noted the potential to increase capex by combining growth spending and accelerated equipment replacement.

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NEGATIVE STATES

CT	GA	IL	KY
LA	MD	MN	

CONNECTICUT

Ticker(s) and exposure: ES (30% of rate base)

New Commissioners in 2023: 0/3 (option for 5)
Major Legislative Changes in 1H23: Yes (SB7)

Why Negative?

Connecticut has been one of the highest profile regulatory deteriorations in the country this year, with the March Aquarion order and associated inter-commissioner sparring marking a new low for the construct, in our view (see our earlier note HERE). While that case, and its 8.7% ROE, was appealed to the courts, the CT Legislature's passage of SB7 last month all but enshrines the ability for PURA to incorporate what we view as arbitrary metrics into its considerations, allowing for wide leeway on critical case parameters (see our note HERE). Importantly, the situation has also bled through to Staff (local media highlighting "significant" turnover), a facet of the regulatory construct we typically see as a bulwark against more aggressive commissioners and radical policy departures. As we have covered extensively in the notes linked above, the high profile nature of the deterioration has been a weight on all CT-exposed names this year – setting a potential trough, in our view, ahead of action by the Governor on the re-appointment of Caron and Betkoski (see our note HERE). As a reminder, we hosted Caron earlier this year and viewed him as a rational actor (see HERE).

In the NT, our views on the construct could benefit from: 1) the reappointments of Caron and Betkoski, **2)** a more favorable outcome in UIL's case [NYSE:AGR] (final decision 8/25), and **3)** the nomination of additional rational actors to the remaining 2 "flex" seats at PURA. Absent clarity on these items, CT remains one of our lowest ranked jurisdictions for 2023.

GEORGIA

Ticker(s) and exposure: SO (~54% of rate base)

New Commissioners in 2023: 0/5
Major Legislative Changes in 1H23: No

Why Negative?

A **Special Election** is expected sometime in the not too distant future; however, both its timing and any **changes to the existing state-wide election process remain entirely unclear**. **Why Negative instead of Watchlist**? We acknowledge the potential for an outcome that **maintains the status quo** of 5/5 commissioners being pro-business Republicans; however, the **more likely scenario,** in our view and those of **sitting Georgia PSC commissioners we spoke to last week**, is that the way commissioners are elected to the PSC is likely to be modified in favor

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of Democratic voters and therefore Democratic PSC candidates (e.g., potentially via redistricting). Meanwhile, **Georgia is already a top-tier regulatory jurisdiction, so there simply isn't much potential for an incrementally more positive shift.** While some investors have been asking about a **potential impact on the Vogtle prudency review process**, we left our meetings in Georgia satisfied that regardless of any Special Election, the will of the PSC in its current form will be what dictates the outcome of the prudency review, **even if it means coming down to a 3 vs. 2 vote**. Our focus instead is around **the longer-term make-up of the commission, and we will remain concerned until the potential impacts to the PSC are known**.

Separate from the PSC's election issues and potential changes, we note that while we have continued to monitor the longer-term need to add additional generation capacity in Georgia, we are increasingly of the belief that SO may need to go back to the Commission in the near term and update its load growth forecasts and capacity needs **ahead of the next scheduled triennial IRP in 2025**. With the **pickup in current and planned economic development in the state** (2,200 MW of additional future capacity needs were identified in 2022 vs. ~100 MW per year previously), with sizable increases in expected load requirements being driven by Hyundai (005380:Korea), QTS Data Centers (acquired by BX:NYSE), Microsoft (MSFT:NASDAQ), and Rivian (RIVN:NASDAQ). We also note that this is ***before*** accounting for any additional needed capacity for PSC-driven ideas, like one commissioner who we met with **declaring that they would like to see Georgia become the electric vehicle capital of the country**.

ILLINOIS

Ticker(s) and exposure:	EXC (37% of rate base) AEE (30% of rate base) WEC (17% of asset base) SO (7% of rate base) AWK (~5% of rate base)
New Commissioners in 2023:	3/5
Major Legislative Changes in 1H23:	No

Why Negative?

Our negative stance on IL is predicated on the degree of turnover at the Commission this year (3 commissioners, including Chair)**, the record caseload before the commission, and certain case data points that present potential headwinds to the EDCs**. While CEJA is very prescriptive on the implementation of MYPs, and Chair Doug Scott has been public regarding his involvement in, and support of, the legislation, we remain cautious following Staff's initial testimony for AEE and EXC. In addition, while gas cases this year have generally gone smoothly/favorably (e.g., ~9.89% ROEs), the juxtaposition against more challenging outcomes for the electrics is illogical to us when the state is aggressively seeking to decarbonize – why should the EDCs receive a formulaic ROE 90bps lower than the LDCs? Our concerns around the commission turnover and the record case load (>6) also come against a backdrop of **acute rate pressures in the state and associated political noise** (see our recent note HERE), with over 12% of customer utility bills overdue as of April. How all of this will coalesce at the Commission remains to be seen, in our view, and as such **we**

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do not envision sentiment improvements around the jurisdiction until well into the back half of the year as visibility on the case outcomes improves.

KENTUCKY

Ticker(s) and exposure:	PPL (48% of rate base) AEP (3% of rate base) AWK (~3% of rate base) NI (3% of rate base) DUK (2% of rate base)
New Commissioners in 2023:	1/3
Major Legislative Changes in 1H23:	Yes (SB4, SB192)

Why Negative?

Kentucky has historically been a challenging jurisdiction, in our view, and while we believe investors have come to at least appreciate the consistency therein, **recent developments such as the passage of SB4 and commissioner turnover have injected additional uncertainty into resource planning and potential utility capital expenditures**. While the PSC has historically been reliably focused on least cost, we believe the ongoing legislative and political pressure around coal has at least muddled for investors what would have typically been straightforward processes like CCNs. In the NT, we continue to monitor PPL's ongoing CCN process, alongside AEP's recent Kentucky Power rate case and associated securitization requests. As a reminder, AEP is seeking to securitize ~$450M in total for storms and generation retirements. Straightforward outcomes on both of these processes would largely negate our concerns over *further* degradation in the construct.

LOUISIANA

Ticker(s) and exposure:	ETR (40% of rate base) AEP (3% of rate base)
New Commissioners in 2023:	1/5
Major Legislative Changes in 1H23:	No

Why Negative?

LA has had commissioner and chair turnover, with new LPSC more adversarial on soft topics in rate increases and utility requests, but the hard datapoints have gone beyond rhetoric at this time. ETR saw a very adversarial proceeding with legacy hurricane cost securitization (delayed and renegotiated), but ultimately Staff demonstrated recognition of utility financial health importance and approvals were not detrimental to earnings. **The bottom line is the LPSC has shown a shift to be more skeptical of utility spending,** which could create a high bar for utilities to clear rate increases and incremental infrastructure spending (ETR in particular is working on accelerated resiliency spend). A recent datapoint from AEP has been to the more constructive side as the LPSC approved an upsized renewable energy procurement.

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Overall, the commission has shifted to a higher level of attention to headline cost numbers vs. a more nuanced approach from staff. Beyond the regulatory issues, the LPSC interpreted prior discussions and disagreements on process in a very personal manner, which is frustrating as we look at datapoints on regulatory process vs. personal disagreements. We anticipate the regulatory process will remain noisy, albeit overall supportive of utility service improvements. LPSC specifically questioned long-term plans to reduce storm costs and agreed on the need for constructive messaging on qualitative datapoints for regulatory construct (i.e., LPSC recognizes concerns from credit rating agencies and sell side). **ETR proposed a $9.6B, 10-year plan for resiliency, which could see a fierce debate on both spending levels and recovery mechanisms** (LPSC previously questioned securitization) with the first datapoints coming on 8/18/23 with Staff engineer testimony and 9/29/23 Staff and intervenor testimony. **What makes matters more volatile is ETR entering the last cycle of the approved formula rate plan, with the commission indicating in prior meetings a desire for a litigated rate case process.** ETR could request FRP extension and/or file a rate case after FRP expiration (~mid 2024).

MARYLAND

Ticker(s) and exposure:	EXC (~30% of rate base) FE (3% of rate base) NI (~1% of rate base)
New Commissioners in 2023:	3/5
Major Legislative Changes in 1H23:	No

Why Negative?

Maryland has historically been a fair-to-favorable jurisdiction, in our view, with advanced ratemaking tools in recent years (MYPs) providing stronger lines of sight and stability to forward utility planning. **Our negative outlook in the NT is predicated on the significant turnover at the commission since the start of the year, capped by the appointment of a former OPC-er to the chair.** The change was kicked off by the election of Democratic Governor Wes Moore last year to replace Republican Larry Hogan, with Moore subsequently rescinding two PSC appointments this spring and appointing a third seat to fill the departure of Chair Stanek late last month. The shuffle created a Moore-aligned quorum and resulted in an unusual degree of turnover, captured by elevated local media noise this spring (one of Moore's initial appointees was ultimately rescinded over his work with the AGA). While all 3 appointees are highly qualified, in our view (Kumar Barve was previously the MD House ETC chair, and Bonnie Suchman is a longtime energy lawyer in DC/DOE/the DMV), Chair Hoover has been vocal in recent weeks around his desire for change at the PSC – we remain cautious on what that may actually look like.

MINNESOTA

Ticker(s) and exposure:	ALE (~90% of rate base) CNP (~10% of rate base) WEC (~2% of asset base)
New Commissioners in 2023:	0/5
Major Legislative Changes in 1H23:	Yes – SF4 (100% clean by 2040)

Why Negative?

MN has seen somewhat adverse regulatory outcomes for electrics in recent quarters (incl. non-covered Xcel [NYSE:XEL]), but the jurisdiction remains neutral/constructive for Gas, in our view. CNP Gas was able to receive interim rates and achieve black box settlements with a degree of execution flexibility. Most recently, MN legislature passed the Natural Gas Innovation Act (NGIA), which opens more regulated investment opportunities on the gas side. From a coverage perspective, for several years we had seen the PUC as somewhat punitive for ALE subsidiary MN Power *relative* to other utilities in the state (prompting reconsideration requests); however, the most recent case outcome was more constructive than prior, in our view. That said, the Commission has a track record of tweaking ALJ recommendations (e.g., MN Power ROE from 9.8% recc to 9.65%), and the recent XEL case pointed to disagreement among the commissioners on ROE-setting (ALJ recc 9.87, PUC authorized 9.25%).

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GUGGENHEIM WATCHLIST

FL	**IA**	**KS**	**OH**
SD	**VA**	**WI**	**WV**

FLORIDA

Ticker(s) and exposure:	NEE (100% of rate base) DUK (~19% of rate base)
New Commissioners in 2023:	0/5
Major Legislative Changes in 1H23:	No

Why Watchlist?

FPSC has been a target of political campaigns and court challenges on decisions but has ultimately remained at status quo, and we remain on the lookout for changes to the industry-leading premium regulatory construct (i.e., outcomes less than constructive can be perceived as deterioration). The FPL rate case has been challenged in appeals court (similar to DUK previously) but could be resolved with incremental briefing on the upsized solar program (if on remand). FPL's political contributions have been questioned despite FPSC clearing the FPL rate case from misuse of customer funds (FEC decision on investigation still pending, but we don't see any FPSC recourse).

What impacts our opinion to the upside? Clearing FPL from FEC complaints, clearing recourse from FPSC, and a trajectory to close the FPL rate case proceeding. The FEC has received the complaint on misuse of ratepayer funds and lobbying activities nearly 6 months ago (largely made up from public media coverage of FPL allegations), which could put it in line for being picked up or dropped by the FEC in the near future (i.e., 2H23). In the case that it is picked up, we anticipate a no-fault settlement given the small liability cap (~$13M). Further, an acknowledgement of no recourse for FPL would help clear the decks in terms of regulatory impacts. **The final clearing event would then become the FL Supreme Court guidance on the FPL rate case** appeal, which focused on a variety of issues with FPSC approval but from a legal standpoint may only require a remand for further briefing. The FL Supreme Court has held hearings and received briefs and could feasibly render a decision in 2H23. This would potentially enable the FPSC to complete the record and close the docket by late 2023/early 2024. **Adverse outcomes from the Courts and recourse from the FPSC would alternately shift our regulatory outlook more negative.**

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IOWA

Ticker(s) and exposure:	LNT (~45% of rate base)
New Commissioners in 2023:	2/3
Major Legislative Changes in 1H23:	No

Why Watchlist?

Iowa sits on our watchlist with a *potential* positive skew. The IUB was partially reconstituted with 2 new commissioners (including chair), presenting a potential departure from what we saw as a somewhat challenging series of recent developments for utilities in the state. Specifically, we were concerned after advanced ratemaking filings from both MidAmerican and Alliant faced what we and others saw as unprecedented levels of scrutiny from prior commissioners, with MidAmerican's multiparty settlement (OCA, IBEC) for its Wind PRIME proposal rejected and Alliant pursuing a legal recourse for part of its solar/storage ratemaking filing. **The new Board voted June 15 to reconsider both advanced ratemaking requests,** potentially portending a return to the more staid and supportive backdrop we have come to expect from the IUB. In our view, supported by our recent management conversations, the utilities have also recognized that Staff and intervenors may want additional levels of evidence in future RPU filings.

Supportive outcomes in these ongoing processes would be sufficient to remove the watchlist designation, ahead of a likely IPL case filing next year.

KANSAS

Ticker(s) and exposure:	EVRG (~53% of rate base) OGS (26% of rate base)
New Commissioners in 2023:	0/3
Major Legislative Changes in 1H23:	No

Why Watchlist?

Kansas is on our watchlist for a simple and familiar reason – we need to see the outcome of the EVRG cases to get a better handle on the current commission given it has been roughly 5 years since the last case. In that time, KCC Staff and the commission itself have been very active in reviewing EVRG's 2020 strategic review and subsequent Sustainability Transformation Plan (STP), and while we see this on the surface as a stern yet fair jurisdiction, we simply do not have many major recent data points upon which to further classify the state/commission (smaller jurisdiction). A 2020 gas ROE data point of 9.1% was disappointing; however, we note that EVRG existing 9.3% (2018 vintage) is not significantly better.

A neutral or favorable initial testimony, followed by a similar final order, would be sufficient to move KS off our watchlist into our positive change category.

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OHIO

Ticker(s) and exposure:	NI (29% of rate base) FE (24% of rate base) AEP (~11% of rate base) DUK (6% of rate base) D (~5% of rate base)
New Commissioners in 2023:	1/5
Major Legislative Changes in 1H23:	No

Why Watchlist?

"*I think that there's a bit of a black cloud over the PUCO based upon the House Bill 6 scandal... My top goal as chair is restore the public trust in the PUCO.*"

– Jenifer French, PUCO Chair (more HERE)

The degree of uncertainty over the regulatory backdrop in Ohio places the jurisdiction firmly within our watchlist. Legacy HB6 audits and investigations remain open (on March 8, 2023, PUCO granted another 6-month stay in HB6 related proceedings), and **we simply do not have a strong handle on where relations between PUCO and the utilities currently stand.** 3 of the 5 commissioners pre-date the HB6 scandal (HB6 was signed into law July 2019), with Current Chairwoman French one of the two brought in thereafter. **Importantly, while the state policy and political backdrops remain noisy, the core functions of the regulatory process have yielded positive data points in recent quarters** – DUK's 9/22 settlement was adopted as-filed, while AEP's earlier case was as well. Against this mixed backdrop, we have placed Ohio on our watchlist - we continue to look ahead to the May 2024 case filings from FE as a key gating item.

Neutral or favorable initial testimony, followed by a similar final order, would be sufficient to move Ohio off the watchlist (e.g., to Status Quo).

SOUTH DAKOTA

Ticker(s) and exposure:	NWE (20% of rate base)
New Commissioners in 2023:	0/3
Major Legislative Changes in 1H23:	No

Why Watchlist?

South Dakota is on our watchlist **only because NWE recently filed its first rate case in the state in nearly a decade**. Like other relatively smaller jurisdictions (e.g., KS), there are few recent cases to base assumptions on. Compounding the lack of visibility in terms of comparable cases, **ROEs are generally not disclosed**, making it particularly difficult to benchmark or bookend potential changes to NWE's authorized return level.

A supportive outcome in the ongoing case processes would be sufficient to remove the watchlist designation (e.g., to Status Quo).

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VIRGINIA

Ticker(s) and exposure:	D (~65% of rate base) NI (~7% of rate base) AEP (~5% of rate base) AWK (~1% of rate base)
New Commissioners in 2023:	0/3
Major Legislative Changes in 1H23:	Yes

Why Watchlist?

Virginia saw some of the first half's most significant legislative movement, with multiple bills setting in motion a complete overhaul of the construct (see our notes HERE, HERE for context). Importantly, the legislation is somewhat prescriptive, in our view, laying out guardrails for the commission through DEV's third biennial in 2027 (e.g., ROEs fixed through 2025).

Owing to this prescriptive nature, our watchlist designation on the state is grounded less in the minutia of potential NT regulatory outcomes and more in the commission itself. The SCC has become somewhat of a political football between Republicans and Democrats, in our view, leaving it without a full bench for much of the past 3 years. The situation was compounded earlier this year by the December 2022 resignation of Commissioner Jagdmann, leaving only Commissioner Hudson on the 3-person body. While Jagdmann has returned to vote on matters in 2023, **we continue to see the lack of continuity at the SCC as a negative and in and of itself a reason to list Virginia on our watchlist.**

We see clarity on the commission as a gating mechanism towards clarity on the regulatory construct and ultimately removing Virginia from our watchlist. Without at least some clarity on the new commissioners and their views, it is challenging to set a baseline ahead of DEV's third biennial in 2027 as the SCC's leeway on items like ROE grows after the first biennial (final order ~March 2024). As a reminder, commissioners serve 6-year terms.

WISCONSIN

Ticker(s) and exposure:	WEC (~66% of asset base) LNT (~55% of rate base) ALE (<10% of rate base)
New Commissioners in 2023:	1/3
Major Legislative Changes in 1H23:	No

Why Watchlist?

We entered 2023 negative on the PSCW following 1) its 4Q22 deliberations around WEC's 2022 case, 2) associated commentary around settlements, 3) a lowering of ROEs, and 4) turnover at the commission. Since then, we had the opportunity to sit down with both Chair Valcq and Commissioner Huebner (HERE, HERE) and hear their specific thoughts on the majority of these topics/events, including the WEC deliberations. These conversations largely defused our concerns (we upgraded LNT as a result) and restored our view of Wisconsin as a generally constructive jurisdiction and the PSCW as balanced. Still, we are holding Wisconsin on our watchlist pending additional regulatory data

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points to support this, most importantly the ongoing WPL rate case, which remains in its early innings.

A smooth process for that case (e.g., settlement adopted, WEC-level ROE, positive Chair commentary) **and the concurrent fuel case would be sufficient for us to return Wisconsin to our Status Quo designation.**

WEST VIRGINIA

Ticker(s) and exposure:	FE (19% of rate base) AEP (~8% of rate base) AWK (~4% of rate base)
New Commissioners in 2023:	0/3
Major Legislative Changes in 1H23:	Yes (securitization)

Why Watchlist?

While West Virginia is not a pivotal state to our coverage from a rate base concentration perspective, it remains noisy, in our view, on both policy and regulatory grounds. We continue to field concerns from investors around AEP's fuel deferral disallowance and concurrent securitization request, and we are closely watching FE's Mon Power case. On the former in particular, AEP continues to spar with the commission and its consultants: "*In April 2023, the Staff submitted the prudency review prepared by an independent consultant retained by the WVPSC Staff of the Companies' operation of the Amos, Mountaineer and Mitchell coal plants that Staff was directed to conduct by the WVPSC in May 2022 (Consultant's Report). Adoption of the Consultant's Report's findings by the WVPSC could result in a disallowance of up to $285 million. The Companies disagree with the conclusions and recommendations contained in the Consultant's Report and intend to dispute them in the appropriate proceedings before the WVPSC.*" **We continue to see WV as a somewhat challenging jurisdiction,** with the prospects for additional weakening should data points in these ApCo/WPCo proceedings remain negative. From a policy perspective, In March 2023, securitization legislation (HB 3308) was passed into law in WV, which we see as a modest positive.

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COMMISSION CHANGES

Below, we provide a data set of our current commission compositions cut several different ways for your reference, including by

1) the incoming class of 1H23 (27 commissioners started) and

2) by our Guggenheim classifications (sorted by state and tenure)

THE NEW SCHOOL

State	Name	Date Began	Term Ends	Gugg PSC View
AR	Doyle Webb Chairman	Jan-23	Jan-29	Status Quo
AZ	Kevin Thompson	Jan-23	Jan-27	Positive
AZ	Nick Myers	Jan-23	Jan-27	Positive
CA	Karen Douglas	Jan-23	Jan-29	Positive
IA	Sarah Martz	May-23	Apr-27	Watchlist
IA	Erik Helland Chairman	May-23	Apr-29	Watchlist
ID	Edw ard Lodge	Feb-23	Jan-29	Status Quo
IL	Doug Scott Chairman	Jun-23	Jan-24	Negative
IL	Conrad Reddick	Mar-23	Jan-28	Negative
IL	Stacey Paradis	Mar-23	Jan-28	Negative
IN	Wesley Bennett	Jun-23	Apr-26	Status Quo
KY	Angela Hatton Vice Chairman	Mar-23	Jun-25	Negative
LA	Davante Lew is	Jan-23	Dec-28	Negative
MA	James M. Van Nostrand Chairman	May-23	Jan-27	Status Quo
MA	Staci Rubin	Apr-23	Jan-27	Status Quo
MD	Frederick Hoover Chairman	Jul-23	Jun-28	Negative
MD	Bonnie Suchman	Jun-23	Jun-27	Negative
MD	Kumar Barve	May-23	Jun-24	Negative
MI	Alessandra Carreon	Jul-23	Jul-25	Positive
MO	Kayla Hahn	Jun-23	Jan-24	Status Quo
MT	Ann Bukacek	Jan-23	Jan-27	Positive
NJ	Marian Abdou	May-23	Oct-24	Positive
NJ	Christine Guhl-Sadovy	May-23	Mar-29	Positive
OH	John Williams	Apr-23	Apr-28	Watchlist
OK	Kim David Vice Chairman	Jan-23	Jan-29	Status Quo
UT	John Harvey	Jun-23	Mar-29	Status Quo
WI	Summer Strand	Mar-23	Mar-29	Watchlist

Source: Guggenheim Securities LLC, RRA

BY GUGGENHEIM OUTLOOK

Sorted by Commissioner tenure (*1H23 additions highlighted*)

Positive

State	Name	Party	Date Began	Term Ends
AZ	Kevin Thompson	R	Jan-23	Jan-27
AZ	Nick Myers	R	Jan-23	Jan-27
AZ	James O'Connor Chairman	R	Jan-21	Jan-25
AZ	Anna Tovar	D	Jan-21	Jan-25
AZ	Lea Marquez Peterson	R	May-19	Jan-25
CA	Karen Douglas	D	Jan-23	Jan-29
CA	Alice Reynolds President	D	Dec-21	Jan-27
CA	John Reynolds	D	Dec-21	Jan-29
CA	Darcie Houck	D	Feb-21	Jan-27
CA	Genevieve Shiroma	D	Jan-19	Jan-25
HI	Colin Yost		Nov-22	Jun-24
HI	Naomi Kuwaye		Jul-22	Jun-28
HI	Leo Asuncion Jr. Chairman		May-19	Jun-26
MI	Alessandra Carreon		Jul-23	Jul-25
MI	Katherine Peretick	I	Jan-21	Jul-27
MI	Dan Scripps Chairman	D	Feb-19	Jul-29
MT	Ann Bukacek	R	Jan-23	Jan-27
MT	James Brown Chairman	R	Jan-21	Jan-25
MT	Jennifer Fielder Vice Chairman	R	Jan-21	Jan-25
MT	Randy Pinocci	R	Jan-19	Jan-27
MT	Tony O'Donnell	R	Jan-17	Jan-25
NC	Karen Kemerait		May-22	Jun-27
NC	Floyd McKissick	D	Jul-19	Jun-25
NC	Jeff Hughes		Jul-19	Jun-25
NC	Kimberly Duffley		Jul-19	Jun-25
NC	Charlotte A. Mitchell Chairperson	D	Jul-17	Jun-23
NC	Daniel G. Clodfelter	D	Jul-17	Jun-23
NC	ToNola Brown-Bland	D	Jun-09	Jun-23
NJ	Marian Abdou	R	May-23	Oct-24
NJ	Christine Guhl-Sadovy	D	May-23	Mar-29
NJ	Zenon Christodoulou	D	Aug-22	Mar-25
NJ	Mary-Anna Holden	R	Jan-12	Mar-21
NJ	Joseph L. Fiordaliso President	D	Jan-06	Mar-25
NY	Rory Christian Chairman	D	Jun-21	Feb-27
NY	David Valesky	I	Jun-21	Feb-27
NY	John Maggiore	D	Jun-21	Feb-27
NY	John Howard	D	Jun-19	Feb-24
NY	Tracey Edwards	D	Jun-19	Feb-24
NY	James Alesi	R	Jun-17	Feb-27
NY	Diane Burman	R	Jul-13	Feb-24
TX	Kathleen Jackson Chairperson		Aug-22	Aug-27
TX	Jimmy Glotfelty		Aug-21	Aug-25
TX	Lori Cobos		Jun-21	Aug-21
TX	Peter Lake	R	Apr-21	Aug-23
TX	Will McAdams	R	Apr-21	Aug-25

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Negative

State	Name	Party	Date Began	Term Ends
CT	Marissa Paslick Gillett Chairman		Apr-19	Mar-24
CT	Michael Caron	R	Jul-12	Jun-21
CT	John W. Betkoski III Vice Chairman	D	Jul-97	Mar-23
GA	Fitz Johnson	R	Jul-21	Dec-22
GA	James Shaw	R	Jan-19	Dec-26
GA	Tricia Pridemore Chairman	R	Feb-18	Dec-24
GA	Tim Echols Vice Chairman	R	Jan-11	Dec-22
GA	Lauren "Bubba" McDonald, Jr.	R	Jan-09	Dec-26
IL	Doug Scott Chairman	D	Jun-23	Jan-24
IL	Conrad Reddick	D	Mar-23	Jan-28
IL	Stacey Paradis	R	Mar-23	Jan-28
IL	Ann McCabe	R	Feb-22	Jan-27
IL	Michael T. Carrigan	D	Jan-20	Jan-25
KY	Angela Hatton Vice Chairman	D	Mar-23	Jun-25
KY	Mary Pat Regan		Jul-22	Jun-23
KY	Kent Chandler Chairman	D	Jul-20	Jun-24
LA	Davante Lewis	D	Jan-23	Dec-28
LA	Craig Greene	R	Oct-17	Dec-24
LA	Michael "Mike" Francis Vice Chairman	R	Jan-17	Dec-28
LA	Eric Skrmetta	R	Jan-09	Dec-26
LA	Foster L. Campbell Jr. Chairman	D	Jan-03	Dec-26
MD	Frederick Hoover Chairman	D	Jul-23	Jun-28
MD	Bonnie Suchman	D	Jun-23	Jun-27
MD	Kumar Barve	D	May-23	Jun-24
MD	Anthony J. O'Donnell	R	Aug-16	Jun-26
MD	Michael Richard	R	Jan-16	Jun-25
MN	Joseph Sullivan Vice Chairman	D	Apr-20	Jan-26
MN	Valerie Means	D	Apr-19	Jan-25
MN	Katie Sieben Chairperson	D	Jan-17	Jan-29
MN	Matt Schuerger	I	Feb-16	Jan-28
MN	John Tuma	R	Feb-15	Jan-27

Source: Guggenheim Securities LLC, RRA

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Watchlist

State	Name	Party	Date Began	Term Ends
FL	Gabriella Passidomo	R	May-21	Jan-27
FL	Mike La Rosa	R	Jan-21	Jan-25
FL	Andrew Giles Fay Chairman	R	Feb-18	Jan-26
FL	Gary F. Clark	R	Sep-17	Jan-27
FL	Arthur Graham	R	Jul-10	Jan-26
IA	Sarah Martz		May-23	Apr-27
IA	Erik Helland Chairman	R	May-23	Apr-29
IA	Joshua J. Byrnes		Dec-20	Apr-25
KS	Andrew French		Jun-20	Mar-24
KS	Susan Duffy Chairperson		May-19	Mar-23
KS	Dwight Keen		Apr-18	Mar-26
OH	John Williams	I	Apr-23	Apr-28
OH	Jenifer French Chairperson	R	Mar-21	Apr-24
OH	Dennis Deters	R	Mar-19	Apr-26
OH	Daniel Conway	R	Apr-17	Apr-27
OH	Lawrence Friedeman	D	Feb-17	Apr-25
SD	Kristie Fiegen Chairperson	R	Aug-12	01/2025
SD	Gary Hanson Vice Chairman	R	Jan-03	01/2027
SD	Chris Nelson	R	Jan-11	Jan-29
VA	Jehmal Hudson Chairman		Jun-20	Feb-26
WI	Summer Strand		Mar-23	Mar-29
WI	Tyler Huebner	D	Mar-20	Mar-27
WI	Rebecca Cameron Valcq Chairperson	D	Jan-19	Mar-25
WV	Bill Raney		Aug-21	Jun-27
WV	Charlotte Lane Chairman	R	Jul-19	Jun-25
WV	Renee A. Larrick	R	Jul-17	Jun-23

Source: Guggenheim Securities LLC, RRA

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Status Quo

State	Name	Party	Date Began	Term Ends
AL	Chip Beeker	R	Nov-14	Nov-26
AL	Jeremy Oden	R	Dec-12	Nov-26
AL	Twinkle Andress Cavanaugh President	R	Nov-10	Nov-24
AR	Doyle Webb Chairman	R	Jan-23	Jan-29
AR	Katie Anderson		Oct-22	Jan-27
AR	Justin Tate		Jan-19	Jan-25
CO	Eric Blank Chairman		Jan-21	Jan-25
CO	Megan Gilman		Mar-20	Jan-24
CO	Tom Plant		Feb-23	Jan-27
DC	Ted Trabue Jr.		Dec-22	Jun-26
DC	Emile Thompson Chairman		Apr-21	Jun-26
DC	Richard A. Beverly	D	Dec-16	Jun-24
DE	Manuhbai "Mike" Karia	I	May-15	May-26
DE	Kim Finnegan Drexler	D	May-15	May-26
DE	Harold Gray	D	Jun-14	May-24
DE	Dallas Winslow Chairman	I	Mar-05	May-26
DE	Joann Conaway	D	Jul-01	May-26
ID	Edward Lodge		Feb-23	Jan-29
ID	John Hammond	D	Jan-22	Jan-27
ID	Eric Anderson Chairman	R	Dec-15	Jan-25
IN	Wesley Bennett	R	Jun-23	Apr-26
IN	David Veleta		Sep-22	Jan-24
IN	Sarah Freeman	D	Sep-16	Jan-26
IN	James Huston Chairman	R	Sep-14	Apr-25
IN	David Ziegner	D	Aug-90	Apr-27
MA	James M. Van Nostrand Chairman		May-23	Jan-27
MA	Staci Rubin		Apr-23	Jan-27
MA	Cecile M. Fraser	D	Jun-17	Apr-25
MO	Kayla Hahn		Jun-23	Jan-24
MO	Glen Kolkmeyer	R	May-21	Apr-27
MO	James Holsman	D	Jan-20	Jan-26
MO	Maida Coleman	D	Aug-15	Aug-21
MO	Scott Rupp Chairman	R	Mar-14	Mar-20
MS	Dane Maxwell Chairman	R	Jan-20	Dec-23
MS	Brent Bailey	R	Jan-20	Dec-23
MS	Brandon Presley	D	Jan-08	Dec-23
ND	Sheri Haugen-Hoffart	R	Feb-22	Dec-26
ND	Randy Christmann Chairman	R	Jan-13	Dec-24
ND	Julie Fedorchak	R	Jan-13	Dec-28
NH	Pradip Chattopadhyay		Dec-21	Jun-27
NH	Carleton Simpson		Dec-21	Jun-29
NH	Daniel Goldner Chairman		May-21	Jun-25
OK	Kim David Vice Chairman	R	Jan-23	Jan-29
OK	Todd Hiett Chairman	R	Jan-15	Jan-27
OK	Bob Anthony	R	Jan-89	Jan-25
OR	Mark Thompson	R	Dec-19	Nov-23
OR	Letha Tawney	D	Jun-18	May-24
OR	Megan Walseth Decker Chairperson	D	Apr-17	Mar-25

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Status Quo Con't

State	Name	Party	Date Began	Term Ends
PA	Stephen DeFrank Vice Chairman	D	Oct-22	Apr-25
PA	Katie Zerfuss	D	Oct-22	Apr-26
PA	John Coleman	R	Oct-22	Apr-27
PA	Ralph Yanora	R	Oct-19	Apr-24
PA	Gladys Brown Dutrieuille Chairman	D	Oct-13	Apr-23
RI	John Revens	D	Mar-21	Mar-27
RI	Ronald T. Gerwatowski Chairman		Jun-20	Mar-25
RI	Abigail Anthony		Jun-17	Mar-23
SC	Delton Powers II Vice Chairman		Jul-20	Jun-24
SC	Carolyn "Carolee" Williams		Jul-20	Jun-24
SC	Headen B. Thomas		Jul-20	Jun-24
SC	Stephen "Michael" Caston		Jul-20	Jun-24
SC	Florence Belser Chairperson		Feb-19	Jun-22
SC	Justin T. Williams		Jul-18	Jun-22
SC	Thomas J. "Tom" Ervin		Jul-18	Jun-22
TN	Herbert Henry Hilliard Chairman		Jul-12	Jun-29
TN	David Jones Vice Chairman	R	Oct-12	Jun-24
TN	Kenneth C. Hill	R	Jul-09	Jun-26
TN	Robin Morrison		Jun-13	Jun-26
TN	John Hie	R	Jul-18	Jun-24
TN	Clay Good		Sep-21	Jun-26
TN	David Crowell		Aug-22	Jun-26
UT	John Harvey		Jun-23	Mar-29
UT	David R. Clark	R	Jan-13	Mar-25
UT	Thad LeVar Chairman	R	Dec-12	Mar-27
WA	Milton Doumit	R	Sep-22	Jan-29
WA	Ann E. Rendahl	D	Jan-15	Jan-27
WA	David W. Danner Chairman	D	Feb-13	Jan-25

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Ticker	Price	Rating
DUK	91.78	Buy
ES	72.18	Buy
NI	27.47	Buy
SO	70.18	Buy

Power & Utilities

July 18, 2023

The Guggenheim Daily Transmission: CA/Wildfires, MVP, NI, SO, DUK, ES/Wind, ICC/IL, Nuclear, PJM, Power/M&A

For details on our Guggenheim-hosted client Utility events including our LNT NDR, PNW NDR, Georgia Commissioner Call, AWK NDR, CMS NDR, SO NDR, POR NDR, CEG NDR, PEG NDR, NI NDR, and other events, scroll down...

Please see our sector-wide notes on the country's evolving regulatory jurisdictions HERE, as well as our updated mid-year utility sector valuation analysis HERE.

CA/Wildfires – CalFire increases wildfire containment, wildfires cause air quality issues amid heat wave

MVP – Stakeholders file opposition comments on MVP Southgate extension

NI – FERC approves transmission incentives for proposed $280m NIPSCO lines

SO – Alabama Power issues 2023 Capacity RFP

SO – Hearings scheduled for today in Nicor rate case

DUK – DEC updated testimony to be filed today

ES/Wind – BOEM makes final EIS available for Revolution Wind

ICC/IL – Local media profiles Chair Doug Scott, other commissioners in interview

Nuclear – Westinghouse ink MOU in Slovakia, FEED agreement in Bulgaria for AP1000

Nuclear – TerraPower inks MOU with enrichment provider for HALEU

PJM – RTO groups continue to put forward differing proposals in capacity reform process

Power/M&A – Zone G ST plant trades hands

CA/Wildfires – CalFire increases wildfire containment, wildfires cause air quality issues amid heat wave

- CalFire is actively fighting wildfires in California during a heatwave and increasing containment on all active fires.
- The Rabbit fire has reached 8,200 Acres with 45% containment (first major fire this season)
- More on Calfire incidents here.

Guggenheim takeaway: *We continue to monitor for wildfire conditions and damage assessments but thus far incidents resolved quickly and have not resulted in material damage. While the Rabbit fire threatened some populated areas (under evacuation), Calfire has increased containment and incident reports have not shown material damage.*

MVP – stakeholders file opposition comments on MVP Southgate extension

- Large sets of public comment in opposition to MVP Southgate extension were filed at FERC.
- The comments allege outdated needs analysis, environmental opposition among other issues with the MVP Southgate extension into North Carolina.
- MVP Southgate previously filed a request to extend the construction period until June 18, 2026 due to the delays of the Mainline project.
- The mainline project has been delayed, but most recently received expedited approval

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treatment under the agreement with White House and Congress and subsequently moved the debate from the Fourth Circuit appeals court to the US Supreme Court.

- FERC Docket: CP19-14

Guggenheim takeaway: *MVP Southgate has faced multiple setbacks in the past as local permitting agencies denied requests. Most parties previously have halted progress on Southgate, and the developer stopped pursuing eminent domain claims to secure RoWs but given the budget deal stipulations on MVP fast track approvals, Southgate becomes a viable extension.*

NI ─ FERC approves transmission incentives for proposed $280m NIPSCO lines

- FERC approved CWIP and the ability to recover costs if the project does not come online.
- The projects are being pursued under Tranche 1 of MISO's Long Range Transmission Planning process.
- More HERE

Guggenheim takeaway: *Notable in our view, both because FERC is considering ending the CWIP incentive along with curtailing other incentives/adders, as well as because some industrial groups had been opposing the incentives on the basis that Republic Transmission (an LS Power subsidiary) was seeking fewer incentives for what they viewed as a similar project.*

SO ─ Alabama Power issues 2023 Capacity RFP

- The utility will evaluate projects between 100 and 1,200 megawatts each.
- Qualifying proposals may be power purchase agreements (PPAs) of 5-20 years, or asset purchase and sales agreements (existing or new-build/transfer).
- All projects are required to be dispatchable and able to meet AP's year-round needs.
- The company is seeking resources which will be in-service by December 1, 2028, with consideration for capacity available as soon as 2025.
- All projects ultimately require the approval of the Alabama Public Service Commission.
- Bids are due September 8, 2023, while the short list is expected to be available by **June 11, 2024**.
- RFP HERE

Guggenheim takeaway: *The December 1, 2028 in-service date of course falls outside the company's 5-year capital plan and guidance horizon for investors, however we are flagging for your awareness.*

SO ─ Hearings scheduled for today in Nicor rate case

- Evidentiary hearings will take place today.
- Briefs are due August 14th.
- Draft orders are due September 1st.
- A proposed order is then expected September 22nd, with the deadline for commission action being November 28, 2023.
- Docket 23-0066

Guggenheim takeaway: *For your calendar/awareness.*

DUK ─ DEC updated testimony to be filed today

- Duke Energy Carolinas is scheduled to file updated testimony today.
- The testimony is expected to include actual revenues, expenses, rate base, and cost of capital as of June 30, 2023.
- Docket E-7 Sub 1276

Guggenheim takeaway: *Just a heads-up for those monitoring the case.*

ES/Wind ─ BOEM makes final EIS available for Revolution Wind

- "On July 17, 2023, BOEM announced the availability of the Final Environmental Impact Statement (Final EIS) for the proposed Revolution Wind Farm project offshore Rhode Island. The estimated 704 to 880-megawatt Revolution Wind Offshore Wind Farm Project would be located approximately 15 nautical miles offshore southeast of Point Judith, Rhode Island. The project proposed up to 100 Wind Turbine Generators (WTGs) and two

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offshore export cable corridors." - BOEM

- More HERE

Guggenheim takeaway: *Part of the process as we remain on the lookout for the contracted asset sale announcements. While we had expected an announcement as recently as last week, our understanding is that the company remains in deep discussion with the potential buyer on the minutia. The process remains bookended by the 2Q23 update (8/1), although management has not put another timeline out at this point – see our recent note HEREfor more background.*

ICC/IL ─ Local media profiles Chair Doug Scott, other commissioners in interview

- "Being able to help implement and do our part on CEJA was really appealing to me because there was a lot for the commission to do in CEJA and the ability to help see that through is very appealing," - Doug Scott
- More HERE

Guggenheim takeaway: *Some interesting data points in the article as we continue to monitor Illinois for any regulatory deterioration – see our note yesterday HEREfor more.*

Nuclear ─ Westinghouse ink MOU in Slovakia, FEED agreement in Bulgaria for AP1000

- The dual advancements in recent days come as Westinghouse [PRIVATE] continues to explore markets for both the AP1000 and the smaller modular AP300
- More HERE

Guggenheim takeaway: *Interesting data point as we continue to see Eastern Europe as one of the leading international markets for US designs.*

Nuclear ─ TerraPower inks MOU with enrichment provider for HALEU

- "Under this MOU, Centrus and TerraPower will collaborate to ensure the Natrium demonstration reactor has access to HALEU at the milestones necessary to meet the project's 2030 operation date. The two companies will establish a cost-competitive and timely source of enrichment capacity in the United States at Centrus' Nuclear Regulatory Commission (NRC)-licensed HALEU production facility." – release [NYSE:LEU]
- More HERE

Guggenheim takeaway: *Minor FYI – we remain on the lookout for incremental data points regarding domestic production and SWU capacity changes. See our earlier uranium baseline HEREfor more background/context.*

PJM ─ RTO groups continue to put forward differing proposals in capacity reform process

- Multiple groups presented their policy positions at a meeting yesterday of the resource adequacy CIFP group
- "EKPC's [PRIVATE] working definition of capacity is the planned for capability of a resource (physical asset) to deliver energy or provide ancillary services to firm load in each hour" - presentation
- More HERE

Guggenheim takeaway: *Minor FYI. As a reminder the BRA continues to recede in significance for our IPP coverage universe as PJM assets are divested or external policies (nuke PTC) present insulation from the volatility. Still, we continue to monitor this process for important policy data points and potential readthrough to pricing.*

Power/M&A ─ Zone G ST plant trades hands

- GenOn [PRIVATE] has sold the 2 unit 1.2GW Bowline Plant to Rockland Capital [PRIVATE], according to PeakLoad

Guggenheim takeaway: *Asset data point – pricing details remain undisclosed at this time.*

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From: Shahriar Pourreza, CFA
To: Weisenburger \ Michael \ V
Subject: The Guggenheim Daily Transmission: SRE, SO, CEG, PNW, NJR, AEE, ED, NWN, D, EVRG, LNT, PPL, CPK, AVA, NI, MA/Wind - Guggenheim Securities, LLC
Date: Friday, August 4, 2023 9:06:09 AM

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The Guggenheim Daily Transmission: SRE, SO, CEG, PNW, NJR, AEE, ED, NWN, D, EVRG, LNT, PPL, CPK, AVA, NI, MA/Wind

Power & Utilities August 4, 2023

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Guggenheim Utilities Research Team

Access This Report

For details on our Guggenheim-hosted client Utility events including our AWK NDR, CMS NDR, SO NDR, POR NDR, CEG NDR, PEG NDR, NI NDR, and other events, scroll down...

Our EEI schedule has been posted, see below for full schedule including 1on1s, corporate dinners and cocktail event.

Please see our sector-wide note on the country's evolving regulatory jurisdictions HERE, our updated mid-year utility sector valuation analysis HERE, and our Utility and IPP 2Q23: Valuation and Estimate Adjustments HERE.

SRE: 2Q EPS Beat, Benefits Start to Trickle in for 2024; The Numbers Are Going Higher but Within Normal Guidance Update Schedule (see our note HERE)

SO: 2Q23 beat; 2023 Guidance Maintained Despite YTD Weather Headwinds; We Continue to See Material Upside Warranted (see our note HERE)

CEG: Commercial Outperformance Helps Drive Strong 2Q Beat and Guidance Raise (see our note HERE)

PNW: All Eyes on the ACC Next Week as AZ's Regulatory Construct Gets Put to the Test; Readthrough

for APS ROE; 2023 Guidance Raised Despite 2Q23 Miss (see our note HERE)

NJR: Nothing Wrong with Another Quiet Quarter (see our note HERE)

AEE – 2Q Beat as Key Points in IL and MISO Remain Forthcoming (see our note HERE)

ED – 2Q EPS In-Line and 2023 Guidance Raise on Subsiding Risks; Fundamentals Remain Straightforward with Modest LT Upside Capex (see our note HERE)

NWN – In-line 2Q Results Bookend Straightforward Update (see our note HERE)

D – D reports 2Q23 earnings

EVRG – EVRG reports 2Q23 earnings

LNT – LNT reports 2Q23 earnings

PPL – PPL reports 2Q23 earnings

CPK – CPK reports 2Q23 EPS miss on weather; 2023 capex and LT EPS guidance reiterated

AVA – All-party, all-issue settlement reached in Oregon GRC

NI – Final order issued in NIPSCO rate case

MA/Wind – AG's office comments on OSW solicitations in DPU docket

D – D reports 2Q23 earnings

- Reported $0.53 vs. Gugg/Cons $0.47/$0.48
- No change to business review parameters or timing (3Q analyst day)
- Weather -$0.08 vs. 2Q22 (as previously guided)
- 3Q23 guidance of $0.72-$0.87
- Cove Point will be excluded from operating earnings as of 7/1
- DEV LTM sales growth of 5.1%
- No change to CVOW timeline – costs now >90% fixed
- Call at 10AM ET, Slides HERE

EVRG – EVRG reports 2Q23 earnings

- Reported 2Q23 EPS of $0.81 vs. Gugg/Cons of $0.76/$0.78
- Reaffirmed 2023 EPS guidance of $3.55 to $3.75
- LT EPS guidance through 2025 reaffirmed
- Weather was +$0.03 for the quarter, No COLI impact
- Residential/Commercial sales +2.6%/2.4%
- Industrial sales -3.8%
- Call at 9AM ET, dial in info HERE
- Slides HERE

LNT – LNT reports 2Q23 earnings

- Reported 2Q23 EPS of $0.64 vs. Gugg/Cons $0.57/$0.60
- Reaffirmed 2023 guidance range of $2.82 - $2.96
- Provides overview of RPU settlement (as initially released 8/1)
- Completed $76M of equity (out of up to $250M) through 1H23
- Call at 10AM ET (888) 886-7786 conference ID 93484209
- Slides HERE

PPL – PPL reports 2Q23 earnings

- Reported 2Q23 EPS of $0.29 vs. Gugg/Cons $0.32/$0.32
- Reaffirmed 2023 guidance range of $1.50 to $1.65
- KY -$0.03 YoY on weather and higher interest expense
- PA -$0.01 YoY on lower volumes, higher interest expense
- Call at 11AM ET, 1-844-512-2926, ID 9211345
- Slides to be posted HERE

CPK – CPK reports 2Q23 EPS miss on weather; 2023 capex and LT EPS guidance reiterated

- CPK reported 2Q23 Non-GAAP EPS of EPS of $0.90 vs. $0.96 consensus and $0.94 Guggenheim estimate
- YTD Weather degree days vs. normal were -24% in Delmarva and -33% in Florida. -$0.29
- CPK reiterated 2023 capex guidance of $200 million to $230 million
- CPK reiterated 2025 EPS guidance of $6.15 - $6.35, representing an 8.5-9.0% CAGR
- CPK reiterated $900 million to $1.1 billion capex guidance for the five years through 2025; adding new gas transmission expansion projects
- Organic residential customer growth for CPK Delmarva and Florida natural gas distribution businesses were 5.5% and 4.4%, respectively

AVA – All-party, all-issue settlement reached in Oregon GRC

- After a settlement conference last week, all parties to this proceeding, including AVA, Oregon Citizens Utility Board (CUB), the Alliance of Western Energy Consumers (AWEC), Sierra Club, and Climate Solutions, reached a settlement in principle on all remaining issues.
- The parties have now filed a stipulation with the commission.
- If approved as filed, this settlement would increase base rates by $7.16m (+4.7%) vs. AVA's original request of $11m.
- The revenue requirement is predicated on a proposed rate of return of 7.235% with a common equity ratio of 50% and a 9.5% ROE, which were settled on back in May.
- More HERE.
- Docket UG 461

Guggenheim takeaway: *Recall that last week, the procedural schedule was suspended in anticipation of this stipulation being filed. Investors will also recall that AVA's partial settlement* ***back in May resolved cost of***

capital issues in this case and specified a 9.50% ROE (vs. 9.40% previously), and an unchanged 50.0% equity layer.

NI ─ Final order issued in NIPSCO rate case

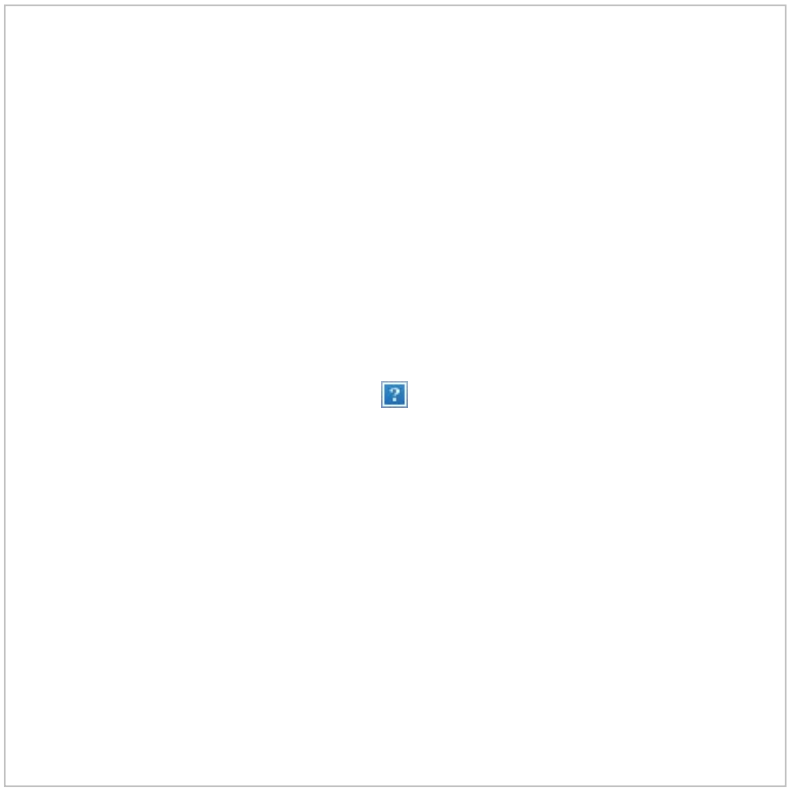
- Previously announced on NI's earnings call this week, an order has been filed in the docket.
- Docket 45772

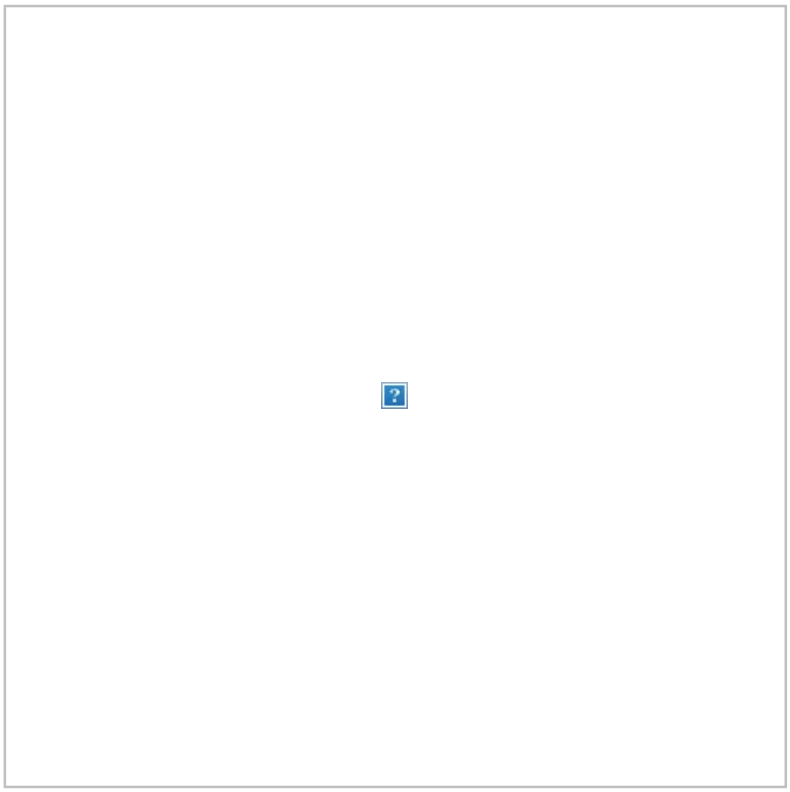
Guggenheim takeaway: *As expected, and as announced by NI on its earnings call this week. As a reminder, NIPSCO reached a settlement several months ago and have been awaiting a decision from the IURC. Investors will recall that the stipulation calls for a 9.80% ROE (i.e., +5bps vs. 9.75% currently authorized) and is consistent with our modeling.*

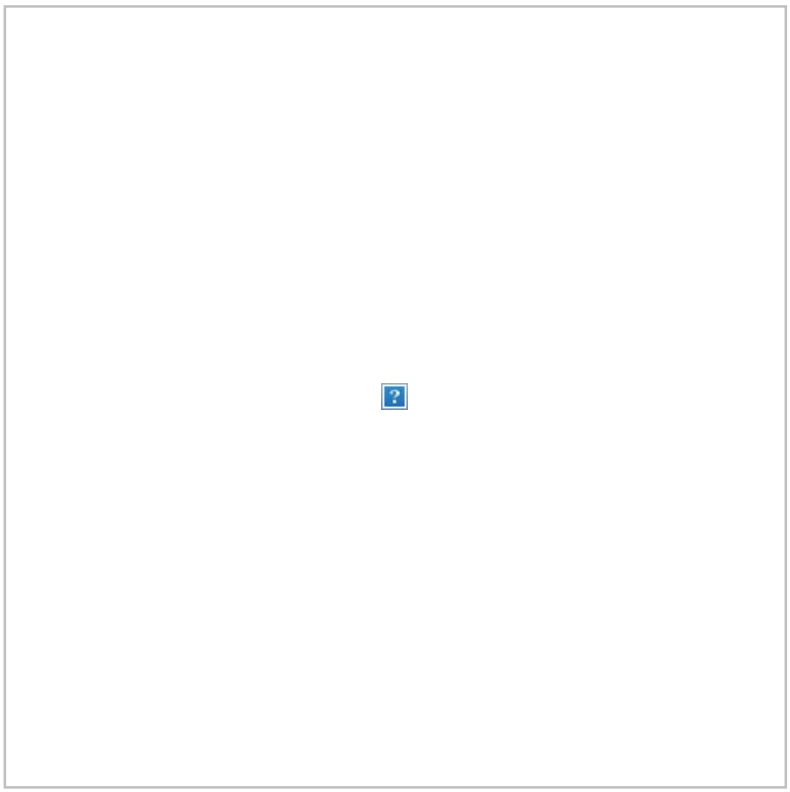
MA/Wind ─ AG's office comments on OSW solicitations in DPU docket

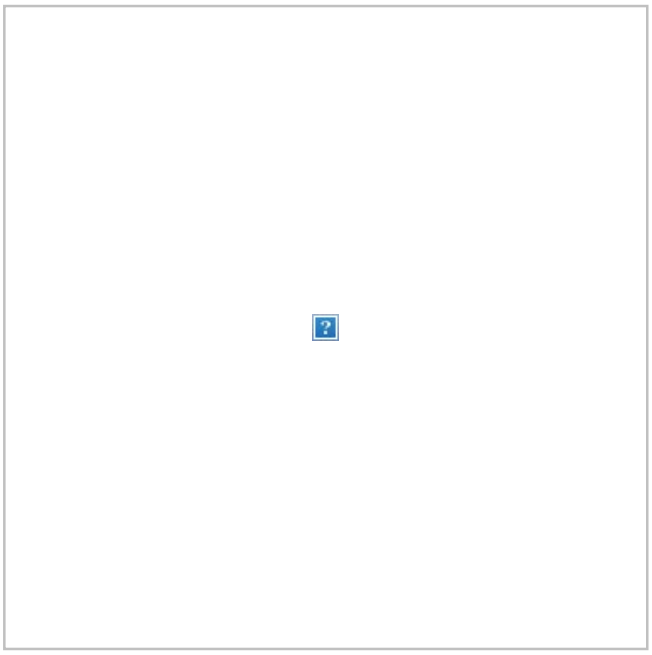
- "Future 83C solicitations need to establish robust safeguards to: (1) send a clear deterrent message to potential developers that failing to perform on valid contracts is unacceptable; and (2) better protect ratepayers." - filing
- More HERE

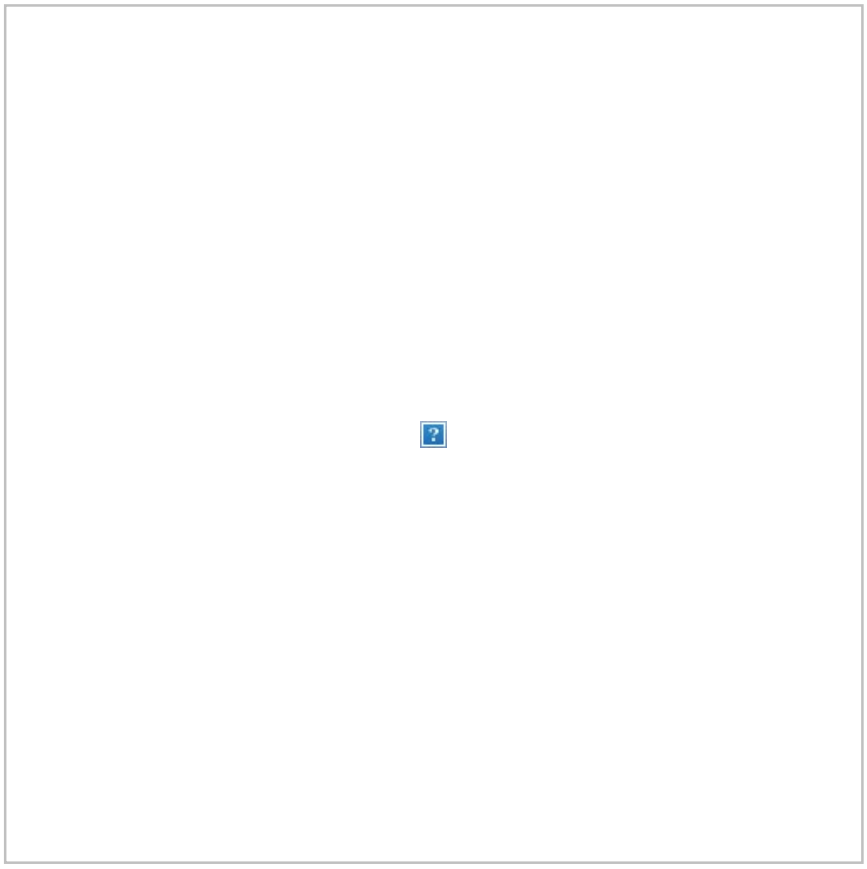
Guggenheim takeaway: *Minor data point.*



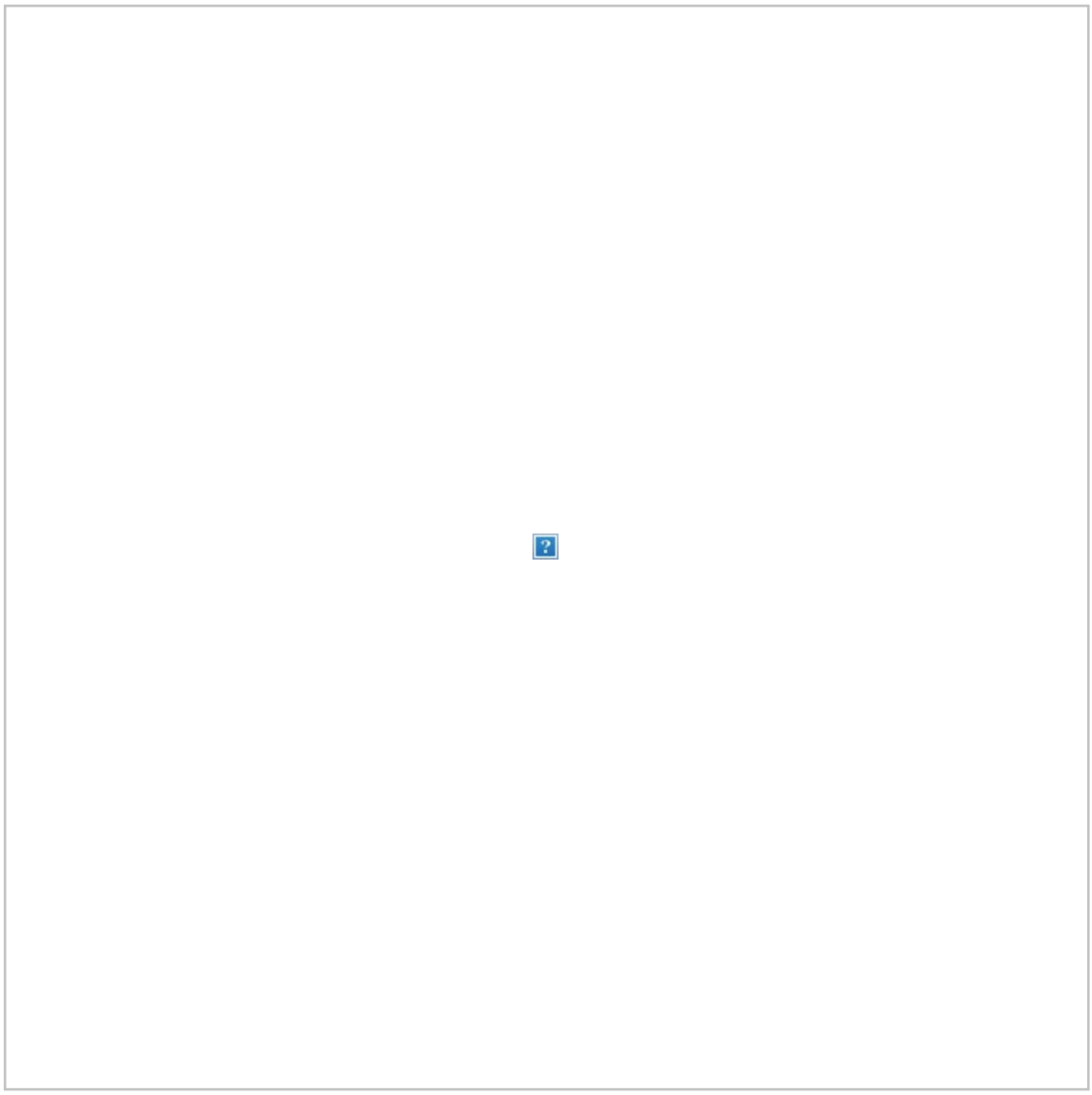




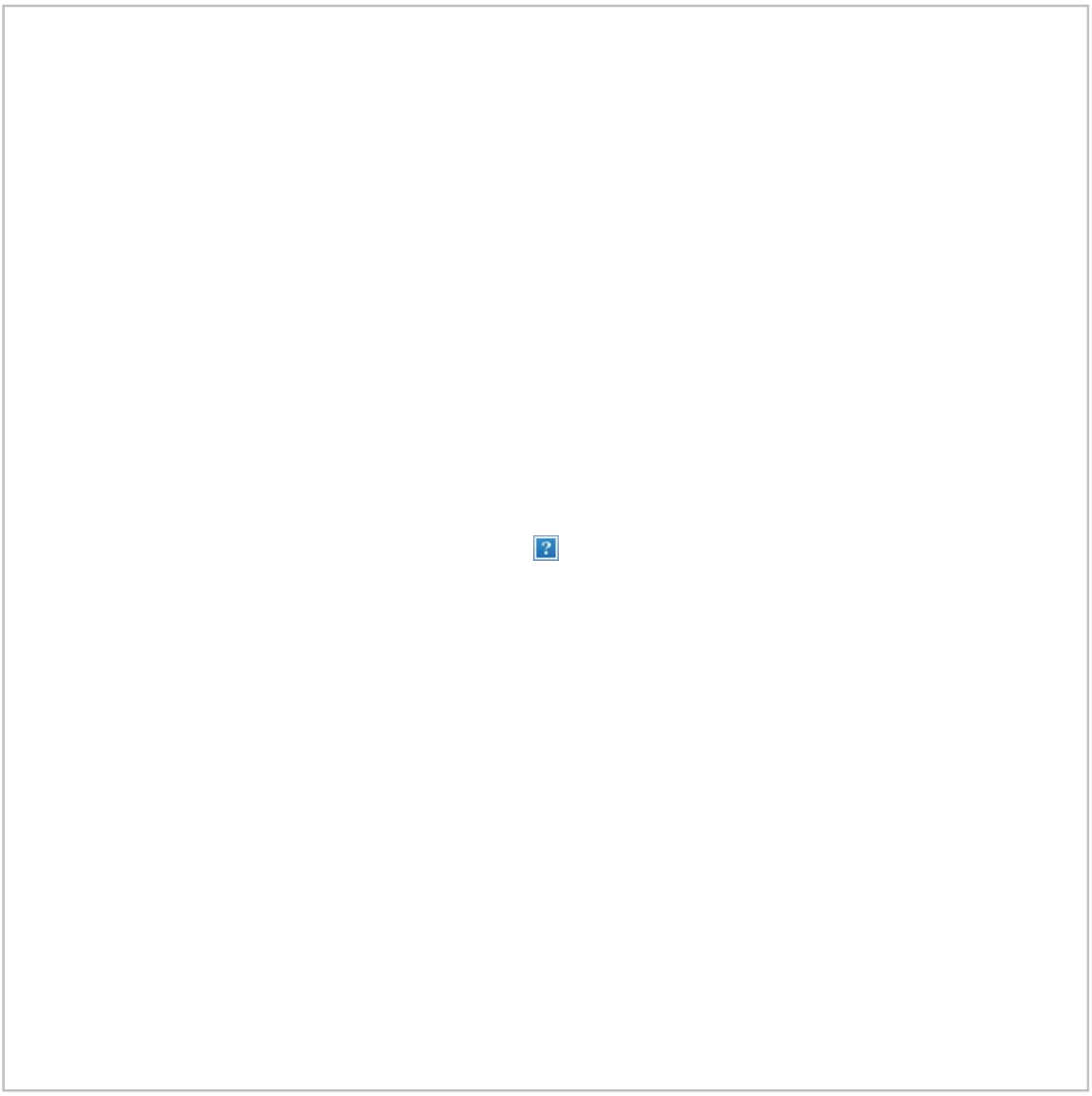




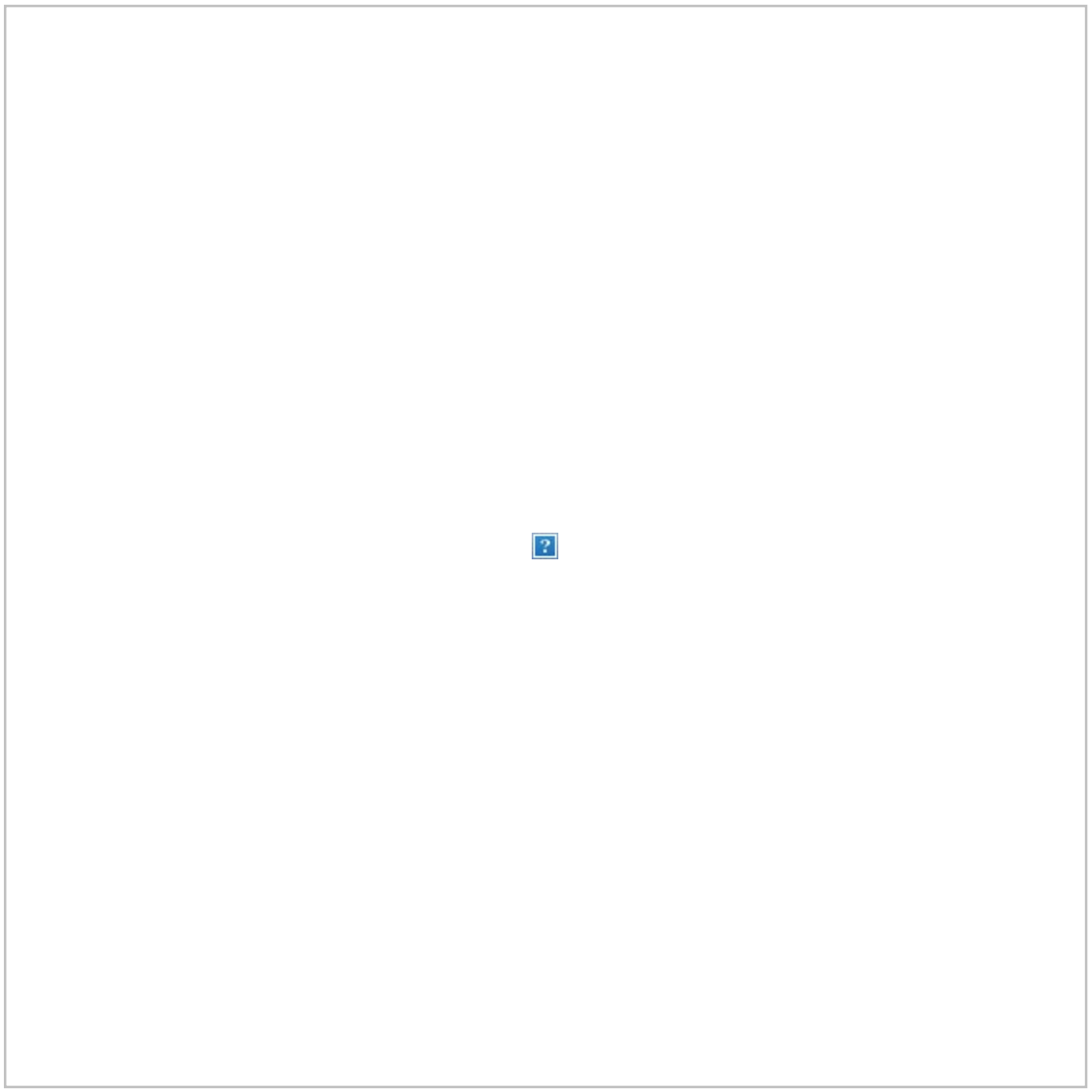
Guggenheim 2023 Client and Corporate Access Utility Events



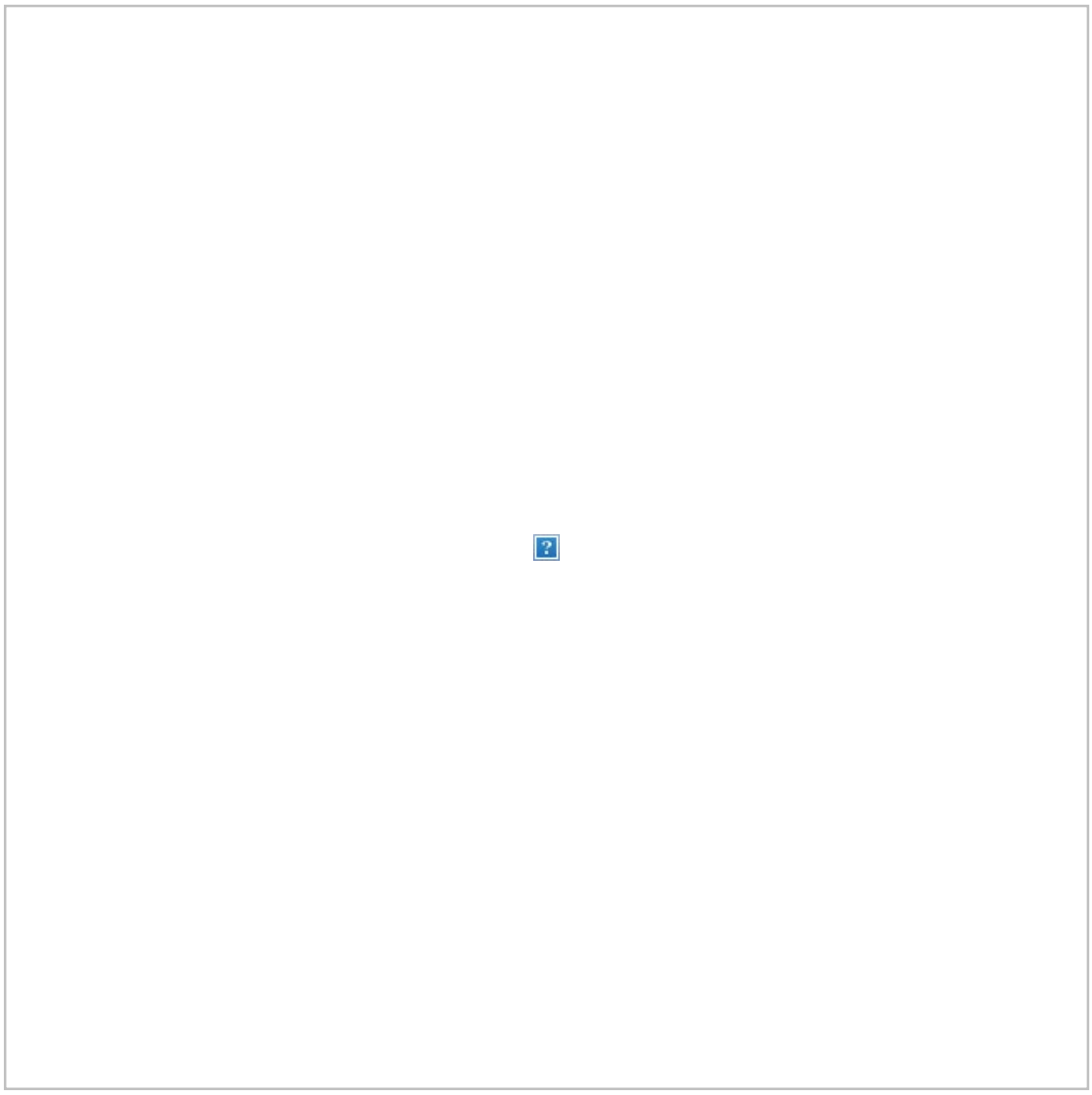
Guggenheim Comp Sheet



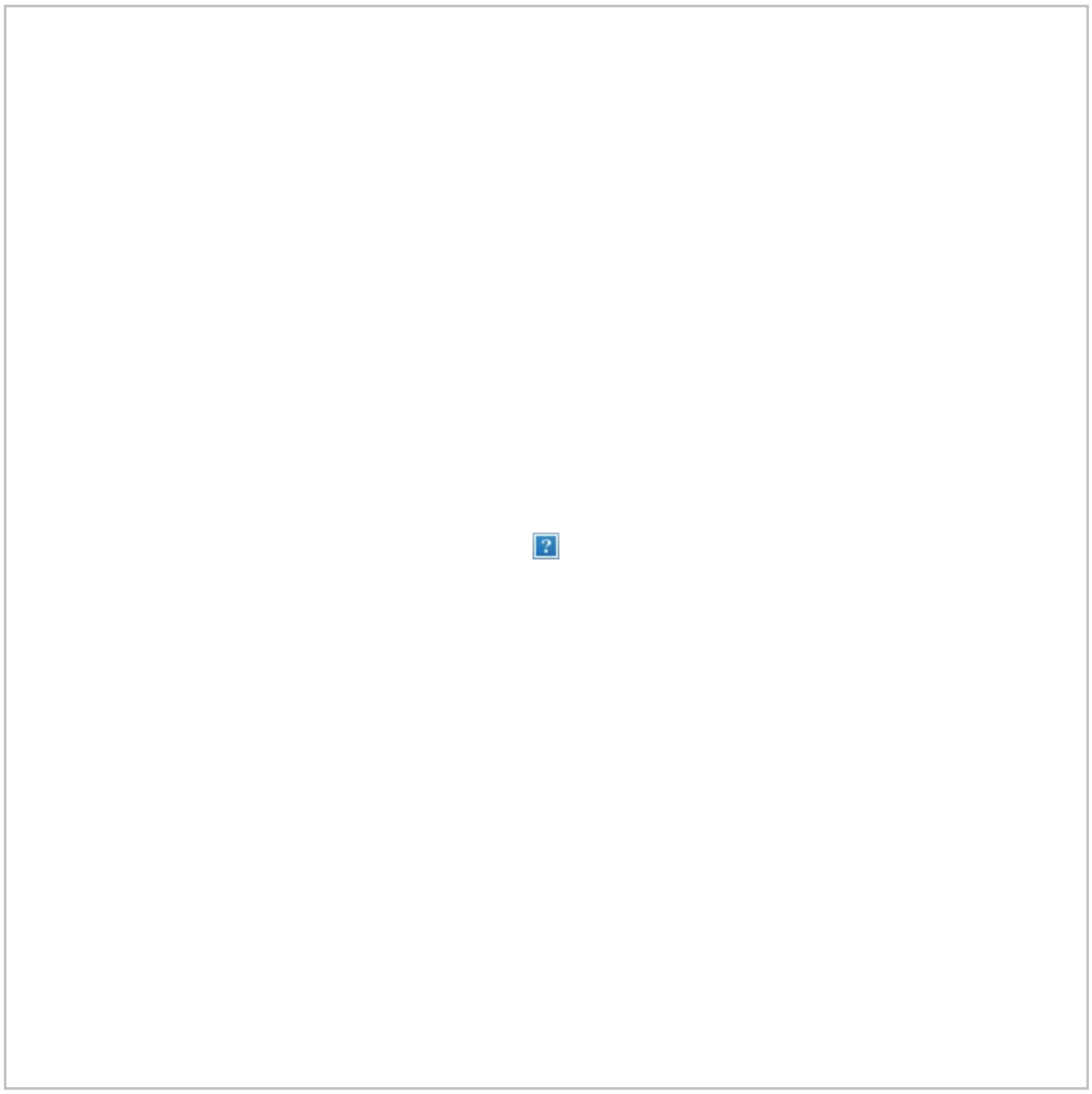
Share Price Performance (Year-to-Date, Three-Month, One-Month, & Five-Day Trailing)



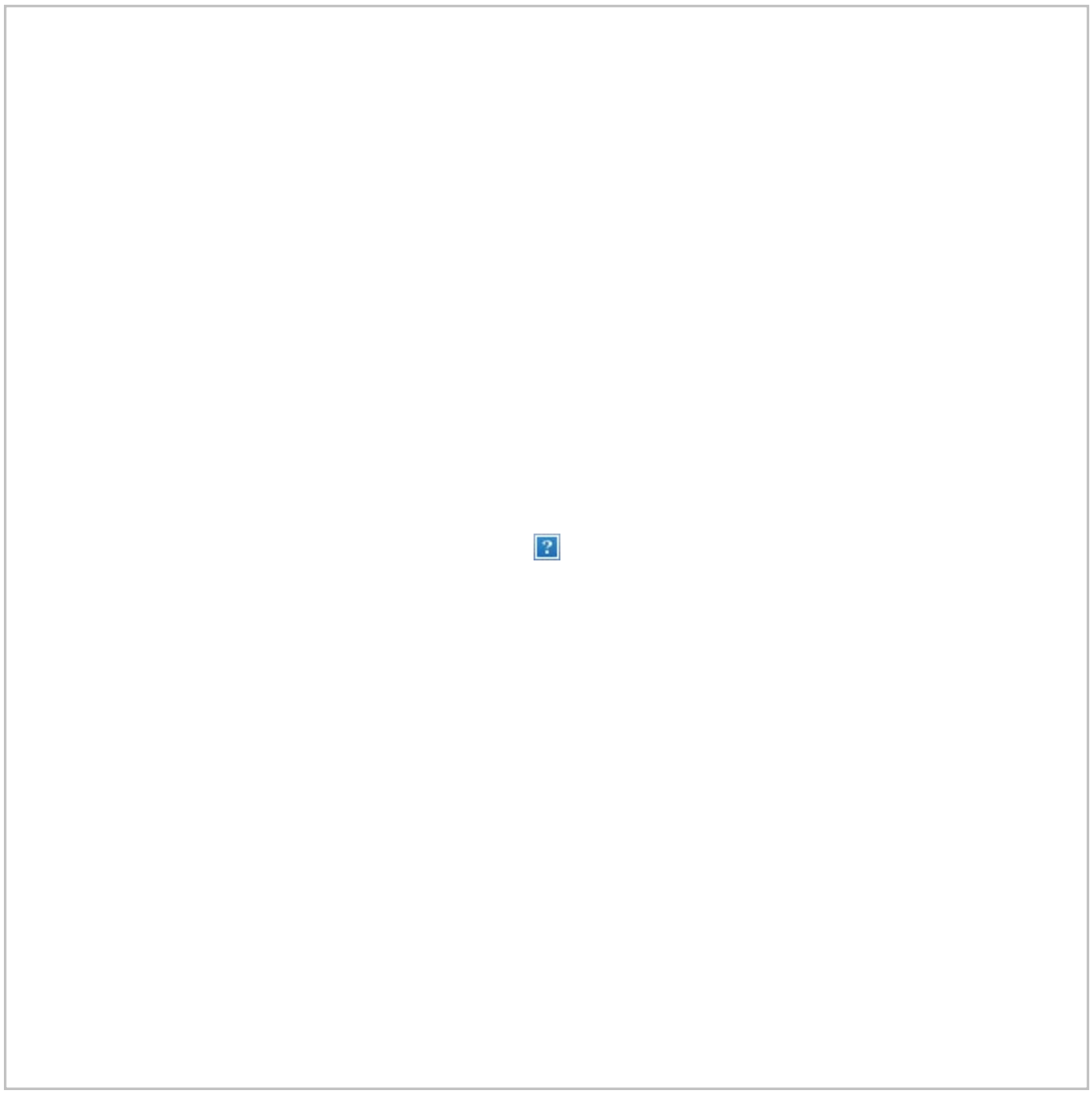
Generation and Mix



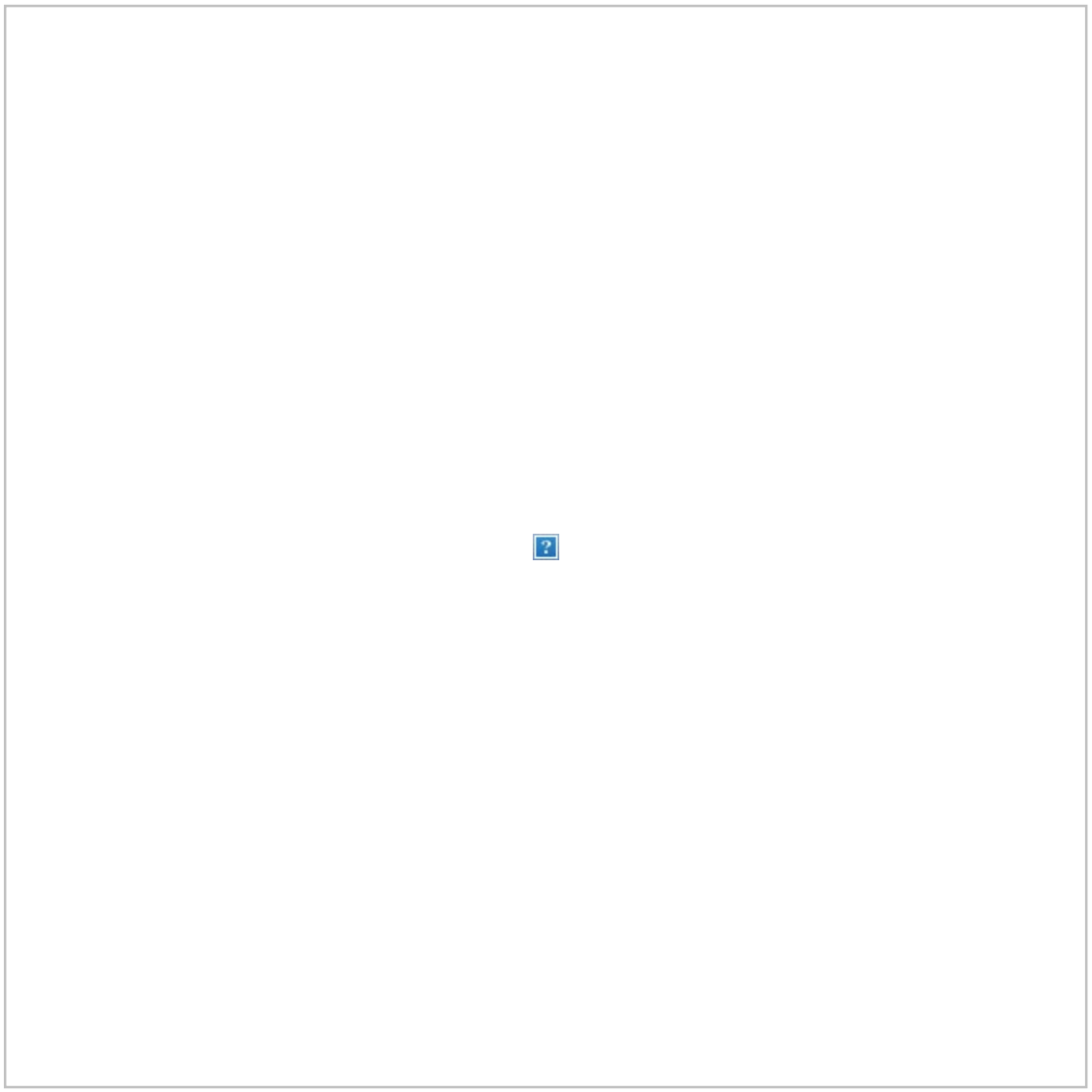
Generation and Mix (continued)



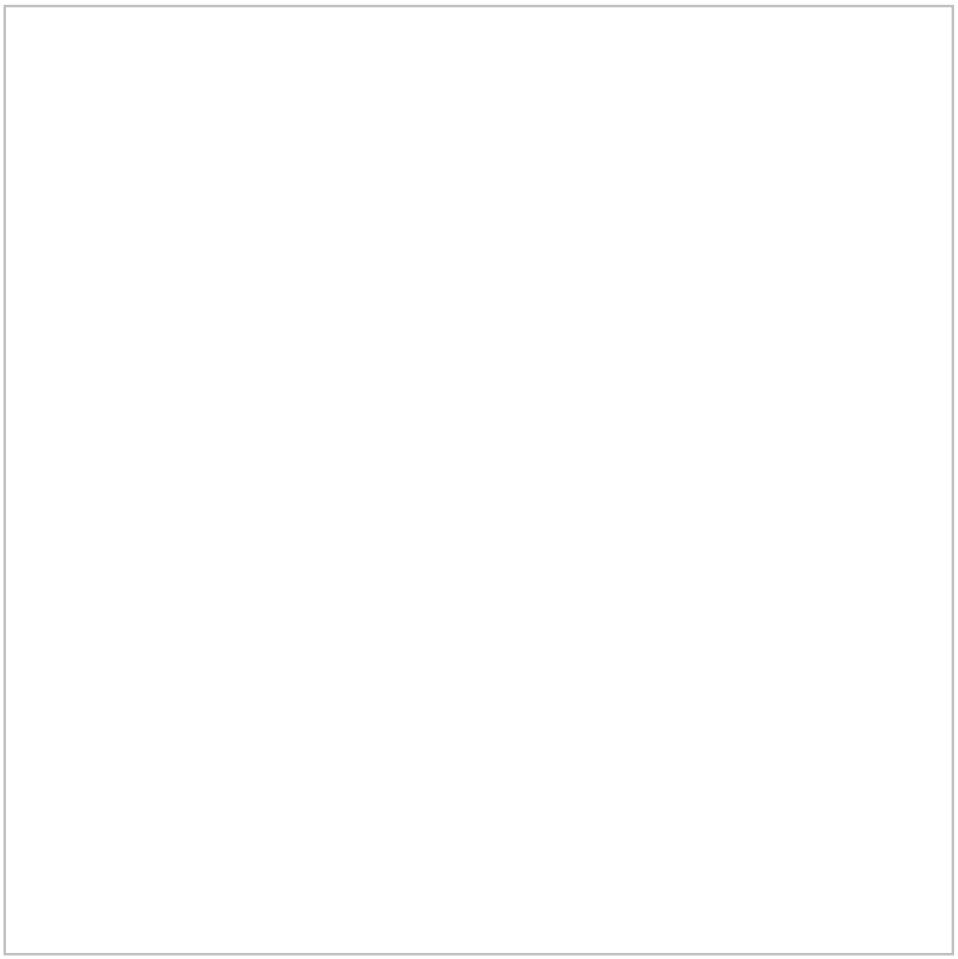
Weather



YTD Peak Load



Regulatory Calendar



Key Research

Guggenheim's Forward Commodity Curves

- Forward Power Curves, GenCo MtM, and Weekly Commentary

Key Research

- SO: Fruitful Conversation With Georgia PSC Chair: “If It Isn’t Broke, Don’t Fix It”
- SO: “Georgia on My Mind” While Racing Porsches - Looking Past a Few NT Potholes to LT Sunny Skies with the Right Team at the Wheel
- Lead in the Water? We Don’t Think So – First Glance at Utility Related Lead (Pb) Cable Insulation Exposure
- Guggenheim Regulatory Baseline: Taking the Midyear Pulse of Our 40+ States
- Utilities: A Midsummer Night’s Dream or Daydream? Making Valuation and Ratings Changes but Has Sector Thesis Changed?
- ES: Calmer Waters Ahead? Yes, But Wind and Connecticut Cross Currents Remain – Updating Our Thoughts Ahead of Imminent Wind Deal
- AEP – One Notch Victory; Even More Confidence Built – Execution Story Remains but Back on Track;

Reiterate BUY on Deep Value and Regulatory Turnaround

- NRG: Management Stays the Course as Analyst Day Delivers More Guardrails on Capital Allocation
- NI: Healthy Multiple for NIPSCO 19.9% Sale in Line with Consensus Expectations; Questions Remain Around Equity Needs & Blackstone Equity Contributions
- POR: Stepping to the Sidelines as 1H23 Momentum Closes Valuation Gap, NT Catalyst Pathway Quiets, Downgrading to Neutral
- PCG NDR: If You Declare It, They Will Come
- POR: Initial Testimony Points to a Slightly Wider Bid-Ask
- DTE – 2023 Electric Rate Case Gets Direct Testimony; 50-60% of Ask Revenue Recommendation, Details Show Normal Bid-Ask, ROE Shows Slight Uptick
- DTE NDR – Constructive Discussion on Upside Trends; 2023 Headwinds Language Softened, Regulatory Alignment in Progress
- DUK: Disappointing Transaction Valuation But A Clearing Event Nonetheless; Focus Shifts To NC Rate Case Conclusions
- CNP – Mgmt. Engagement, Regulatory Alignment and Capex Upsides Could Further Differentiate CNP; Upgrading to Buy on a Selective Premium Call, $32PT
- PNW – Staff Files Constructive Testimony, Just Like Last Rate Case; All Eyes on Aug/Sept ACC Hearings While We Remain More Constructive on AZ Overall
- FE – Meeting with FE's New CEO Reinforces Our Confidence in the Existing Plan, No Rebasing Ahead – Bear Calls Won't Likely Work, Remains Our Best Idea
- CEG/NRG: STP Transaction Embodies the Tectonic Rift in IPP Strategies – Deal Supports Our BUY Stance on CEG; Neutral Stance on NRG
- PCG Analyst Day: Digging for Gold in All the Right Places; Investor Day Highlights Tangible Risk Reduction and Stakeholder Buy-In
- ES: Gets Offshore Sale Process in Motion
- AGA 2023 Recap: Acquisitions, Guidance and Growth Dominate Discussion
- AEP – Now TX?? Yes, EPS Trajectory Intact but These Misses Are Becoming Hard to Digest for Anyone – Questions Surround Regulatory Affairs Naiveté
- AEP NDR: Death By 1,000 Cuts? No. Despite Some Stumbles Out of the Gate, CEO Very Honed In; Focus on Execution and B/S Dominates Conversations
- EXC NDR: Post-AEE Selloff Gets Interesting as the Pathway to a Boring Story Runs Through Illinois
- NRG: Hotel NRG - You Can Check Out Anytime You Like but You Can Never Leave… Activist Points Make Sense to Us but Pathways Forward Unclear
- IL: Staff Direct Testimony Sets Disappointing Floor in MYP Bid-Ask vs. Investor Expectations
- ETR – ETR-TX Settlement Filed Resolving Most Issues; 9.57% ROE, 51.21% ER and Full Rate Base Approval
- NEP: NEP Announces Strategic Steps to Minimize Equity; LT Platform Positioning
- Quarterly Weather Review: Cloudy With a Chance of Lower EPS
- Rising Debt Costs a Problem? Nah, Fake It Till You Make It
- AEP: No Surprise, KY Deal Breaks – Clearing Event
- Guggenheim Nuclear Conference Wrap: If You Build It, They Will Come?
- NEP: CEPF and Near-Term Financing Drilldown – Headwinds? Yes. Distribution Reset? Unlikely. Share

Weakness Unwarranted; Bear Calls Flawed

- ERCOT: Policy Call Reinforces Uphill View on Repricing as TX Legislature Mulls Resource Adequacy Tweaks
- AEE NDR: Bread and Butter Utility Update Underscores Ameren's Premium Attributes
- NEE NDR: Management Continues to Chop Through IRA Upside Opportunities but Baseline Remains Conservative; Headline Hurdles Require Time
- ES: What Are the Bears Playing for Now? The Dislocation to Group Getting Out of Hand
- SRE: Port Arthur Reaches FID, Few Holdovers with Project Equity, but Economics Are Broadly Accretive
- SMR: 2023 to See Slightly Heightened Cash Usage as Focus Remains on Execution
- HE – Making Sense of Banking Turbulence; HE's ASB Remains Well Insulated From Isolated Liquidity Issues
- DUK: CEO NDR – How to Strengthen the Balance Sheet Without a "Rip-the-Band-Aid-Off" Equity Scenario? Patience.
- PEG Analyst Day – Straight Talking with PEG; Mgmt. Backs Up Sustainable 5-7% EPS Growth with Room to Exceed
- SRE: PUCT Modifies Oncor PFD, Approves Oncor Rate Case; 9.7% ROE and 42.5% Equity Ratio – Above Our Expectation
- Arizona Regulation: Taking a Deep Dive in the Desert — New Commissioners Bring a Wealth of Experience, Insights, and Planned Improvements to the ACC
- PNW: APS Wins Appeal of 2019 Rate Case's Penalty ROE and SCR Disallowance — Arizona Supreme Court May Be Next
- VST: Sensible Transaction and Organizational Realignment Look to Freeze the Melting Ice Cube Argument
- Deal or No Deal? Taking the Pulse of Fuel Deferrals Across Our Coverage Universe
- PJM: How Low Can You Go? Residualization of the BRA Marches On…
- D: Legislative Breakthrough Yields a Deal; Focus Turns to Credit Repair
- AEP: Contracted Renewables Sale Above Our Expectations
- LNT: Cleanup in Aisle 4? PSCW's Damage Control Proves Effective: Upgrading to NEUTRAL
- PSCW: Conversation with Chair Valcq Strikes a Balanced Tone
- D: Halftime in Richmond as Multiple Bills Advance
- D: SB1265 Amended Ahead of Crossover Deadline Tomorrow
- FE – The Same Board Who Set The Current Strategic Plan Is Also Picking The CEO… Follow-Up Thoughts Post Our Mgmt. Call
- FE – Rebase Coming? No. Asset Sale Delay? No. New CEO Strategy Shift? No. Balance Sheet Concerns? No. More Growth Opps? Yes. FE Remains '23 Best Idea
- D: General Assembly Sausage-Making Enters Full Swing as Lawmakers Continue to Cement the Bid-Ask
- D: Key Bills Pass Out of Senate Committee
- Commissioners Roundtable Recap: Regulators Remain Level-Headed Amid Rate Volatility and the Grid Transition
- 2023 Utility Outlook: Magic Mirror on the Wall, Who Is the Fairest One of All?
- D: New Legislation Proposes Novel Option for OSW Stake Sale – Mosaic Pieces Continue to Form a Clearer Picture

- ETR – LPSC Votes on Modified Settlement Proposal with Customer Benefits, but Recognition of Hurricane Cost Prudency
- D: Opening Move in Richmond: Evolutionary Legislation Lays Path Forward

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Ticker	Price	Rating
ETR	93.25	Buy
EXC	38.80	Buy
NEE	59.96	Buy
NEP	37.46	Buy
NI	25.18	Buy
PNW	74.16	Neutral
PPL	23.94	Buy
SO	66.14	Buy
SRE	69.41	Buy

Power & Utilities

September 28, 2023

The Guggenheim Daily Transmission: NEE/NEP, Power/Gas, ETR, SRE, PPL/RI, ERCOT, EXC, AZ/PNW, SO, NI

Our EEI schedule has been posted, see below for full schedule including 1on1s, corporate dinners and cocktail event.

For details on our Guggenheim-hosted client Utility events including our CEG NDR, NRG NDR, PEG NDR, NI NDR, FE CFO lunch, and other events, scroll down...

NEE/NEP: Cat's Out of the Bag – Capital Markets Weigh Heavy on NEP Growth, NEE Readthrough Too Punitive In Our View (see our note HERE)

Power/Gas: No Country for New Gas… (see our note HERE)

ETR – LPSC files request for rehearing in SERI complaint proceeding at FERC on sale-leaseback and ADIT refund treatment

SRE – SIP announces group president appointment for Tania Mena Otriz

PPL/RI – AMI decision possible at today's open meeting

ERCOT – PUCT to host open meeting

EXC – Reply briefs filed in ComEd MYP

AZ/PNW – Algonquin [TSX:AQN] (not covered) subsidiary's procedural schedule modified

SO – Local media coverage of EPA's coal ash pond recommendation

NI – Remarketing of mandatory convertible preferred stock postponed to November

ETR – LPSC files request for rehearing in SERI complaint proceeding at FERC on sale-leaseback and ADIT refund treatment

- LPSC filed a request for rehearing in the SERI complaint on sale leaseback and ADIT treatment.
- FERC previously issued a rehearing order in part modifying the Initial decision on the sale leaseback and ADIT portion of the SERI complaint (18-152).
- FERC order affirms the Initial decision in part, including siding with SERI on the ADIT calculations and provides a partial agreement with recognition of sale leaseback cost recovery.
- FERC commissioners dissented and concurred in part, especially noting the constitutionality challenges in the rehearing request.
- FERC Docket ER18-182 (available through search). MS Settlement here.
- Docket: EL20-72 / EL18-152 (through FERC search). Partial settlement found under 20-72.

Guggenheim takeaway: *FYI. The FERC outcome would result in no incremental refunds, while affirming the ADIT issue resolution and providing some clarity on the sale leaseback recovery (modest potential upside vs. initial order on depreciation portion of $90M in sale leaseback refunds, pending recalculated SERI filing). ETR does not see any challenges to the tax portions of the appeals so there is no more merit to the further challenges at FERC on this issue. Uncertain tax positions portion of the complaint has created some deadlock with FERC in terms of resources in the further SERI proceedings, so having clarity in this docket provides an opportunity to litigate or settle the other / final complaints around operational prudency (docket EL21-56). ETR has previously commented in multiple venues*

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on the progressive financial steps taken to include adverse outcomes at FERC into guidance explicitly and implicitly (i.e., within the range of equity needs scenarios, which have been resolved to near zero in the near term).

SRE – SIP announces group president appointment for Tania Mena Otriz

- Tania Ortiz Mena has been appointed president of Sempra Infrastructure.
- Ortiz Mena most recently served as group president of clean power and energy networks at Sempra Infrastructure.
- More here.

Guggenheim takeaway:*FYI. Mena Ortiz previously led IENOVA (SIP Mexico business lines).*

PPL/RI ─ AMI decision possible at today's open meeting

- "At this Open Meeting, the PUC will review the record and vote on the Company's AMF proposal. The Commission plans to discuss the matter in the morning and then recess before taking votes in the afternoon." – PUC
- The meeting will be streamed at 10AM HERE.
- More HERE

Guggenheim takeaway: *Heads up on the schedule, with the potential for a vote to drag into the afternoon per the latest filing.*

ERCOT ─ PUCT to host open meeting

- The ongoing work on the ERCOT reliability standard is on the docket, alongside the potential for other reliability and infrastructure conversations.
- More HERE

Guggenheim takeaway: *Minor FYI.*

EXC ─ Reply briefs filed in ComEd MYP

- Several reply briefs have been docketed in the ongoing MYP.
- "For the foregoing reasons, IIEC/CUB/CDC/PCR continue to oppose ComEd's request for an excessive ROE in each of the four years of the MYRP period, as well as the Company's proposed annual adder." - CUB
- More HERE

Guggenheim takeaway: *There are several non-focus intervenor filings in the docket as of the AM, however, we note that postings to the ICC website can lag the deadline by up to half a day, so stay tuned for additional potential filings. Our initial parse indicates positions remain largely unchanged — we continue to look for any potential readthrough from the forthcoming ALJ/proposed order due 10/23. IN the interim position statements will be due later today.*

AZ ─ Algonquin [TSX:AQN] (not covered) subsidiary's procedural schedule modified

- Opening briefs: November 2, 2023
- Responsive briefs: November 16, 2023
- Timeclock for a decision: extended until January 31, 2024
- Docket E-04204A-22-0251

Guggenheim takeaway: *While Tucson Electric's rate case result was the primary focus of investors watching to see what PNW's Arizona Public Service may have in store, we will also continue to monitor UNS' case as we gather a sense of the extent to which the regulatory regime in AZ has actually evolved.* ***For a recap of the event, we recently hosted with AZ's two newest commissioners, see our note "Arizona Regulation: Drawing a Line in the Sand? Not with this Commission — Continuing Our Deep Dive in the Desert with Commissioner Myers and Commissioner Thompson" (link HERE).***

SO ─ Local media coverage of regional environmental activists' comments to the EPA on Georgia coal ash ponds

- The activists are opposing Georgia Power's plans to cap in place four of the 10 ponds currently planned for that treatment.

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- 19 other ponds are planned to be excavated and removed.
- More HERE

Guggenheim takeaway: *Minor FYI.*

NI – Remarketing of mandatory convertible preferred stock postponed to November

- Due to market conditions, the company decided to postpone the remarketing of up to 862,500 shares of its Series C Mandatory Convertible Preferred Stock.
- The next remarketing period is expected to occur in November, the company stated.
- The preferreds were originally issued on April 19, 2021.
- 8-K HERE

Guggenheim takeaway: *Understandable given the pressure the group has been under as a whole.*

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Equity Research | Corporate Access

Constellation Energy Corporation (CEG)

Dan Eggers, *Chief Financial Officer*

Emily Duncan, *Vice President, Investor Relations*

Dates & Locations

October 2 - 3, 2023
West Coast

Meeting Format

NDR - 1:1 Meetings

Company Information

Market Cap: $33.9bn

Constellation Energy Corp (CEG) engages in the generation, supply, and marketing of clean energy electricity, and renewable energy products and solutions. It operates under the following geographical segments: Mid-Atlantic, Midwest, New York, Texas, and Other Power Regions Segment. The company is headquartered in Baltimore, MD. (Source: FactSet)

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Equity Research | Corporate Access

NRG Energy Inc. (NRG)

Mauricio Gutierrez, President & Chief Executive Officer
Bruce Chung, Chief Financial Officer
Kevin Cole, Treasurer & Head of Investor Relations

Dates & Locations

October 4 – 5, 2023
West Coast

Meeting Format

NDR - 1:1 Meetings

Company Information

Market Cap: $8.83bn

NRG Energy, Inc. (NRG) engages in the production, sale, and distribution of energy and energy services. It operates through the following segments: Generation, Retail, and Corporate. The Generation segment includes all power plant activities, domestic and international, as well as renewables. The Retail segment includes mass customers and business solutions, and other distributed and reliability products. The Corporate segment includes residential solar and electric vehicle services. The company was founded in 1989 and is headquartered in Houston, TX. (Source: FactSet)

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Equity Research | Corporate Access

Public Service Enterprise Group, Inc. (PEG)

Ralph LaRossa, *Chairman, President & Chief Executive Officer*

Daniel Cregg, *Chief Financial Officer*

Carlotta Chan, *Vice President Investor Relations*

Dates & Locations

October 9 - 12, 2023
West Coast

Meeting Format

NDR - 1:1 Meetings

Company Information

Market Cap: $29.4bn

Public Service Enterprise Group (PEG) is an energy company, which engages in the business of regulated electric and gas utility, and nuclear generation. Its products and services include energy, capacity, ancillary services, and emissions allowances and congestion credits. The firm operates through the Public Service Electric and Gas Company (PSE&G) and PSEG Power segments. The PSE&G segment focuses on the transmission of electricity and distribution of electricity and natural gas. The PSEG Power segment wholesales energy, fuel supply, and energy transacting functions. The company was founded in 1903 and is headquartered in Newark, NJ. (Source: FactSet)

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Equity Research | Corporate Access

NiSource, Inc. (NI)

Lloyd Yates, *President & Chief Executive Officer*
Shawn Anderson, *Chief Financial Officer*
Randy Hulen, VP, *Investor Relations & Treasurer*

Dates & Locations

October 18 – 20, 2023
West Coast

Meeting Format

NDR - 1:1 Meetings

Company Information

Market Cap: $11.4bn

NiSource, Inc. (NI) is a holding company, which engages in the provision of energy solutions. It operates under the Gas Distribution Operations and Electric Operations segments. The Gas Distribution Operations segment provides natural gas service and transportation for residential, commercial, and industrial customers. The Electric Operations segment includes generation, transmission, and distribution of electricity through NIPSCO, and wholesaling electric and transmission transactions. The company was founded in 1987 and is headquartered in Merrillville. (Source: FactSet)

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Save the Date: 58th EEI Financial Conference

Dates
November 12 - 14, 2023

Location
JW Marriott Desert Ridge
Phoenix, AZ

Company Dinners (Hosted by Guggenheim)

Sunday, November 12, 2023

5:30 p.m. | Cocktail Reception with full Guggenheim Securities Team & corporate utility clients
Bar Twenty6 at the JW Marriott
5350 E Marriott Dr, Phoenix, AZ 85054

6:30 p.m. | Dinner with **Duke Energy Corp (DUK)** CEO, CFO, and others
Spiga — 7500 E Pinnacle Peak Rd, Scottsdale, AZ 85255

Monday, November 13, 2023

6:30 p.m. | Dinner with **Entergy (ETR)** CEO, CFO, and others
Spiga — 7500 E Pinnacle Peak Rd, Scottsdale, AZ 85255

Tuesday, November 14, 2023

6:00 p.m. | Dinner with **WEC Energy Group (WEC)** CEO, CFO, and others
Ocean Prime — 5455 E High St, Phoenix, AZ 85054

Company Meetings

More Utilities may be added and we will update schedule accordingly

Sunday, November 12th	
Time	*Co.*
9:00AM	SRE
10:00AM	WEC
11:00AM	LNT
1:00PM	ED
2:00PM	NI
3:00PM	CNP
4:00PM	AWK
5:00PM	AEP

Monday, November 13th	
Time	*Co.*
8:00AM	PCG
9:00AM	PEG
9:00AM	ALE
10:00AM	PNW
11:00AM	DTE
12:00PM	CMS
1:00PM	PPL
2:00PM	FE
3:00PM	AVA
4:00PM	D
5:00PM	ES

Tuesday, November 14th	
Time	*Co.*
8:00AM	EVRG
9:00AM	EIX
11:00AM	EXC
12:00PM	OGE
1:00PM	SO
2:00PM	NWE
3:00PM	NEE
4:00PM	AEE

Participating Guggenheim Analyst
Shar Pourreza, *Senior Managing Director, Senior Equity Research Analyst – Power & Utilities*

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Equity Research | Corporate Access

FirstEnergy Corp. (FE)

Jon Taylor, *Chief Financial Officer*

Date & Time

Wednesday, December 6, 2023
12:00PM

Location

Guggenheim Office
330 Madison Ave, 32nd Floor
New York, NY

Company Information

Market Cap: $20.9bn

FirstEnergy Corp. (FE) engages in the generation, transmission, and distribution of electricity as well as energy management and other energy-related services through its subsidiaries. It operates through the following business segments: Regulated Distribution, Regulated Transmission, and Corporate or Other. The Regulated Distribution segment distributes electricity through FirstEnergy's utility operating companies, serving various customers. The Regulated Transmission segment transmits electricity through transmission facilities owned and operated by FirstEnergy's utilities. The Corporate or Other segment reflects corporate support and other costs not charged or attributable to the utilities or transmission companies. The company was founded in 1996 and is headquartered in Akron, OH. (Source: FactSet)

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Guggenheim 2023 Client and Corporate Access Utility Events

Ticker	Dates	Regions
EIX	*1/10 & 1/11*	Boston & New York
Commissioner Roundtable Event	*1/20*	In Person at Guggenheim
2023 Utilities Conference Call	*1/23*	Dial-In
Virginia Policy Call	*2/7*	Dial-In
Wisconsin Regulatory Call (Chair Valcq)	*2/9*	Virtual
WEC	*2/14–2/16*	West Coast
Wisconsin Regulatory Call (Commissioner Huebner)	*2/17*	Virtual
Arizona Regulatory Call (Commissioners Myers and Thompson)	*2/27*	Virtual
DUK	*3/7-3/8*	NYC
NEE	*3/14-3/16*	West Coast
AEE	*3/22*	Virtual
ERCOT Policy Call	*3/31*	Virtual
PPL	*4/3–4/4*	Boston
EXC	*5/15–5/16*	NYC
AEP	*5/17*	In Person at Guggenheim
CNP C-Suite Dinner	*5/22*	Fort Lauderdale, FL
AGA Conference Meetings	*5/20–5/23*	Fort Lauderdale, FL
ETR	*6/1–6/2*	West Coast
DTE	*6/7–6/8*	NYC
PCG	*6/12*	NYC
ES	*6/22*	NYC
SMR	*6/27*	NYC
SRE	*6/28–6/30*	NYC
SO Meeting, Porsche racing, & Georgia PSC	*7/11–7/12*	Atlanta
LNT	*7/17–7/18*	Boston
PNW	*7/19–7/20*	NYC & Boston
Georgia Regulatory Call (Commissioner Shaw)	*7/24*	Virtual
AWK	*8/9–8/10*	West Coast
Arizona Regulatory Call (Commissioners Myers and Thompson)	*8/16*	Virtual
CMS	*8/30*	NYC
SO	*9/13–9/15*	West Coast
POR	*9/18*	NYC
NY Roundtable	*9/25*	NYC
NJ Roundtable	*9/26*	NJ
CEG	10/2–10/3	West Coast
NRG	10/4–10/5	West Coast
PEG	10/10–10/12	West Coast
NI	10/17–10/20	West Coast
EEI Conference	11/12–11/14	Arizona
FE CFO Lunch	12/6	In Person at Guggenheim

MORE TO BE ADDED…

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POWER & UTILITIES

September 28, 2023

Guggenheim Comp Sheet

9/27/2023		Market	Guggenheim EPS Ests					Consensus					Δ vs Consensus (>$0.02)					Implied P/E Multiple					Prem/(Disc) vs Mid/Lg Cap Utes					'22–'27	NTM	Payout	Guggenheim		NTM Total	Consensus		NTM Total
	Price	Cap ($m)	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	EPS	Yield	Ratio	Rating	Target	Return	Rating	Target	Return
Small Cap Electric																																			
ALE	$53.79	3,087	3.70	4.17	4.56	4.87	5.07	3.70	4.10	4.36	4.65	5.05	–	0.07	0.20	0.22	–	14.6x	13.1x	12.3x	11.6x	10.7x	-9%	-12%	-12%	-12%	-14%	8.4%	5.2%	70%	Sell	$49	-4%	Neutral	$62	20%
AVA	$32.35	2,476	2.28	2.49	2.61	2.67	2.73	2.28	2.47	2.58	2.65	2.73	–	–	–	–	–	14.2x	13.1x	12.5x	12.2x	11.8x	-12%	-12%	-10%	-7%	-5%	5.2%	5.9%	78%	Sell	$33	8%	Sell	$40	28%
NWE	$48.75	2,927	3.42	3.55	3.75	3.91	4.08	3.42	3.57	3.76	3.86	3.98	–	–	–	0.06	0.10	14.3x	13.7x	13.0x	12.6x	12.3x	-11%	-9%	-7%	-4%	-1%	5.1%	5.3%	74%	Sell	$48	4%	Neutral	$57	22%
POR	$41.29	4,174	2.66	3.05	3.21	3.38	3.55	2.68	3.04	3.23	3.35	3.55	–	–	–	–	–	15.4x	13.6x	12.8x	12.3x	11.6x	-4%	-9%	-9%	-6%	-6%	5.3%	4.7%	66%	Buy	$48	21%	Buy	$50	25%
		12,664																**14.6x**	**13.4x**	**12.7x**	**12.2x**	**11.6x**	**-9%**	**-11%**	**-10%**	**-7%**	**-7%**	**6.0%**	**5.3%**	**72%**						
Mid/Large Cap Electric																																			
AEE	$76.11	19,977	4.35	4.67	5.05	5.40	5.68	4.37	4.69	5.02	5.36	5.66	–	–	0.03	0.04	–	17.4x	16.2x	15.2x	14.2x	13.5x	8%	9%	8%	8%	8%	6.6%	3.5%	58%	Neutral	$85	15%	Buy	$88	19%
AEP	$75.86	39,081	5.30	5.64	6.00	6.39	6.81	5.27	5.60	5.98	6.32	6.73	–	0.04	–	0.07	0.08	14.4x	13.6x	12.7x	12.0x	11.3x	-10%	-9%	-9%	-9%	-9%	6.0%	4.6%	63%	Buy	$96	31%	Buy	$94	28%
CMS	$53.35	15,564	3.12	3.41	3.65	3.91	4.26	3.11	3.36	3.61	3.88	4.15	–	0.05	0.04	0.03	0.11	17.2x	15.9x	14.8x	13.8x	12.9x	7%	6%	6%	5%	4%	8.1%	3.9%	63%	Neutral	$61	18%	Buy	$64	24%
CNP	$27.15	17,089	1.50	1.61	1.73	1.87	2.03	1.50	1.62	1.73	1.87	2.01	–	–	–	–	–	18.1x	16.8x	15.7x	14.5x	13.5x	13%	12%	12%	11%	8%	9.5%	2.9%	49%	Buy	$34	28%	Buy	$32	21%
D	$45.46	38,040	3.37	3.54	3.75	4.24	4.50	3.26	3.40	3.56	3.99	4.06	0.11	0.14	0.20	0.25	0.44	13.9x	13.4x	12.8x	11.4x	11.2x	-13%	-10%	-9%	-13%	-10%	1.4%	5.9%	80%	Buy	$56	29%	Neutral	$52	20%
DTE	$100.54	20,722	6.26	6.73	7.19	7.75	8.30	6.23	6.66	7.14	7.74	8.27	0.03	0.07	0.05	–	–	16.1x	15.1x	14.1x	13.0x	12.2x	0%	1%	1%	-1%	-2%	6.4%	4.0%	62%	Buy	$124	27%	Buy	$124	28%
DUK	$90.09	69,459	5.65	6.05	6.35	6.75	7.15	5.62	5.98	6.33	6.74	7.16	0.03	0.07	–	–	–	16.0x	15.1x	14.2x	13.4x	12.6x	-0%	1%	2%	2%	1%	6.3%	4.6%	71%	Buy	$102	18%	Buy	$100	15%
ED	$86.63	29,881	4.86	5.19	5.50	5.81	6.02	4.89	5.24	5.51	5.79	6.05	(0.03)	(0.05)	–	–	(0.03)	17.7x	16.5x	15.7x	15.0x	14.3x	10%	11%	12%	14%	15%	5.6%	3.9%	65%	Neutral	$85	2%	Neutral	$88	6%
EIX	$64.56	24,746	4.71	4.98	5.48	5.71	6.03	4.71	5.14	5.62	5.98	6.25	–	(0.16)	(0.14)	(0.27)	(0.22)	13.7x	12.6x	11.5x	10.8x	10.3x	-15%	-16%	-18%	-18%	-17%	5.5%	4.7%	61%	Neutral	$74	19%	Buy	$75	20%
ES	$58.77	20,516	4.34	4.72	5.00	5.24	5.49	4.37	4.64	4.94	5.25	5.60	–	0.08	0.06	–	(0.11)	13.5x	12.7x	11.9x	11.2x	10.5x	-16%	-15%	-15%	-15%	-16%	6.1%	4.8%	62%	Buy	$80	41%	Buy	$79	39%
ETR	$93.25	19,718	6.71	7.16	7.76	8.31	8.97	6.70	7.19	7.71	8.25	8.85	–	(0.03)	0.05	0.06	0.12	13.9x	13.0x	12.1x	11.3x	10.5x	-13%	-13%	-14%	-14%	-15%	6.9%	4.8%	64%	Buy	$113	26%	Buy	$114	27%
EVRG	$51.05	11,720	3.65	3.97	4.24	4.47	4.75	3.63	3.92	4.17	4.37	4.66	–	0.05	0.07	0.10	0.09	14.1x	13.0x	12.2x	11.7x	11.0x	-13%	-13%	-13%	-11%	-12%	4.8%	5.1%	67%	Buy	$68	38%	Buy	$62	26%
EXC	$38.80	38,579	2.36	2.50	2.74	2.93	3.10	2.36	2.51	2.72	2.92	3.11	–	–	–	–	–	16.4x	15.5x	14.2x	13.3x	12.5x	2%	4%	2%	1%	0%	6.4%	3.9%	62%	Buy	$45	20%	Buy	$45	19%
FE	$35.24	20,205	2.54	2.69	2.89	3.07	3.27	2.54	2.69	2.88	3.05	3.22	–	–	–	–	0.05	13.9x	13.1x	12.3x	11.6x	10.9x	-14%	-12%	-12%	-12%	-12%	6.3%	4.6%	61%	Buy	$44	29%	Buy	$41	22%
LNT	$48.55	12,270	2.90	3.08	3.27	3.50	3.67	2.89	3.07	3.28	3.47	3.68	–	–	–	–	–	16.8x	15.8x	14.8x	14.0x	13.2x	4%	6%	6%	6%	6%	6.1%	3.9%	63%	Neutral	$49	5%	Buy	$55	17%
OGE	$33.52	6,714	2.02	2.16	2.25	2.37	2.48	2.01	2.14	2.27	2.40	2.50	–	–	–	–	–	16.7x	15.7x	14.8x	14.0x	13.4x	4%	5%	6%	6%	8%	2.8%	5.1%	81%	Neutral	$36	12%	Buy	$38	17%
PCG	$16.44	34,380	1.22	1.37	1.47	1.61	1.75	1.21	1.35	1.47	1.59	1.73	–	–	–	–	–	13.6x	12.2x	11.2x	10.3x	9.5x	-15%	-18%	-20%	-21%	-24%	9.7%	1.2%	15%	Buy	$21	29%	Buy	$19	17%
PEG	$57.90	28,899	3.45	3.67	4.10	4.29	4.59	3.46	3.69	4.06	4.24	4.49	–	–	0.04	0.05	0.10	16.7x	15.7x	14.3x	13.7x	12.9x	4%	5%	2%	4%	4%	5.8%	4.1%	65%	Buy	$70	25%	Buy	$67	20%
PNW	$74.16	8,403	4.20	5.00	5.15	5.25	5.40	4.21	4.98	5.16	5.48	5.61	–	–	–	(0.23)	(0.21)	17.6x	14.9x	14.4x	13.5x	13.2x	10%	-0%	3%	3%	6%	4.9%	4.8%	74%	Neutral	$83	17%	Neutral	$80	13%
PPL	$23.94	17,646	1.58	1.71	1.82	1.95	2.07	1.58	1.70	1.82	1.94	2.06	–	–	–	–	–	15.1x	14.1x	13.2x	12.4x	11.6x	-6%	-6%	-6%	-6%	-6%	8.0%	4.2%	61%	Buy	$31	34%	Buy	$30	29%
SO	$66.14	72,193	3.60	4.05	4.30	4.55	4.80	3.60	4.03	4.31	4.55	4.76	–	–	–	–	0.04	18.4x	16.4x	15.3x	14.6x	13.9x	14%	10%	10%	11%	12%	5.9%	4.3%	73%	Buy	$80	25%	Buy	$73	15%
WEC	$80.57	25,415	4.60	4.91	5.24	5.61	5.97	4.61	4.92	5.26	5.61	5.96	–	–	–	–	–	17.5x	16.4x	15.3x	14.4x	13.5x	9%	10%	9%	9%	9%	6.1%	4.1%	68%	Neutral	$94	21%	Buy	$95	22%
Mid/Lg Cap (excl. EIX, PCG)																		**16.1x**	**14.9x**	**14.0x**	**13.1x**	**12.4x**						**6.0%**	**4.4%**	**66%**						
SMID + Lg Cap		**603,880**																**15.8x**	**14.7x**	**13.8x**	**13.0x**	**12.3x**						**6.0%**	**4.5%**	**67%**						

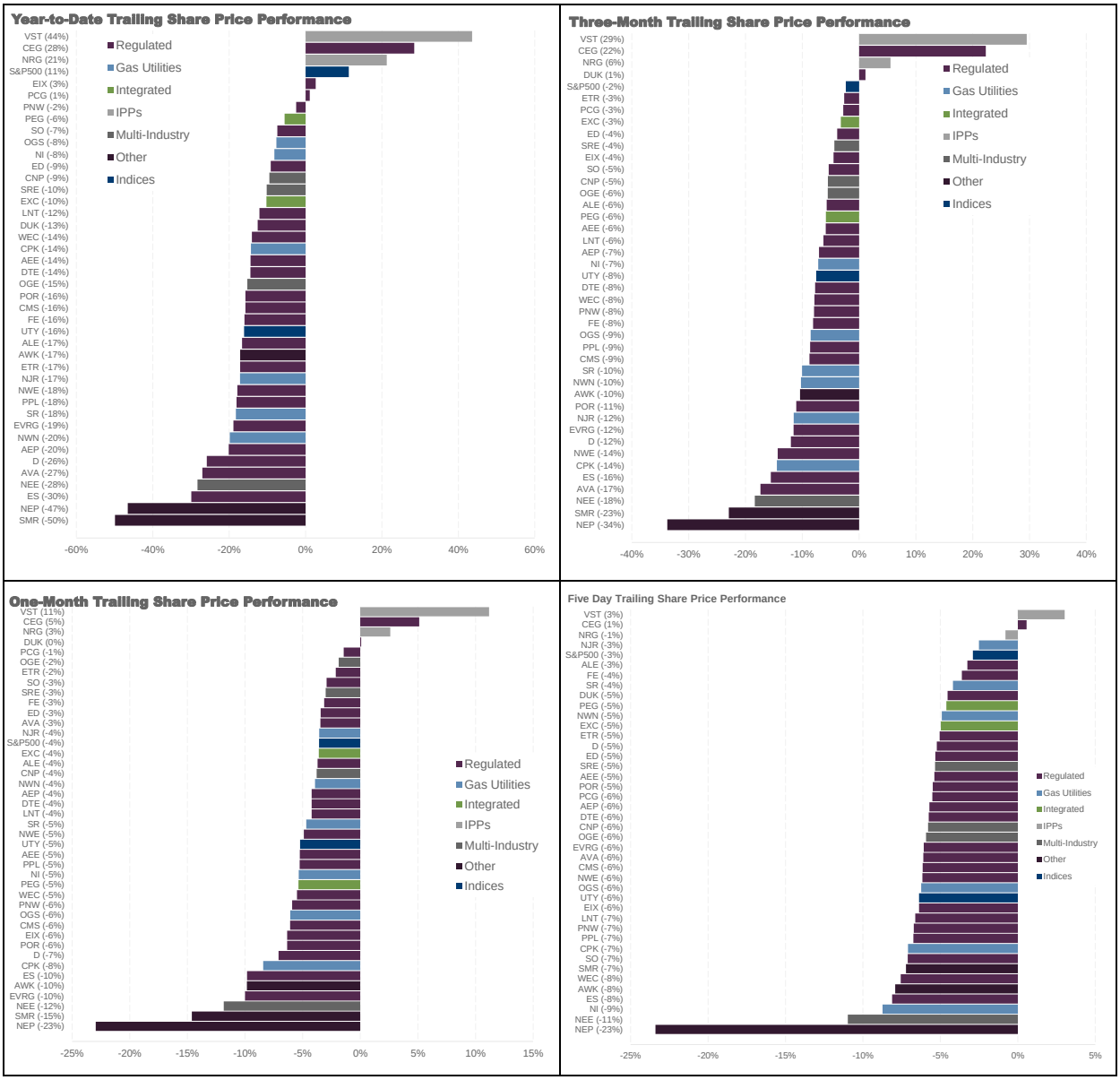
		Market	Guggenheim EPS Ests					Consensus					Δ vs Consensus (>$0.02)					Implied P/E Multiple					Prem/(Disc) vs Mid/Lg Cap Utes					'22–'27	NTM	Payout	Guggenheim		NTM Total	Consensus		NTM Total
Diversified	Price	Cap ($m)	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	EPS	Yield	Ratio	Rating	Target	Return	Rating	Target	Return
NEE	$59.96	121,342	3.13	3.43	3.69	3.99	4.27	3.12	3.33	3.68	4.02	4.41	–	0.10	–	–	(0.14)	19.2x	18.0x	16.3x	14.9x	13.6x	20%	21%	16%	14%	9%	8%	3.3%	61%	Buy	$73	25%	Buy	$84	44%
SRE	$69.41	43,680	9.00	9.50	10.13	10.80	11.71	4.51	4.81	5.04	5.33	5.88	4.49	4.69	5.09	5.48	5.83	15.4x	14.4x	13.8x	13.0x	11.8x	-4%	-3%	-2%	-1%	-5%	5%	4.1%	61%	Buy	$172	152%	Buy	$81	21%
		165,022																**17.3x**	**16.2x**	**15.0x**	**14.0x**	**12.7x**	**8%**	**9%**	**7%**	**6%**	**2%**	**6.5%**	**3.7%**	**61%**						
Gas LDCs																																			
NI	$25.18	10,406	1.57	1.68	1.82	1.95	2.07	1.58	1.67	1.82	1.94	2.07	–	–	–	–	–	15.9x	15.0x	13.9x	13.0x	12.2x	-1%	1%	-1%	-1%	-2%	7%	4.2%	64%	Buy	$30	23%	Buy	$31	29%
CPK	$101.28	1,802	5.42	5.84	6.23	6.59	6.94	5.30	5.74	6.26	6.51	6.89	0.12	0.10	–	0.08	0.05	19.1x	17.6x	16.2x	15.6x	14.7x	19%	18%	16%	19%	18%	7%	2.4%	43%	Neutral	$112	13%	Buy	$132	32%
NJR	$41.11	4,011	2.67	2.74	2.94	3.10	3.34	2.68	2.76	2.95	3.13	3.42	–	–	–	–	(0.08)	15.3x	14.9x	13.9x	13.2x	12.0x	-5%	-0%	-1%	0%	-3%	6%	4.0%	60%	Neutral	$47	18%	Buy	$49	23%
NWN	$38.15	1,339	2.65	2.83	2.98	3.09	3.21	2.67	2.77	3.00	3.05	3.23	–	0.06	–	0.04	–	14.3x	13.8x	12.7x	12.5x	11.8x	-11%	-8%	-9%	-5%	-5%	5%	5.1%	71%	Neutral	$42	15%	Buy	$50	36%
OGS	$69.93	3,961	4.14	4.24	4.53	4.98	5.31	4.14	4.30	4.58	4.97	5.30	–	(0.06)	(0.05)	–	–	16.9x	16.3x	15.3x	14.1x	13.2x	5%	9%	9%	7%	6%	10%	3.8%	63%	Neutral	$73	8%	Neutral	$78	16%
SR	$56.30	2,962	4.20	4.31	4.57	4.73	4.99	4.20	4.33	4.64	4.82	5.06	–	–	(0.06)	(0.09)	(0.07)	13.4x	13.0x	12.1x	11.7x	11.1x	-17%	-13%	-13%	-11%	-11%	5%	5.4%	70%	Neutral	$65	21%	Neutral	$68	26%
		24,481																**15.8x**	**15.1x**	**14.0x**	**13.3x**	**12.5x**	**-2%**	**1%**	**0%**	**1%**	**1%**	**6.7%**	**4.2%**	**62%**						
Regulated Water																																			
AWK	$126.34	24,594	4.84	5.14	5.59	5.98	6.45	4.81	5.14	5.59	6.04	6.46	–	–	–	(0.06)	–	26.3x	24.6x	22.6x	20.9x	19.6x	63%	65%	61%	59%	57%	7%	2.3%	58%	Neutral	$147	19%	Buy	$157	26%

		Market	Guggenheim EBITDA Ests					Consensus					Δ vs Consensus (>$20m)					Implied EV/EBITDA Multiple					Enterprise Value					'22–'25	NTM	Payout	Guggenheim		NTM Total	Consensus		NTM Total
IPPs	Price	Cap ($m)	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	Growth	Yield	Ratio	Rating	Target	Return	Rating	Target	Return
CEG	$110.75	35,616	3,150	3,451	3,509	3,346	3,804	3,504	3,981	3,919	3,911	4,024	(354)	(530)	(409)	(565)	(221)	11.3x	9.8x	9.6x	9.3x	8.7x	39,749	38,920	37,592	36,449	35,028	9.6%	1.1%	23%	Buy	$97	-11%	Buy	$111	1%
NRG	$38.58	8,839	3,181	3,122	3,126	3,042	3,107	3,021	3,232	3,109	2,980	3,095	160	(110)	–	62	–	6.1x	5.3x	5.0x	4.8x	4.1x	18,377	17,154	15,674	14,293	12,838	21.2%	4.2%	27%	Neutral	$34	-8%	Neutral	$41	11%
VST	$33.32	12,247	3,700	3,755	3,792	3,621	3,535	3,841	4,206	4,123	4,044	4,318	(141)	(451)	(331)	(424)	(783)	6.4x	5.8x	5.8x	5.8x	5.4x	24,595	24,428	23,854	23,410	23,369	6.8%	2.7%	25%	Buy	$31	-4%	Buy	$36	11%
Other																																			
NEP	$37.46	3,500	1,837	1,977	2,143	2,325	2,471	1,916	2,045	2,192	2,463	2,538	(79)	(68)	(49)	(138)	(67)												9.7%	–	Buy	$42	22%	Buy	$57	61%
SMR	$5.14	383	(141)	(57)	8	96	n/a	(137)	(49)	10	139	485	–	–	–	(43)	–												–	–	Buy	$18	250%	Buy	$12	141%

Source: Guggenheim Securities, LLC estimates, Bloomberg LP.

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Share Price Performance (Year-to-Date, Three-Month, One-Month, & Five-Day Trailing)



(1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.

(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).

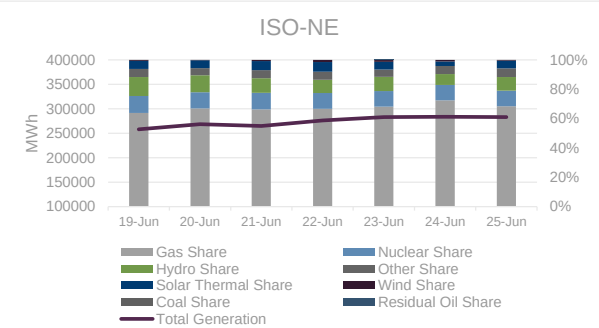
(3) Integrated utilities own and operate regulated T&D franchises, as well as un-regulated power generation with commodity exposure.

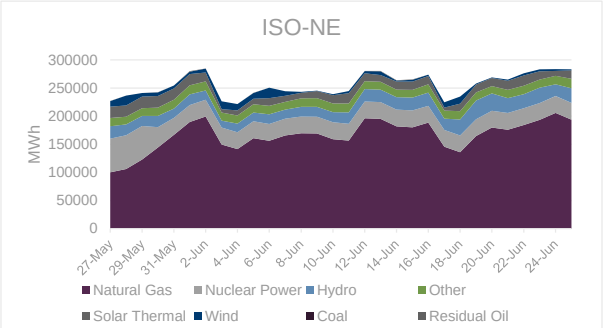
(4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.

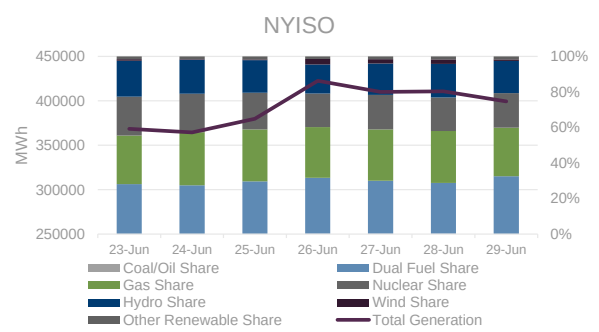
Source: Bloomberg, Guggenheim Securities, LLC estimates.

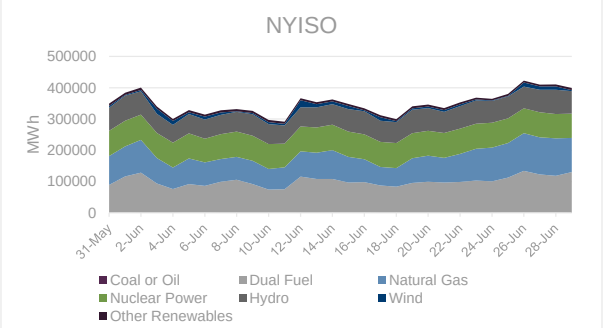
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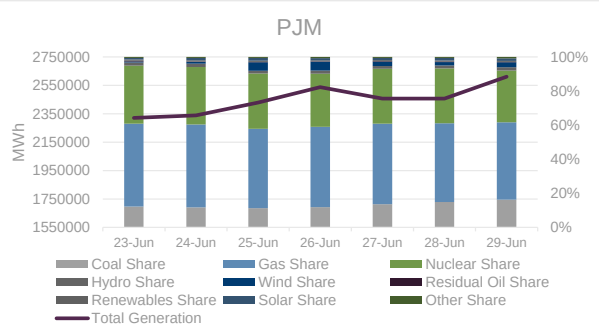
Generation and Mix

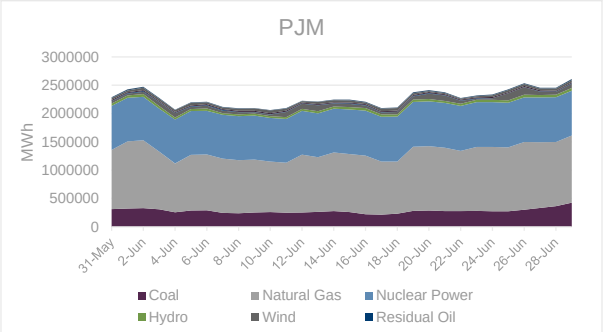


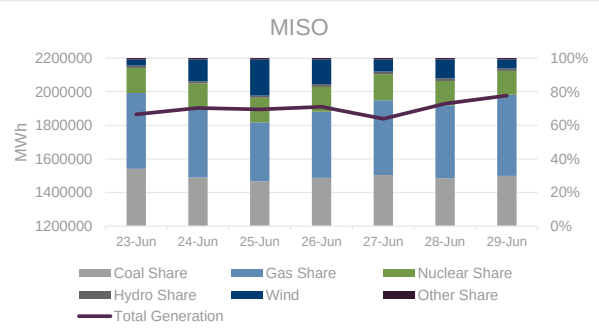


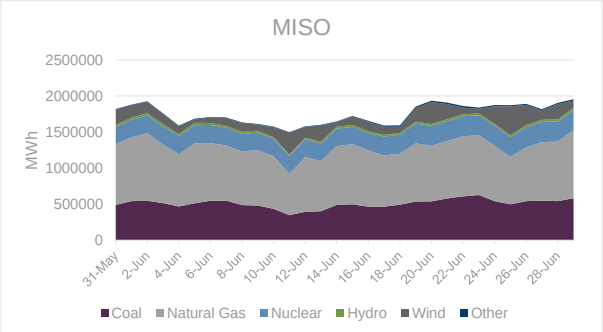








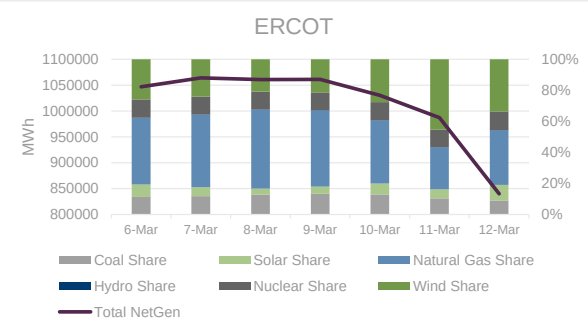


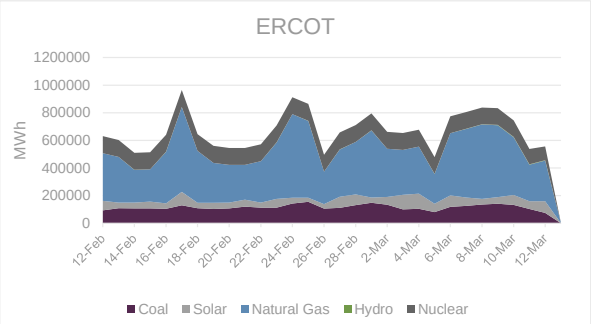


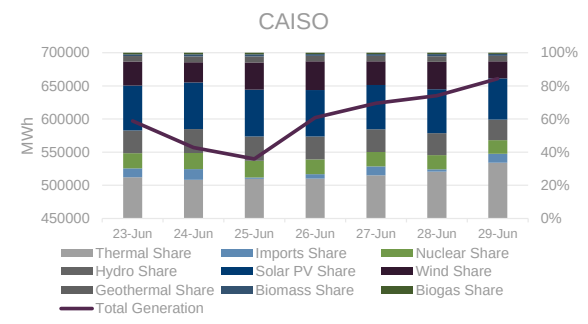
Source: S&P Global Platts, Guggenheim Securities, LLC.

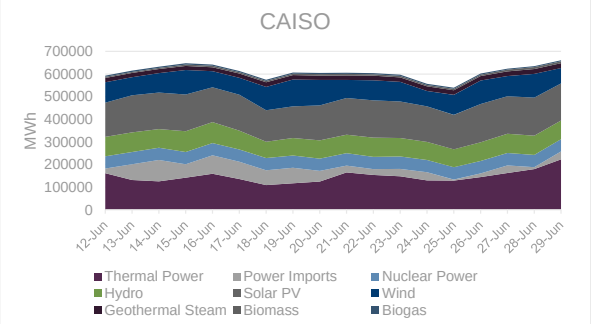
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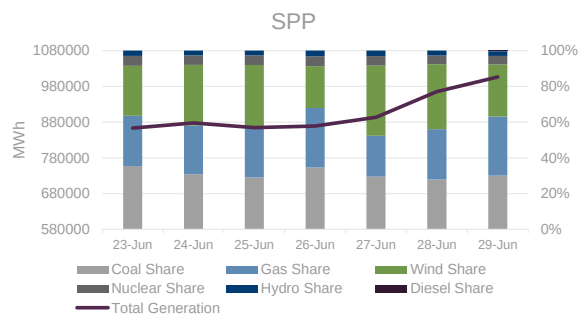
Generation and Mix (continued)

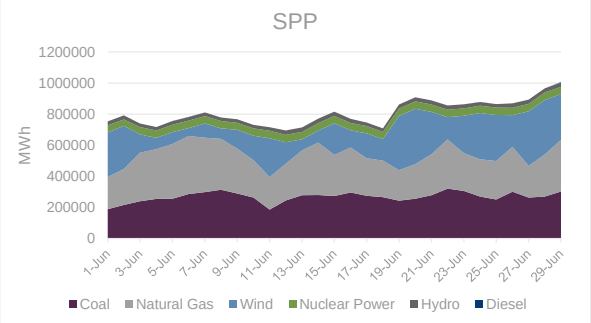








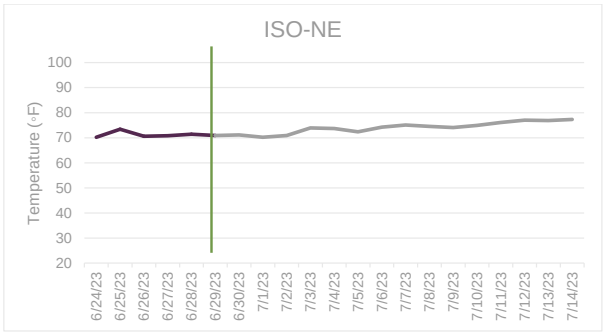


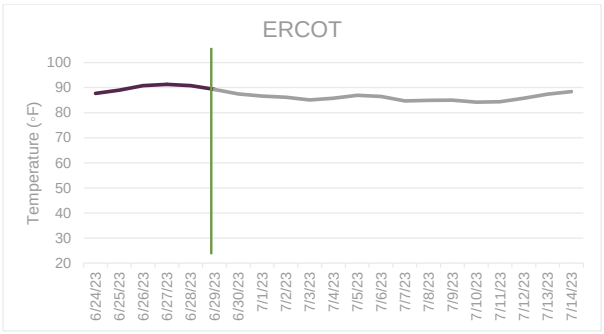


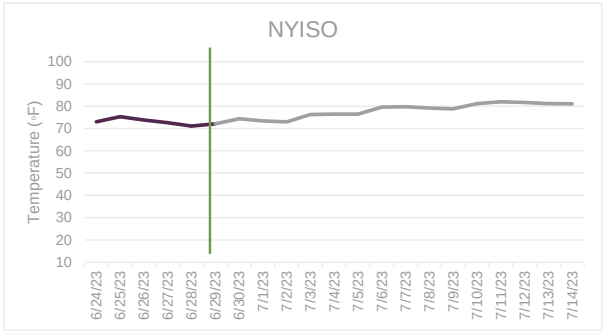
Source: S&P Global Platts, Guggenheim Securities, LLC.

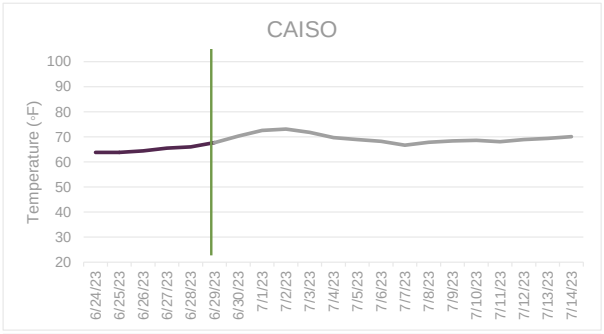
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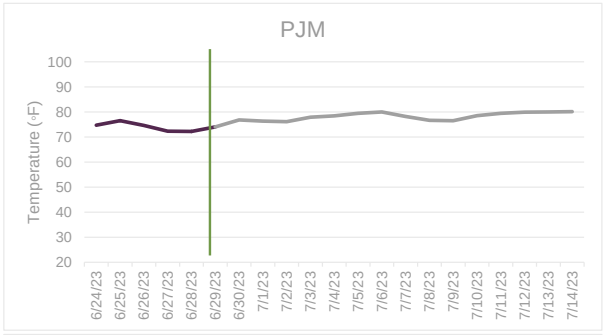
Weather

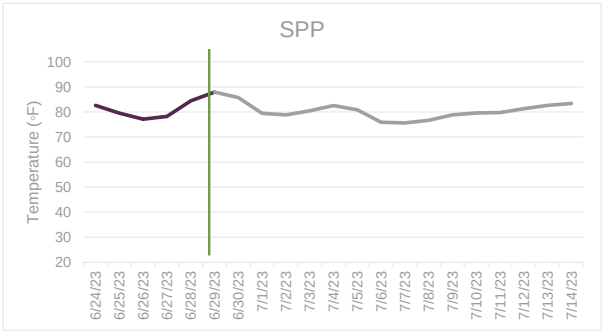


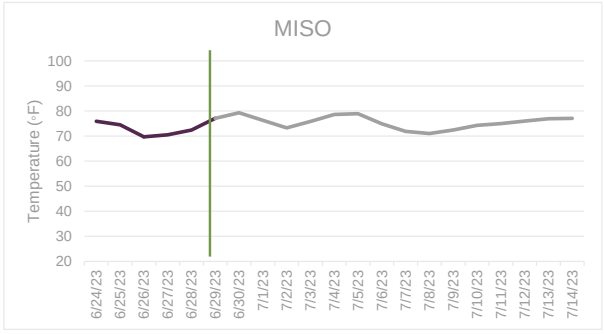








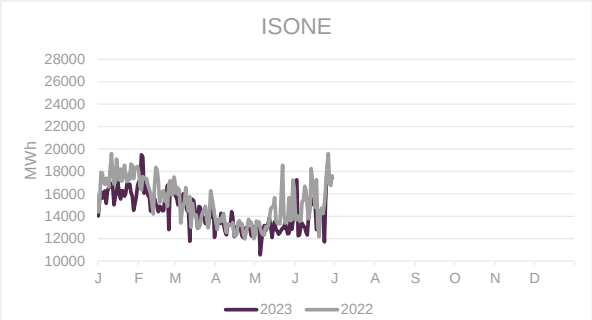


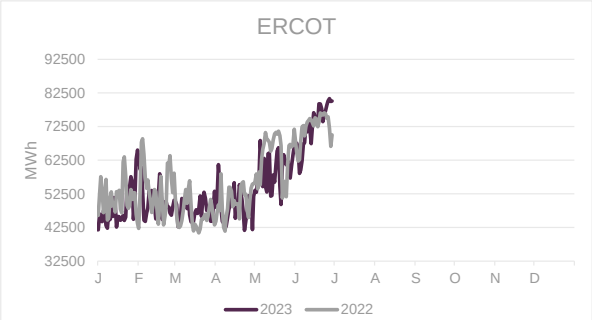


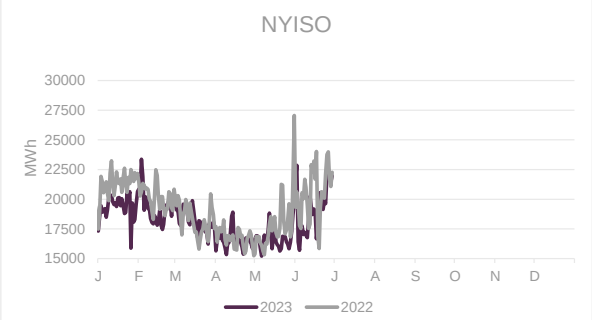
Source: S&P Global Platts, Guggenheim Securities, LLC.

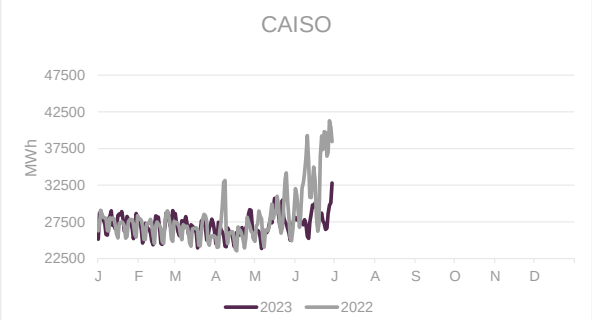
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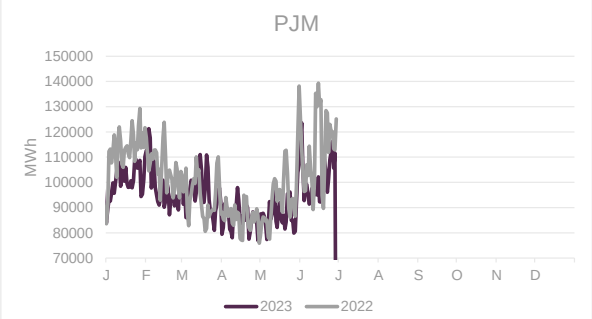
YTD Peak Load

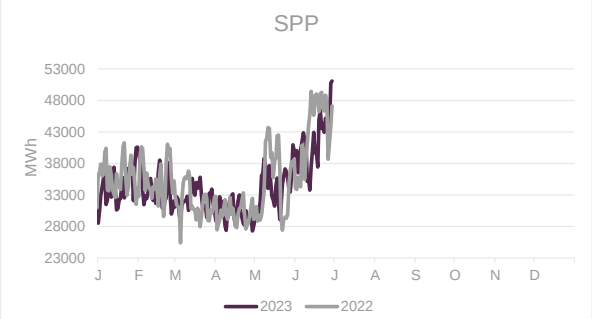


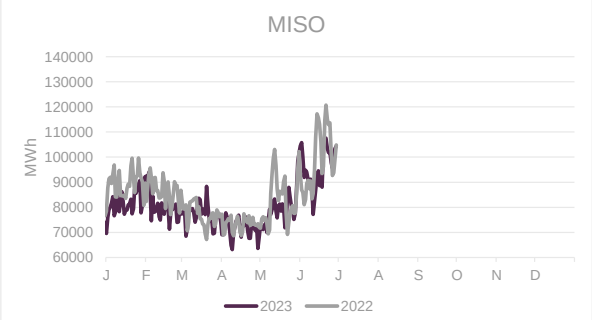












Average Deviation in Peak Load vs Prior Year

RTO/ISO	2Q22	3Q22	4Q22	1Q23	2Q23
ISONE	-1.2%	5.1%	-0.9%	-4.5%	-4.3%
NYISO	-0.1%	3.5%	-0.7%	-4.5%	-3.9%
PJM	3.8%	0.2%	2.1%	-5.2%	-4.8%
MISO	5.0%	0.1%	0.7%	-4.9%	-2.7%
CAISO	1.2%	4.0%	0.3%	1.0%	-6.0%
ERCOT	19.1%	7.9%	7.4%	-1.5%	-2.6%
SPP	9.7%	5.0%	7.1%	-1.6%	-0.7%

Source: S&P Global Platts, Guggenheim Securities, LLC.

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POWER & UTILITIES

September 28, 2023

Regulatory Calendar

Po er and ti ities Coverage Ca endar /1 /2 23 12/1 /2 23

Date	State	Ti ker	ti it /Event	Do ket	Des ri tion
7/1/2023-9/30/2023	C	PCG	Paci ic Gas and Electric Co	-21-06-021 Elec	LJ ro osed decision e ected
7/1/2023-9/30/2023	C	PCG	Paci ic Gas and Electric Co	-21-06-021 Gas	LJ ro osed decision e ected
7/1/2023-9/30/2023	C	PCG	Paci ic Gas and Electric Co	-21-06-021 Trac 2	Commission decision e ected
8/18/2023-9/11/2023	DE	E C	Delmar a Power Li ht Co	D-22-0897	Initial settlement con erence to ta e lace in electric rate roceedin
9/1/2023-9/30/2023		D	ir inia Electric Power Co		Decision due on Phase III Grid Trans ormation Plan ro osal
9/1/2023-9/30/2023		D	ir inia Electric Power Co	C-P R-2023-00022 Rider CCR	Hearin e aminer s re ort may be issued in Rider CCR u date roceedin
9/11/2023	OR	POR	Portland General Electric Co	D- E-416	Com any surrebuttal testimony on rate re ision due
9/11/2023	OR	POR	Portland General Electric Co	D- E-416	Sta inter enor re ly brie s on ower cost u date due
9/12/2023	P	FE	FirstEner y Cor		Brie s due in o eratin com any consolidation roceedin
9/12/2023-9/14/2023	MD	NI	Columbia Gas o Maryland Inc	C-9701	Hearin s scheduled in rate case -- sus ended to accomodate settlement tal s
9/13/2023	MD	FE	The Potomac Edison Co	C-9695	Deadline or a eals o law ud e s ro osed order
9/15/2023-9/30/2023		D	ir inia Electric Power Co	C-P R-2023-00005 Rider E	Decision may be issued in Rider E u date roceedin
9/18/2023	C	PCG	Paci ic Gas and Electric Co		O enin brie s due on etition to trans er substantially all com any s non-nuclear eneration
9/18/2023	S	E RC	E er y ansas Central Inc	D-23-E CE-775-RTS E C/E S	Com any rebuttal testimony due in rate roceedin
9/19/2023	MD	NI	Columbia Gas o Maryland Inc	C-9709 IRIS	Rebuttal testimony due in IRIS roceedin
9/19/2023	MI	CMS	Consumers Ener y Co	C- -21389	Rebuttal testimony due
9/19/2023	WV	D	Dominion Ener y Inc	D-30010-215-GR-23	Rebuttal testimony due in as rate case
9/21/2023	S	E RC	E er y ansas Central Inc	D-23-E CE-775-RTS E C/E S	Settlement con erence to be held in rate roceedin
9/21/2023	OR	POR	Portland General Electric Co	D- E-416	Com any rebuttal in ower cost u date due
9/22/2023	IL	SO	Northern Illinois Gas Co	D-23-0066	dministrati e law ud es ro osed order due in rate roceedin
9/26/2023	IL	EE	meren Illinois	D-23-0067	dministrati e law ud es ro osed order due in rate roceedin
9/27/2023	WI	LNT	Wisconsin Power and Li ht Co	D-6680- R-124 Elec	Hearin scheduled in rate case
9/27/2023	WI	LNT	Wisconsin Power and Li ht Co	D-6680- R-124 Gas	Hearin scheduled in rate case
9/28/2023	MD	NI	Columbia Gas o Maryland Inc	C-9709 IRIS	Surrebuttal testimony due in IRIS case
9/29/2023	DE	E C	Delmar a Power Li ht Co	D-22-0897	tility rebuttal testimony and u dated inancial data re lectin 12 months actual data due in electric rate roceedin
9/30/2023	SC	D	Dominion Ener y South Carolina	D-2023-70-G	Commission order e ected in rate case
10/1/2023-10/31/2023	MC	EE	nion Electric Co		Securiti ation re uest ossible or com any s Rush Island acility Case EF-2024-0021
10/1/2023-12/31/2023	C	PCG	Paci ic Gas and Electric Co	-21-06-021 Elec	Commission decision e ected
10/1/2023-12/31/2023	C	PCG	Paci ic Gas and Electric Co	-21-06-021 Gas	Commission decision e ected
10/1/2023-10/31/2023	MC	SR	S ire Missouri Inc	C-GO-2023-0432 ISRS	Decision ossible in ISRS roceedin
10/1/2023-10/31/2023		EP	alachian Power Co	C-P R-2023-00002	Hearin e aminer s re ort li ely to be issued in triennial re iew case
10/1/2023-10/31/2023		D	ir inia Electric Power Co	C-P R-2023-00022 Rider CCR	Decision e ected in Rider CCR u date roceedin
10/5/2023	C	PCG	Paci ic Gas and Electric Co		Re ly brie s due on etition to trans er substantially all o com any s non-nuclear eneration
10/5/2023	IL	SO	North Shore Gas Co	D-23-0068	Pro osed order e ected to be issued in rate roceedin
10/5/2023	MI	DTE	DTE Electric Co	C- -21297	LJ ro osed decision tar et date
10/6/2023	DE	E C	Delmar a Power Li ht Co	D-22-0897	Last day or inter enors to ile a motion with the Hearin E aminer to ile surrebuttal testimony
10/6/2023-10/20/2023		D	ir inia Electric Power Co	C-P R-2023-00094 Rider G	Parties to ile testimony in Rider G u date roceedin
10/6/2023	WI	LNT	Wisconsin Power and Li ht Co	D-6680- R-124 Elec	Brie s due in rate case
10/6/2023	WI	LNT	Wisconsin Power and Li ht Co	D-6680- R-124 Gas	Brie s due in rate case
10/9/2023	S	E RC	E er y ansas Central Inc	D-23-E CE-775-RTS E C/E S	Hearin to be in in rate roceedin
10/9/2023	OR	POR	Portland General Electric Co	D- E-416	ll- arty o enin brie s
10/10/2023-10/20/2023	MD	E C	Baltimore Gas and Electric Co	C-9692 EL	Parties to ile brie s in rate case
10/10/2023-10/20/2023	MD	E C	Baltimore Gas and Electric Co	C-9692 G S	Parties to ile brie s in rate case
10/10/2023		D	ir inia Electric Power Co	C-P R-2023-00101	Inter enors to ile testimony in earnin s re iew roceedin
10/11/2023-10/12/2023	MD	NI	Columbia Gas o Maryland Inc	C-9709 IRIS	Hearin s scheduled in IRIS roceedin
10/12/2023	MI	CMS	Consumers Ener y Co	C- -21308	Commission decision in rate case e ected by
10/13/2023	DE	E C	Delmar a Power Li ht Co	D-22-0897	Last day or arties to res ond to inter enor motions iled with the Hearin E aminer to ile surrebuttal testimony
10/13/2023	MD	NI	Columbia Gas o Maryland Inc	C-9701	Brie s due in rate case
10/13/2023	WI	LNT	Wisconsin Power and Li ht Co	D-6680- R-124 Elec	Re ly brie s due in rate case
10/13/2023	WI	LNT	Wisconsin Power and Li ht Co	D-6680- R-124 Gas	Re ly brie s due in rate case
10/16/2023	DC	E C	Potomac Electric Power Co	FC-1176	Inter enor testimony due in electric multiyear rate lan roceedin
10/16/2023	OR	POR	Portland General Electric Co	D- E-416	Sta inter ernor closin brie s
10/17/2023	DE	E C	Delmar a Power Li ht Co	D-22-0897	Settlement con erence to ta e lace in electric rate roceedin
10/18/2023	MD	FE	The Potomac Edison Co	C-9695	End o sus ension eriod decision e ected in rate case
10/20/2023	IL	EE	meren Illinois	D-23-0082	dministrati e law ud es ro osed order due in rate roceedin
10/23/2023	IL	E C	Commonwealth Edison Co	D-23-0055	dministrati e law ud es ro osed order due in rate roceedin
10/23/2023		D	ir inia Electric Power Co	C-P R-2023-00101	Sta testimony due in earnin s re iew roceedin
10/24/2023	MD	NI	Columbia Gas o Maryland Inc	C-9709 IRIS	Brie s due in IRIS roceedin
10/24/2023	OR	POR	Portland General Electric Co	D- E-416	Com any closin brie
10/24/2023	WV	D	Dominion Ener y Inc	D-30010-215-GR-23	Prehearin con erence to ta e lace in as rate case
10/25/2023		NI	Columbia Gas o ir inia Inc	C-P R-2023-00119 S E	Sta re ort due in S E Rider roceedin
10/26/2023	DE	E C	Delmar a Power Li ht Co	D-22-0897	Settlement con erence to ta e lace in electric rate roceedin
10/27/2023	MD	NI	Columbia Gas o Maryland Inc	C-9701	Law ud e s ro osed order due in rate case
10/30/2023	OR	POR	Portland General Electric Co	D- E-416	Final order due on ower cost u date
11/1/2023-11/30/2023	P	FE	FirstEner y Cor		dministrati e law ud e recommendation may be issued in o eratin com any consolidation roceedin
11/1/2023-11/10/2023		D	ir inia Electric Power Co		Decision li ely in securiti ation roceedin
11/1/2023-11/28/2023		PNW	ri ona Public Ser ice Co	D-E-01345 -22-0144	Final rate decision e ected
11/1/2023	DE	E C	Delmar a Power Li ht Co	D-22-0897	Surrebuttal testimony limited to Delmar a s u dated 12 months actual data due in electric rate roceedin
11/2/2023	MI	CMS	Consumers Ener y Co	C- -21389	Brie s due in electric rate case
11/7/2023-11/9/2023	WV	D	Dominion Ener y Inc	D-30010-215-GR-23	Public hearin to ta e lace in as rate case
11/8/2023		NI	Columbia Gas o ir inia Inc	C-P R-2023-00119 S E	Re lies to sta re ort due in S E Rider roceedin
11/9/2023	MD	NI	Columbia Gas o Maryland Inc	C-9701	eals o ud e s order due in rate case
11/14/2023	MD	E C	Baltimore Gas and Electric Co	C-9692 EL	End o sus ension eriod decision e ected in rate case
11/14/2023	MD	E C	Baltimore Gas and Electric Co	C-9692 G S	End o sus ension eriod decision e ected in rate case
11/14/2023-11/15/2023		D	ir inia Electric Power Co	C-P R-2023-00094 Rider G	Hearin s scheduled in Rider G u date roceedin
11/15/2023	MD	NI	Columbia Gas o Maryland Inc	C-9709 IRIS	Public tility Law Jud e ro osed order due in IRIS case
11/16/2023	MI	CMS	Consumers Ener y Co	C- -21389	Re ly brie s due in electric rate case
11/17/2023	MD	NI	Columbia Gas o Maryland Inc	C-9701	Re lies to a eals o ud es order due i necessary
11/19/2023	NC	D	Du e Ener y Carolinas LLC	D-E-7 Sub 1276	Commission decision in rate case e ected by
11/20/2023-11/27/2023	DE	E C	Delmar a Power Li ht Co	D-22-0897	Prehearin con erence to ta e lace in electric rate roceedin
11/20/2023-11/28/2023		D	ir inia Electric Power Co	C-P R-2023-00101	Hearin s scheduled in earnin s re iew roceedin
11/21/2023-11/28/2023	DE	E C	Delmar a Power Li ht Co	D-22-0897	Final settlement con erence to ta e lace in electric rate roceedin
11/22/2023	MD	NI	Columbia Gas o Maryland Inc	C-9709 IRIS	E ce tions to ud e s recommendation due in IRIS case
11/28/2023	IL	SO	Northern Illinois Gas Co	D-23-0066	Deadline or decision in rate roceedin
11/29/2023	IL	EE	meren Illinois	D-23-0067	Deadline or decision in rate roceedin
11/29/2023	IL	SO	North Shore Gas Co	D-23-0068	Deadline or decision in rate roceedin
11/29/2023	MD	NI	Columbia Gas o Maryland Inc	C-9709 IRIS	Re lies to e ce tions i any due in IRIS case
11/30/2023		EP	alachian Power Co	C-P R-2023-00002	Decision due in triennial re iew roceedin
12/1/2023-12/31/2023	MN	CNP	CenterPoint Ener y Inc		Gas rate case e ected to be iled
12/1/2023-12/31/2023	T	D	ir inia Electric Power Co	D-54634	dministrati e Law Jud e s ro osed order may be issued in rate case
12/1/2023-12/31/2023	WV	D	Dominion Ener y Inc	D-30010-215-GR-23	Commission decision e ected in as rate case
12/4/2023	DC	E C	Potomac Electric Power Co	FC-1176	Rebuttal testimony due in electric multiyear rate lan roceedin
12/4/2023-12/7/2023	DE	E C	Delmar a Power Li ht Co	D-22-0897	E identiary hearin s to ta e lace in electric rate roceedin
12/8/2023	MD	NI	Columbia Gas o Maryland Inc	C-9701	Decision e ected in rate case

S urce S&P Gl al Mar et Intelligence C any Filings Guggenhei Securities LLC

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Key Research

Guggenheim's Forward Commodity Curves

- Forward Power Curves, GenCo MtM, and Weekly Commentary

Key Research

- NEE/NEP: Cat's Out of the Bag – Capital Markets Weigh Heavy on NEP Growth, NEE Readthrough Too Punitive In Our View
- CPK-NEE – CPK Announces Transformative Florida City Gas Acquisition; Efficient Cash Source for NEE, Strategic for CPK
- Power/Gas: No Country for New Gas…
- PCG: 2023 GRC PD Comes With Tough Headline Reductions For PG&E and Two Alternates Proposed; Non-GRC Recovery and Workarounds TBD
- CMS – Timely NDR on the Heels of Regulatory and Weather Events; Mgmt. Highlights Gradualist Approach With LT Upside on Infrastructure Needs
- D: Strategic Review Enters Home Stretch
- SO – Vogtle Prudency Review Begins with a Multi-Party Stipulation Right Out of the Gate
- Arizona Regulation: Drawing a Line in the Sand? Not with this Commission — Continuing Our Deep Dive in the Desert with Commissioner Myers and Commissioner Thompson
- POR: Valuation Dislocation on Wildfire Misconception Provides Fresh Entry Point: Upgrade to BUY
- SO: Fruitful Conversation With Georgia PSC Chair: "If It Isn't Broke, Don't Fix It"
- SO: "Georgia on My Mind" While Racing Porsches - Looking Past a Few NT Potholes to LT Sunny Skies with the Right Team at the Wheel
- Lead in the Water? We Don't Think So – First Glance at Utility Related Lead (Pb) Cable Insulation Exposure
- Guggenheim Regulatory Baseline: Taking the Midyear Pulse of Our 40+ States
- Utilities: A Midsummer Night's Dream or Daydream? Making Valuation and Ratings Changes but Has Sector Thesis Changed?
- ES: Calmer Waters Ahead? Yes, But Wind and Connecticut Cross Currents Remain – Updating Our Thoughts Ahead of Imminent Wind Deal
- AEP – One Notch Victory; Even More Confidence Built – Execution Story Remains but Back on Track; Reiterate BUY on Deep Value and Regulatory Turnaround
- NRG: Management Stays the Course as Analyst Day Delivers More Guardrails on Capital Allocation
- NI: Healthy Multiple for NIPSCO 19.9% Sale in Line with Consensus Expectations; Questions Remain Around Equity Needs & Blackstone Equity Contributions
- POR: Stepping to the Sidelines as 1H23 Momentum Closes Valuation Gap, NT Catalyst Pathway Quiets, Downgrading to Neutral
- PCG NDR: If You Declare It, They Will Come
- POR: Initial Testimony Points to a Slightly Wider Bid-Ask
- DTE – 2023 Electric Rate Case Gets Direct Testimony; 50-60% of Ask Revenue Recommendation, Details Show Normal Bid-Ask, ROE Shows Slight Uptick
- DTE NDR – Constructive Discussion on Upside Trends; 2023 Headwinds Language Softened, Regulatory Alignment in Progress
- DUK: Disappointing Transaction Valuation But A Clearing Event Nonetheless; Focus Shifts To NC Rate Case Conclusions
- CNP – Mgmt. Engagement, Regulatory Alignment and Capex Upsides Could Further Differentiate CNP; Upgrading to Buy on a Selective Premium Call, $32PT
- PNW – Staff Files Constructive Testimony, Just Like Last Rate Case; All Eyes on Aug/Sept ACC Hearings While We Remain More Constructive on AZ Overall
- FE – Meeting with FE's New CEO Reinforces Our Confidence in the Existing Plan, No Rebasing Ahead – Bear Calls Won't Likely Work, Remains Our Best Idea
- CEG/NRG: STP Transaction Embodies the Tectonic Rift in IPP Strategies – Deal Supports Our BUY Stance on CEG; Neutral Stance on NRG
- PCG Analyst Day: Digging for Gold in All the Right Places; Investor Day Highlights Tangible Risk Reduction and Stakeholder Buy-In
- ES: Gets Offshore Sale Process in Motion
- AGA 2023 Recap: Acquisitions, Guidance and Growth Dominate Discussion
- AEP – Now TX?? Yes, EPS Trajectory Intact but These Misses Are Becoming Hard to Digest for Anyone – Questions Surround Regulatory Affairs Naiveté
- AEP NDR: Death By 1,000 Cuts? No. Despite Some Stumbles Out of the Gate, CEO Very Honed In; Focus on Execution and B/S Dominates Conversations
- EXC NDR: Post-AEE Selloff Gets Interesting as the Pathway to a Boring Story Runs Through Illinois
- NRG: Hotel NRG - You Can Check Out Anytime You Like but You Can Never Leave… Activist Points Make Sense to Us but Pathways Forward Unclear

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- IL: Staff Direct Testimony Sets Disappointing Floor in MYP Bid-Ask vs. Investor Expectations
- ETR – ETR-TX Settlement Filed Resolving Most Issues; 9.57% ROE, 51.21% ER and Full Rate Base Approval
- NEP: NEP Announces Strategic Steps to Minimize Equity; LT Platform Positioning
- Quarterly Weather Review: Cloudy With a Chance of Lower EPS
- Rising Debt Costs a Problem? Nah, Fake It Till You Make It
- AEP: No Surprise, KY Deal Breaks – Clearing Event
- Guggenheim Nuclear Conference Wrap: If You Build It, They Will Come?
- NEP: CEPF and Near-Term Financing Drilldown – Headwinds? Yes. Distribution Reset? Unlikely. Share Weakness Unwarranted; Bear Calls Flawed
- ERCOT: Policy Call Reinforces Uphill View on Repricing as TX Legislature Mulls Resource Adequacy Tweaks
- AEE NDR: Bread and Butter Utility Update Underscores Ameren's Premium Attributes
- NEE NDR: Management Continues to Chop Through IRA Upside Opportunities but Baseline Remains Conservative; Headline Hurdles Require Time
- ES: What Are the Bears Playing for Now? The Dislocation to Group Getting Out of Hand
- SRE: Port Arthur Reaches FID, Few Holdovers with Project Equity, but Economics Are Broadly Accretive
- SMR: 2023 to See Slightly Heightened Cash Usage as Focus Remains on Execution
- DUK: CEO NDR – How to Strengthen the Balance Sheet Without a "Rip-the-Band-Aid-Off" Equity Scenario? Patience.
- PEG Analyst Day – Straight Talking with PEG; Mgmt. Backs Up Sustainable 5-7% EPS Growth with Room to Exceed
- SRE: PUCT Modifies Oncor PFD, Approves Oncor Rate Case; 9.7% ROE and 42.5% Equity Ratio – Above Our Expectation
- Arizona Regulation: Taking a Deep Dive in the Desert — New Commissioners Bring a Wealth of Experience, Insights, and Planned Improvements to the ACC
- PNW: APS Wins Appeal of 2019 Rate Case's Penalty ROE and SCR Disallowance — Arizona Supreme Court May Be Next
- VST: Sensible Transaction and Organizational Realignment Look to Freeze the Melting Ice Cube Argument
- Deal or No Deal? Taking the Pulse of Fuel Deferrals Across Our Coverage Universe
- PJM: How Low Can You Go? Residualization of the BRA Marches On…
- D: Legislative Breakthrough Yields a Deal; Focus Turns to Credit Repair
- AEP: Contracted Renewables Sale Above Our Expectations
- LNT: Cleanup in Aisle 4? PSCW's Damage Control Proves Effective: Upgrading to NEUTRAL
- PSCW: Conversation with Chair Valcq Strikes a Balanced Tone
- D: Halftime in Richmond as Multiple Bills Advance
- D: SB1265 Amended Ahead of Crossover Deadline Tomorrow
- FE – The Same Board Who Set The Current Strategic Plan Is Also Picking The CEO… Follow-Up Thoughts Post Our Mgmt. Call
- FE – Rebase Coming? No. Asset Sale Delay? No. New CEO Strategy Shift? No. Balance Sheet Concerns? No. More Growth Opps? Yes. FE Remains '23 Best Idea
- D: General Assembly Sausage-Making Enters Full Swing as Lawmakers Continue to Cement the Bid-Ask
- D: Key Bills Pass Out of Senate Committee
- Commissioners Roundtable Recap: Regulators Remain Level-Headed Amid Rate Volatility and the Grid Transition
- 2023 Utility Outlook: Magic Mirror on the Wall, Who Is the Fairest One of All?
- D: New Legislation Proposes Novel Option for OSW Stake Sale – Mosaic Pieces Continue to Form a Clearer Picture
- ETR – LPSC Votes on Modified Settlement Proposal with Customer Benefits, but Recognition of Hurricane Cost Prudency
- D: Opening Move in Richmond: Evolutionary Legislation Lays Path Forward

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ANALYST CERTIFICATION

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North America Credit Research
04 August 2023

Electric Utilities & Power

Sparking Credit: 2Q23 Earnings - AEE, AES, BKH, ED, ETR, EXC, FE, NI, PEG, PNW, SO, SRE, WEC; Recommendation Updates

- **Upcoming Events and Recent Publications**
  - July 25: Weather Fireside Chat with Paul Janish: Replay; Slides
  - July 2023 Credit Analyst Focus List: HG, HY
  - JPM HG/HY Power & Utilities Mid-Year Outlook: Replay; Slides
  - Power & Utilities Corporate Structure Handbook
  - 1Q23 HY Model Book – Maintain Sector OW; Downgrade NEP to N; Stay N on TLN Post-Emergence
  - Sparking Credit: Pacificorp – Negative Sentiment Persists; NRG 2023 Investor Day Takeaways
- **We highlight 2Q23 Power and Utilities earnings this week and our recommendation changes beginning on page 2 of this report.**
- **Over the past week, Utilities tightened 3bp versus a 2bp tightening in the JULI index and a 2bp tightening in the JULI Non-Financial Index.** Utility GenCos widened 1bp, OpCos tightened 4bp, and HoldCos tightened 2bp. Secured OpCos tightened 4bp and unsecured OpCos tightened 4bp. YTD, Utilities tightened 8bp versus a 16bp tightening in the JULI index and a 15bp tightening in the JULI Non-Financial Index. Utilities are currently trading -6bp tight to the JULI index at 140bp, and OpCos are trading 18bp inside of HoldCos at 136bp.
- **Moderate issuance this week.** NYSE&G, PEG, CNP, XEL Consumers Energy together came to market with $3.85bn new issuance this week. We estimate YTD issuance of $86 billion compared to our revised FY23 issuance forecast of $105 billion.
- **Rating actions.** This week, S&P revised Southern Co. and its subsidiaries to positive outlook from stable, following the commercial operations of Vogtle Unit 3 this week.
- The last natural gas active contract traded at $2.54/mcf. Natural gas fell by -2% over the last week. The EIA reported a 16 Bcf net build last week, which was bullish compared to Bloomberg consensus estimates of 18 Bcf. The build brought working gas storage volumes to 2,987 Bcf.
- **Week over week, the UTY index fell by -3.23% compared to the S&P Utilities Index, which fell by -3.19%, and the S&P, which fell by -1.17%. Outperformers:** OTTR (+9.2%), TA CN (+1.2%), NRG (+0.9%). **Underperformers:** NEP (-6.4%), FTS CN (-6.2%), SO (-5.8%).

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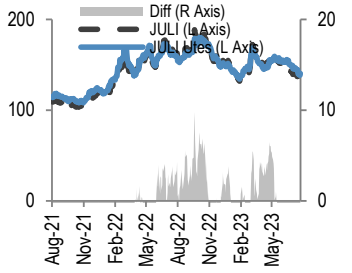
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JULI Snapshot

	2-Aug	1 Wk	YTD
JULI	135	-2	-16
Non-Fin	131	-2	-15
Utes	140	-3	-8
HoldCo	154	-2	-13
OpCo	136	-4	-4
GenCo	192	1	11

Source: J.P. Morgan.

JULI vs JULI Utes



Source: J.P. Morgan.

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See page 26 for analyst certification and important disclosures.
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2Q23 Earnings Snapshot

Table 1: 2Q23 Earnings Summary

Tkr	2Q23 EPS vs. Consensus	FY23 Guidance	Notes
AEE	↑	↔	IL HB 3445, which provides utilities in the state right of first refusal to build MISO LRTP projects that are approved by YE24. The governor has yet to sign the bill with a deadline of August 21, 2023.
AEP	↔	↔	Expects credit metrics to recover by YE23; Non-core asset sales continue.
AES	↔	↔	AES Indiana filed first rate case since 2018; AES Ohio expects final approval for ESP4 by the end of August.
AWK	↑	↔	Estimates over $1bn of capex + ~$50mn annual O&M for PFAS compliance.
BKH	↓	↔	Inflationary impact on labor costs drove O&M higher y/y, and they will focus on controlling O&M for the second half of the year.
CEG	↑	↑	Strong topline beat; no commentary on STP ownership dispute; Expects $500mn debt issuance by YE23 for STP acquisition.
CMS	↑	↔	Remain opportunistic on transactions that will strengthen b/s (convertibles etc.).
CNP	↔	↔	Increased capex plan by $400mn to $4bn in 2023.
DTE	↑	↔	Early exit of coal by 2032, vs. 2035 prior target per MI IRP; Little need for additional debt for the rest of 2023.
ED	↔	↑	FY23 guidance raised; CECONY's electric and gas join proposal approved by NYSPSC.
EIX	↑	↔	Keep FFO/Debt in 15-17% range through 2028.
ETR	↑	↔	Continues to remain focused on SERI litigation, but no timeline for FERC order.
EXC	↔	↔	Completed 2023 planned debt financing; Expects resolutions to all four MYPs.
FE	↑	↔	Points raised in OOCIC subpoena already addressed in FE's deferred prosecution agreement.
NEE	↑	↔	Renewables growth continue at NEER; 2023 FPL capex raised by $500mn.
NI	↔	↑	On track to close NIPSCO minority interest sale by YE23.
PCG	↓	↔	Expects 2023 GRC final decision in 3Q23; Seeking lower interest loans from DoE.
PEG	↑	↔	Offshore wind investments completed in 2Q23, eliminating project risks.
PNW	↓	↑	Headline miss on unfavorable June weather, but FY23 guidance raised on hot start to Q3 and 2019 rate case resolution contribution.
SO	↑	↔	Georgia Power and SO HoldCo now have $500 million and $500-1,500 million in remaining issuance pulled forward from 2024, respectively, when they were previously done for the year according to their 2023 plan.
SRE	↑	↔	Remain bullish on the LNG market; Pushed Cameron 2 FID pushed to 2024 from mid-2023.
WEC	↑	↔	Expects final approval for Peoples Gas rate filing in IL by YE.
XEL	↓	↔	Next event on PSCo's Marshall Fire litigation is the September hearing, when the company expects more clarity on timeline. S&P moved to Negative outlook on PSCo on increasing regulatory risks.

Source: J.P. Morgan estimates, company reports.

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AEE

AEE reported 2Q23 EPS of $0.90, beating Bloomberg consensus of $0.80 and 2Q22 EPS of $0.80. The y/y increase was driven by lower maintenance expense and higher AEE IL electric distribution earnings, partially offset by lower electric sales at AEE MO. FY23 guidance was affirmed at $4.25-4.45 compared to consensus of $4.37. **During the call, management highlighted new developments around HB 3445 in Illinois, which provides utilities in the state right of first refusal to build MISO LRTP projects that are approved by YE24. The governor has yet to sign the bill with a deadline of August 21, 2023.** In Missouri, AEE MO is in the process of finalizing its next IRP and plans to file by the end of September. The company is evaluating needs for more dispatchable energy by 2030, aligning with MISO's guidance. Overall, AEE reported a solid quarter with a headline beat and positive developments in IL legislation. **We are shifting to Neutral from Overweight on AEE on a relative value basis. While we continue to like the AEE story with its supportive regulatory developments and strong credit metrics, 10-year bonds now look fair, trading at the tighter end of the range for high-BBB regulated utilities.** Risks to our rating include adverse/favorable changes in regulatory/legislative environment and any adverse strategic decisions management could undertake.

AES

AES reported 2Q23 adjusted EPS of $0.21, matching Bloomberg consensus, and compared to $0.34 in 2Q22. The y/y decline was driven by lower contribution from the Energy Infrastructure SBU. Management reaffirmed FY23 guidance of $1.65-1.75, matching Bloomberg consensus. AES' renewable developments remain on track, with new long-term contracts for 2.2GW of renewables signed YTD and backlog standing at 13.2GW as of August. **At its Utilities SBU, AES Indiana filed its first new rate case since 2018 during the quarter and expects approval by mid 2024, while AES Ohio expects to get final approval for its new ESP4 by the end of August. We remain OW on AES as we continue to like AES' renewable growth story and the final resolution of the long-standing regulatory overhang at AES Ohio comes to an end.**

BKH

BKH reported 2Q23 EPS of $0.35, missing Bloomberg consensus of $0.43 and 2Q22 EPS of $0.52. The y/y decline was mainly driven by higher O&M and interest expenses, partially offset by new rates and rider recovery. **Management highlighted that inflationary impact on labor costs drove O&M higher y/y, and they will focus on controlling O&M for the second half of the year. FY23 guidance was reaffirmed at $3.65-3.85, compared to Bloomberg consensus of $3.70, and management remains confident that they would obtain the midpoint of the guidance for the year.** Separately, BKH's liquidity position improved, with ~$140mn of cash on hand and no short-term borrowing at quarter-end. Management remains committed to maintain its high-BBB credit rating and a strong balance sheet. Overall, BKH reported a soft quarter with elevated O&M dragging its financial performance. We remain Neutral on BKH as weak financial performance is well reflected in bond spreads, with 10yr trading more than 20bps wide to its mid-BBB peers.

ED

ED reported 2Q23 adjusted EPS of $0.61, matching Bloomberg consensus and compared to 2Q22 adjusted EPS of $0.64. **Notably, ED raised its FY23 adjusted EPS guidance to $4.85-5.00, up from $4.75-4.95 and compared to Bloomberg consensus of $4.85**. **During the quarter, the NYSPSC approved CECONY's electric and gas**

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joint proposal, authorizing a 9.25% ROE vs. 10% requested. On the financing front, ED continues to expect no long-term HoldCo debt outstanding by YE23 and up to $1.4bn of OpCo debt ($500mn issued YTD) issuance in 2023. Overall, ED reported a decent quarter with in-line headline results and modestly higher guidance. We remain Underweight on ED as the OpCo bonds continue to trade at the tighter end of the range compared to its peer group. While ED has been on a positive track with the CEB sale closed in the first quarter and rate filings approval in 2Q, we recognize the tough regulatory environment and political pressure within ED's operating area.

ETR

Entergy reported 2Q23 adjusted EPS of $1.84, beating consensus of $1.68 and 2Q22 adjusted EPS of $1.78. The y/y increase was primarily driven by strong utility operations and lower other O&M, which was partially offset by other operating, interest, and tax expenses. In addition, the company reaffirmed FY23 EPS guidance of $6.55-6.85, which is basically in line with consensus. **ETR also remains on track to meet its FFO/debt target of 14-16% by YE23 and remains committed to its current credit ratings, particularly as deferred fuel balances are now back to more normalized levels. During the call, the company noted that they remain focused on its SERI litigation given impact to credit and hopes to conclude legislation as soon as possible, though there remains no required deadline for a FERC order.** On ETR TX, the company expects a decision on its rate filing in the near term and will be filing their LA rate case this month. **We maintain our OW on ETR as we still see good regulatory support and good FFO/debt trajectory for the company, though we remain focused on any SERI litigation updates as we head into the hurricane season.**

EXC

EXC reported 2Q23 adjusted EPS of $0.41, matching Bloomberg consensus, and shy of 2Q22 adjusted EPS of $0.44. Management reaffirmed FY23 guidance of $2.30-2.42, in line with Bloomberg consensus of $2.36. **The company expects to have resolution on all four of the multi-year rate plans in IL, MD, and DC by 2024.** On credit metrics, EXC continues to expect its FFO/debt ratio to track around an average of 13-14% through 2026, maintaining a 100-200bps cushion to its downgrade threshold. **Also, management shared updates on the Alternative Minimum Tax from IRA, citing exemption for companies that are subject to the tax this year. This continues to be a topic of discussion, and management hopes that they will get more clarity by year-end. Finally, EXC completed its planned debt financing plan for 2023 in 1H23.** Overall, EXC reported an in-line quarter as it continues to move forward on its regulatory proceedings and maintain a strong credit metric. We continue to view EXC as one of the high-quality integrated utility holding companies in our coverage, and bonds continue to trade in line with peers in the mid-130bps spread context.

FE

FirstEnergy reported 2Q23 adjusted EPS of $0.47, beating consensus and the midpoint of company guidance of $0.45 and compared to 2Q22 adjusted EPS of $0.53. The y/y decline was primarily driven by unfavorable weather, pension impacts, and higher financing costs, which was partially offset by growth from regulated investments and lower O&M. The company also reaffirmed its FY23 adjusted EPS guidance of $2.44-2.64, which is in line with guidance, and established 3Q23 guidance of $0.80-0.90, compared to consensus of $0.90. During the quarter, the company addressed its balance sheet with proceeds from its $1.5B of converts, paying down $500 million of revolver

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borrowings, $230 million of high-coupon debt (2031s, 7.375%), and contributing $750 million to FE's pension. The company plans to use the remainder of incoming FET proceeds to address balance sheets of its PA entities ahead of their rate case and ongoing consolidation. **During the call, we thought Brian Tierney did a good job on his first earnings call as CEO, affirming confidence in the refreshed management team and ongoing strategy. In addition, he noted that the issues raised in the subpoena they received in OH are already addressed in their deferred prosecution agreement and that he has not seen any issues from the company's past that would impact regulatory proceedings going forward**. Still, Tierney noted that they plan to address any and all jurisdictions where the company is underearning. **During the call, management also noted that it is focused on its credit ratings and recently had meetings with all three agencies, with a particular focus at Moody's, where the company hopes to get an upgrade near term. However, management also noted that they have FFO/debt at around 10.5%, which remains below Moody's 11% upgrade threshold.** We remain OW on FE given the continued positive trajectory of the company, but we think it will be a slow grind for spreads to tighten relative to mid-BBB peers and as the company gets to 14-15% FFO/debt in the 2025 time frame.

NI

NI reported 2Q23 adjusted EPS of $0.11, matching Bloomberg consensus and 2Q22 adjusted EPS of $0.12. Notably, management raised FY23 adjusted EPS guidance to the upper half of the prior guidance range of $1.54-1.60, compared to Bloomberg consensus of $1.57. **NI is on track to close its NIPSCO minority interest sale to Blackstone by YE23.** Similar to others, management said that they will continue to work with the rating agencies on tax credit transferability, as the agencies continue the review. Also. NIPSCO 's electric rate case settlement was approved by the IN commission today just as the management was wrapping up the prepared remarks. Overall, NI reported a decent quarter with guidance slightly raised, and the NIPSCO sale remains on track.

PEG

PEG reported 2Q23 EPS of $0.70, beating consensus of $0.62 and compared to 2Q22 adjusted EPS of $0.64. The y/y beat was driven by growth in distribution rate base and higher transmission margins, which was partially offset by lower pension income and higher depreciation and interest expense. The company also reaffirmed its FY23 adjusted EBS guidance of $3.40-3.50, which is in line with Bloomberg consensus estimates. The company's FY23 capex budget remained unchanged at $3.5B, primarily focused on infrastructure investments, reliability, and clean energy. **The company also completed the sale of its offshore wind investment during the quarter and successfully executed on its agreement for its pension liftout to Prudential, which should help to stabilize earnings predictability. During the call, the company highlighted its declining cash collateral postings, which were $400 million at the end of the quarter compared to the company's peak of $1.5 billion at YE22. Overall, we continue to consider PEG as a high-quality name in a strong jurisdiction, but we maintain our Neutral rating as the company continues to trade tight to mid-BBB peers, which we see as fair value.**

PNW

PNW reported 2Q23 EPS of $0.94, missing consensus of $1.13 and compared to 2Q22 EPS of $1.45. The y/y decline was primarily driven by mild weather in the Phoenix region in June and higher O&M expenses, which was partially offset by higher transmission revenue. **Despite the headline miss, management increased its FY23**

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earnings guidance to $4.10-4.30, which is now more in line with consensus of $4.20, reflecting the company's 2019 rate case resolution and a hot start to 3Q as the Phoenix area continues to see historically hot weather. During the call, the company noted that it continues to make progress on its rate case for Arizona Public Service, though settlement in the near term seems to be a low likelihood given the amount of remaining testimony. We maintain our Neutral rating on PNW as we continue to find Arizona as a difficult regulatory environment and could remain a near-term overhang.

SO

Southern reported 2Q23 adjusted EPS of $0.79, beating Bloomberg consensus of $0.75 and compared to 2Q22 EPS of $1.07. The y/y decline was primarily driven by milder weather, increased D&A, and higher interest expenses, which were partially offset by lower income taxes and lower non-fuel ops and maintenance. Management reaffirmed its FY23 guidance of $3.55-3.65, which remains in line with consensus of $3.60, and the company also established 3Q23 guidance of $1.30, which was below Bloomberg consensus of $1.45. **We also note that management pulled forward some of its 2024 debt issuance for Georgia Power and SO HoldCo, which will now have $500 million and $500-1,500 million in remaining issuance, respectively, when they were previously done for the year according to their 2023 plan.** During the call, management noted that unfavorable weather impacts in 1H23 were the largest adjustment in company history but that the company plans to meet FY23 guidance. **In addition, management noted that their number one priority remains credit quality, targeting FFO/debt in the 17%+ range to maintain a premium credit rating. We like the SO story, and Unit 3 reaching commercial operations gives line of sight for Unit 4 to come online in late 2023 or 1Q24, but we maintain our Neutral rating on the structure as spreads already trade within 5 bps of high-BBB peers.**

SRE

SRE reported 2Q23 adjusted EPS of $1.88, beating Bloomberg consensus of $1.74 and shy of 2Q22 adjusted EPS of $1.98. Management reaffirmed FY23 adjusted EPS guidance of $8.60-9.20, roughly in line with Bloomberg consensus of $8.95. On the regulatory front, SDG&E and SolCalGas expect a GRC proposed decision in 2Q24. Regulatory lag at Oncor is expected to decline due to positive legislative outcomes in TX. Management highlighted that they will refresh Oncor's capex plan this fall to reflect the positive development and update SRE's capital plan next February. Finally on SIP, management noted that they remain very confident about the Cameron LNG project, though they pushed the FID time line to 2024 from mid 2023. **Overall, management remains very bullish on the LNG market and highlighted that the marketplace will grow by more than 50% by the end of the decade and likely double the middle of the century. We remain Overweight on SRE as the regulated utilities business remains resilient and LNG fundamentals continue to be strong.**

WEC

WEC reported 2Q23 EPS of $0.92, beating Bloomberg consensus of $0.85 and in line with 2Q22 EPS. Management reaffirmed FY23 guidance of $4.58-4.62, matching Bloomberg consensus. **On the regulatory front, WEC expects final commission approval by the end of the year for its Peoples Gas and North Shore Gas rate filings in Illinois and mentioned that if there's a settlement opportunity, it will likely take place in the November time frame.** On the other hand, WEC is on track with its next five-year capital plan to be updated in the fall. At this point, management does not see the need for any block equity offering to fund that plan. Finally on tax

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credit transferability, WEC highlighted that the issue is still under review with ratings agencies and noted that they do not plan to issue equity to address the potential impact. Overall, WEC reported a solid quarter, and remain Neutral on the name as bonds trade in line with its high-BBB regulated HoldCo peers.

For risks to our ratings, please see coverage reports here, here, here and here.

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Recommendation Changes

AEE Ameren Corp

We are shifting to Neutral from Overweight on AEE HoldCo bonds on a relative value basis. While we continue to like the AEE story with its supportive regulatory developments and strong credit metrics, 10-year bonds now look fair, trading at the tighter end of the range for high-BBB regulated utilities. Risks to our rating include adverse/favorable changes in regulatory/legislative environment and any adverse strategic decisions management could undertake.

EVRG Evergy Inc.

We are updating our ratings on EVRG HoldCo bonds to Neutral from Overweight based on relative value. We think the EVRG story continues to improve steadily and KS and MO regulatory environments remain credit supportive. However, bonds now trade inside of EVRG's BBB regulated peers, which we see as fairly valued. Risks to our rating include adverse/favorable regulatory decision and larger/smaller than anticipated new issuance plans.

XEL Xcel Energy

We are upgrading our rating of XEL HoldCo bonds to Neutral from Underweight. Since the company's developing Marshall Fire liability at Public Service Colorado, HoldCo bonds first widened out nearly 20bps in June and have since traded back even tighter to where bonds traded prior to the Marshall Fire news. While our base case does not have Marshall Fire liability materially impacting Xcel HoldCo bonds, our ratings change is driven by relative value as bonds remain slightly wide of high-quality mid-BBB peers where we think spreads could remain in the short term until more clarity on liability is determined for the Marshall Fire. Risks to our rating include adverse/favorable outcomes on PSCo's wildfire litigations, strong/weak credit metrics, disciplined/ outsized capex.

NEE NextEra Energy

We are upgrading our rating on NEE HoldCo bonds to Neutral from Underweight. Similar to XEL, we continue to consider NEE as a premier regulated utility and do not see any material near-term impacts from the company's FPL scandal. Regardless, spreads have generally stayed wide following the company's record amount of issuance earlier this year, and we do not see any near-term catalyst for bonds to trade wider than mid-BBB peers. Risks to our rating include adverse outcomes from the FPL investigations, strong management team, increased/decreased regulated business mix, and overall de-emphasis of M&A strategy.

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2Q23 Earnings Calendar

Table 2: 2Q23 Earnings Calendar

Earnings Release Date	Release Time	Tkr	Company Name	Conf. Call Date	Conf. Call Time (EST)
Fri, 04-Aug	BMO	EVRG	Evergy, Inc.	4-Aug	9:00 AM
Fri, 04-Aug	BMO	D	Dominion Resources	4-Aug	10:00 AM
Fri, 04-Aug	BMO	AES	AES Corporation	4-Aug	10:00 AM
Fri, 04-Aug	BMO	PNM	PNM Resources, Inc.	4-Aug	11:00 AM
Fri, 04-Aug	BMO	TA	TransAlta Corporation	4-Aug	11:00 AM
Fri, 04-Aug	BMO	PPL	PPL Corporation	4-Aug	11:00 AM
Mon, 07-Aug	BMO	HE	Hawaiian Electric Industries, Inc.	7-Aug	4:15 PM
Mon, 07-Aug	AMC	WTRG	Essential Utilities, Inc.	8-Aug	11:00 AM
Tue, 08-Aug	BMO	CWEN	Clearway Energy, Inc.	8-Aug	8:00 AM
Tue, 08-Aug	BMO	NRG	NRG Energy, Inc.	8-Aug	9:00 AM
Tue, 08-Aug	BMO	DUK	Duke Energy Corporation	8-Aug	10:00 AM
Tue, 08-Aug	BMO	ALE	ALLETE, Inc.	8-Aug	10:00 AM
Wed, 09-Aug	BMO	H	Hydro One	9-Aug	8:00 AM
Wed, 09-Aug	BMO	OGE	OGE Energy Corp.	9-Aug	9:00 AM
Wed, 09-Aug	BMO	VST	Vistra Corporation	9-Aug	9:00 AM
Wed, 09-Aug	AMC	EE	El Paso Electric Company	10-Aug	8:30 AM
Thu, 10-Aug	BMO	AQN	Algonquin Power	10-Aug	8:30 AM
Fri, 11-Aug	BMO	EMA	Emera, Inc.	11-Aug	8:30 AM

Source: Company data, Bloomberg Finance L.P.

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JULI Snapshot

Table 3: JULI Snapshot

	Spread					Spread Change			
	02-Aug-23	24-Jul-23	03-Jul-23	04-May-23	30-Dec-22	7d	30d	90d	YTD
Financials	**146**	**151**	**157**	**183**	**164**	**-5**	**-11**	**-37**	**-18**
Banks	144	150	155	185	166	-5	-11	-41	-22
Finance Companies	149	153	163	186	160	-3	-13	-37	-10
Insurance	149	152	160	174	157	-3	-11	-25	-8
Non-Financials	**131**	**133**	**138**	**156**	**146**	**-2**	**-7**	**-24**	**-15**
Automotive	131	137	146	171	165	-6	-14	-40	-34
Basic Industries	150	153	159	177	170	-3	-9	-27	-20
Capital Goods	109	110	115	134	127	-1	-6	-25	-18
Consumer	116	117	122	140	138	-1	-6	-24	-22
Energy	152	155	163	178	167	-3	-11	-26	-15
Healthcare/Pharma	114	114	119	136	123	0	-4	-21	-9
Media/Entertainment	179	181	183	213	204	-2	-3	-33	-24
E&P	168	173	185	189	179	-5	-17	-21	-11
REITs	170	176	185	210	179	-6	-15	-40	-9
Retail	105	106	112	127	114	-1	-7	-22	-10
Technology	108	109	114	139	126	-1	-6	-31	-18
Telecoms	157	156	152	173	162	1	5	-16	-6
Transportation	118	119	127	145	138	-1	-9	-27	-20
Utilities	**140**	**144**	**150**	**156**	**148**	**-3**	**-10**	**-15**	**-8**
Holdco	154	156	164	171	167	-2	-10	-17	-13
Opco	136	139	145	150	140	-4	-10	-15	-4
Secured	133	136	142	145	133	-4	-9	-12	0
Unsecured	141	145	151	160	153	-4	-10	-19	-12
Genco	192	191	198	203	181	1	-6	-12	11
JULI	**135**	**137**	**142**	**162**	**150**	**-2**	**-8**	**-27**	**-16**

Source: J.P. Morgan.

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IG Funding Guidance

Table 4: 2023 Funding Guidance

Company	Tkr	Entity	2023 Guide	YTD Issuance	Remaining Issuance	Notes
AES Corp	**AES**					1Q23 Slides
		AES HoldCo	$700-1,000	$900	$0	
			$700-1,000	**$900**	**$0**	
American Electric Power	**AEP**					2Q23 Slides
		Consolidated	$4,350	$3,725	$625	
			$4,350	**$3,725**	**$625**	
Berkshire Hathaway Energy	**BRKHEC**					
		PacifiCorp	**$1,200**	**$1,200**	**$0**	2Q23 issuance
		MidAmerican	**$1,350**	**$0**	**$1,350**	2Q23 issuance
		Northern Natural Gas	**$400**	**$0**	**$400**	2Q23 issuance
		AltaLink, L.P.	**C$450**	**$0**	**C$450**	Late 2023 issuance
		Berkshire Hathaway Energy	**-**	**$980**	**-**	
			$3,400	**$2,180**	**$2,200**	
CMS Energy	**CMS**					1Q23 Earnings
		HoldCo	$0	$800	$0	
		Consumers	$1,970	$1,525	$445	Not including $688mm in securitization debt
			$1,970	**$2,325**	**$445**	
Consolidated Edison	**ED**					4Q22 Earnings
		ED Utilities	$1,400	$500	$900	
			$1,400	**$500**	**$900**	
DTE Energy	**DTE**					4Q22 Earnings
		DTE consolidated	$2,600	$2,000	$600	
			$2,600	**$2,000**	**$600**	
Duke Energy	**DUK**					1Q23 Earnings Slides
		Duke Energy	$500-700	$1,725	$0	
		Duke Energy Carolinas	$2,650-2,850	$2,650	$0	
		Duke Energy Progress	$800-1,000	$1,000	$0	
		Duke Energy Florida	$600-800	$0	$600-800	
		Duke Energy Indiana	$400-600	$500	$0	
		Duke Energy Ohio	$650-850	$750	$0	
		Piedmont	$300-500	$350	$0.00	
		Duke Energy Kentucky	$100-150	$0	$100-150	
			$6,400-7,250	**$6,975**	**$2,350-3,200**	

Source: Company data.

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Company	Tkr	Entity	2023 Guide	YTD Issuance	Remaining Issuance	Notes
Exelon Corp.	**EXC**					1Q23 Earnings
		Commonwealth Edison	$975	$975	$0	
		PEPCO Holdings PHI	$350	$350	$0	
		Atlantic City Electric	$75	$75	$0	
		Delmarva Power	$650	$650	$0	$500mm Maturity
		PECO	$525	$575	$0	$50mm Maturity
		Baltimore Gas and Electric	$600	$700	$0	$300mm Maturity
		HoldCo	$2,500	$2,500	$0	$850mm Maturity
			$5,675	**$5,825**	**$0**	
Southern Co.	**SO**					2Q23 Earnings
		Alabama Power	$700	$200	$500	Previously $600mm
		Georgia Power	$2,729	$1,979	$750	Previously $1,979, pulling forward from 2024 plan
		Mississippi Power	$100	$100	$0	
		Southern Power	$0	$0	$0	
		Southern Company Gas	$550	$0	$550	
		Nicor	$250	$0	$250	
		Holding Company	$3,725-4,725	$3,225	$500-1,500	Previously $3,225, pulling forward from 2024 plan
			$8,554	**$5,504**	**$3,050**	
Xcel Energy	**XEL**					2Q23 Earnings
		HoldCo	$700	$0	$700	
		NSP - Minnesota	$800	$800	$0	
		NSP - Wisconsin	$125	$125	$0	
		PS Colorado	$700	$850	$0	
		Southwestern Public Service	$100	$0	$100	
			$2,425	**$1,775**	**$800**	

Source: Company data.

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IG Issuance

Table 5: Recent Issuance Table

Issue Date	Maturity	Ticker	Issuer	Coupon	Principal	Term	New Issue	Mdy	S&P	Rank[1]	Type
8/3/2023	8/15/2028	AGR	Ny State Electric & Gas		350	5				SUN	OpCo
8/3/2023	8/15/2033	AGR	Ny State Electric & Gas		400	10				SUN	OpCo
8/3/2023	8/1/2033	PEG	Public Service Electric			10				FMB	HoldCo
8/3/2023	8/1/2053	PEG	Public Service Electric			30				FMB	HoldCo
8/1/2023	8/15/2026	CNP	Centerpoint Energy Inc	4.25	900	3		Baa2		SUN	HoldCo
7/31/2023	8/15/2033	XEL	Xcel Energy Inc	5.45	800	10	153	Baa1	BBB+	SUN	HoldCo
7/31/2023	2/15/2029	CMS	Consumers Energy Co	4.90	500	6	75	A1	A	FMB	OpCo
7/17/2023	7/20/2053	NGGLN	Boston Gas Company	6.12	400	30	218	Baa1	BBB+	SUN	OpCo
6/27/2023	8/1/2033	PNW	Arizona Public Service	5.55	500	10	180	A3	BBB+	SUN	OpCo
6/26/2023	9/15/2028	NRUC	National Rural Util Coop	5.05	400	5	110	A2	A-	SUN	HoldCo
6/26/2023	7/1/2033	ES	Connecticut Light & Pwr	4.90	300	10	120	A1	A+	FMB	OpCo
6/20/2023	8/1/2033	SRE	Sempra	5.50	700	10	180	Baa2	BBB	SUN	HoldCo
6/20/2023	8/1/2026	SRE	Sempra	5.40	550	3	123	Baa2	BBB	SUN	HoldCo
6/15/2023	6/15/2033	EXC	Peco Energy Co	4.90	575	10	120	Aa3	A	FMB	OpCo
6/13/2023	1/15/2054	DUK	Duke Energy Carolinas	5.40	500	31	150	Aa3	A	FMB	OpCo
6/5/2023	6/15/2033	DUK	Piedmont Natural Gas Co	5.40	350	10	170	A3	BBB+	SUN	OpCo
6/1/2023	6/15/2033	PCG	Pacific Gas & Electric	6.40	1150	10	280	Baa3	BBB-	FMB	OpCo
6/1/2023	1/15/2029	PCG	Pacific Gas & Electric	6.10	850	6	240	Baa3	BBB-	FMB	OpCo
5/30/2023	6/30/2033	NI	Nisource Inc	5.40	450	10	175	Baa2	BBB+	SUN	HoldCo
5/23/2023	6/1/2033	AEE	Ameren Illinois Co	4.95	500	10	127	A1	A	FMB	OpCo
5/22/2023	6/1/2033	AEP	Aep Texas Inc	5.40	450	10	172	Baa2	A-	SUN	OpCo
5/17/2023	6/1/2026	EIX	Southern Cal Edison	4.90	400	3	112.5	A2	A-	FMB	OpCo
5/17/2023	12/1/2053	EIX	Southern Cal Edison	5.88	700	30	200	A2	A-	FMB	OpCo
5/17/2023	6/1/2033	ITC	Itc Holdings Corp	5.40	500	10	185	Baa2	BBB+	SUN	HoldCo
5/17/2023	6/1/2033	SRE	Southern Calif Gas Co	5.20	500	10	165	Aa3	A+	FMB	OpCo
5/17/2023	6/1/2053	SRE	Southern Calif Gas Co	5.75	500	30	190	Aa3	A+	FMB	OpCo
5/17/2023	9/15/2053	NRUC	National Rural Util Coop	7.13	300	30	353.3	A3	BBB	FMB	HoldCo
5/15/2023	5/15/2026	NEE	Florida Power & Light Co	4.45	500	3	80	A1	A	SUN	OpCo
5/15/2023	5/15/2028	NEE	Florida Power & Light Co	4.40	750	5	95	Aa2	A+	FMB	OpCo
5/15/2023	5/15/2030	NEE	Florida Power & Light Co	4.63	500	7	115	Aa2	A+	FMB	OpCo
5/15/2023	5/15/2033	NEE	Florida Power & Light Co	4.80	750	10	130	Aa2	A+	FMB	OpCo
5/15/2023	6/15/2028	SO	Southern Co	4.85	750	5	143	Baa2	BBB	SUN	HoldCo
5/15/2023	6/15/2033	SO	Southern Co	5.20	750	10	173	Baa2	BBB	SUN	HoldCo
5/15/2023	5/15/2054	BRKHEC	Pacificorp	5.50	1200	31	165	A1	A	FMB	OpCo
5/15/2023	6/1/2028	AES	Aes Corp/The	5.45	900	5	200	Baa3	BBB-	SUN	HoldCo
5/15/2023	6/1/2053	PSD	Puget Sound Energy Inc	5.45	400	30	160	A2	A-	FMB	OpCo
5/15/2023	10/1/2026	NFG	National Fuel Gas Co	5.50	300	3	190	Baa3	BBB-	SUN	HoldCo
5/10/2023	11/15/2028	EIX	Edison International	5.25	600	5	190	Baa2	BBB-	SUN	HoldCo

Source: J.P. Morgan and Bloomberg Finance L.P.

Note: FMB: First Mortgage Bonds, SUN: Senior Unsecured Notes; CTB: Collateral Trust Bonds.

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IG Relative Value

Table 6: IG Utilities Relative Value

Ticker	Company Name	Ratings	FFO/Debt	Spread to Benchmark (bp) 10 Year	Spread to Benchmark (bp) 30 Year	10s/30s Curve	JPM View
Fully Regulated Holding Companies				**JULI Regulated Holdco**			**OW**
AEE	Ameren Corp	Baa1/BBB/N.A.	17.6%	128	--	--	N
AEP	American Electric Power Co Inc	Baa2/BBB+/BBB	13.0%	139	148	9	OW
AWK	American Water Capital Corp	Baa1/A/N.A.	13.0%	103	122	19	UW
BKH	Black Hills Corp	Baa2/BBB+/BBB+	17.5%	193	186	(7)	N
BRKHEC	Berkshire Hathaway Energy Co	A3/A- (Neg)/N.A.	13.4%	117	165	48	N
CMS	Consumers Energy Co	A1/A/A+	11.3%	100	100	0	N
CNL	Cleco Corporate Holdings LLC	Baa3/BBB-/BBB-	11.3%	219	--	--	NC
DQE	Duquesne Light Holdings Inc	Baa3/BBB-/N.A.	12.5%	223	--	--	OW
DUK	Duke Energy Corp	Baa2/BBB/N.A.	10.9%	142	168	26	N
EIX	Edison International	Baa2/BBB-/BBB	8.8%	155	--	--	N
EMACN	Emera US Finance LP	Baa3 (Neg)/BBB-/BBB	7.6%	187	209	22	NC
EVRG	Evergy Inc	Baa2/BBB+ (Neg)/N.A.	16.8%	115	--	--	N
ES	Eversource Energy	Baa1 (Neg)/BBB+ (Pos)	10.7%	143	133	(10)	NC
FE	FirstEnergy Corp	Ba1 (Pos)/BB+ (Pos)	11.2%	138	165	27	OW
FTSCN	Fortis Inc/Canada	Baa3/BBB+/N.A.	13.3%	116	--	--	NC
LNT	Alliant Energy Finance LLC	Baa2/BBB+/N.A.	12.4%	164	--	--	NC
NI	NiSource Inc	Baa2/BBB+/BBB	14.6%	--	158	#VALUE!	N
PPL	PPL Capital Funding Inc	Baa1/BBB+/N.A.	19.5%	--	--	--	OW
WEC	WEC Energy Group Inc	Baa1/BBB+ (Neg)/BBB+	14.1%	135	--	--	N
WTRG	Essential Utilities Inc	Baa2/A- (Neg)/N.A.	11.4%	150	179	29	N
XEL	Xcel Energy Inc	Baa1/BBB+/BBB+	18.9%	139	152	13	N
Integrated Utility Holding Companies				**JULI HoldCo**			**OW**
D	Dominion Energy Inc	Baa2/BBB (Neg)/BBB+	11.2%	141	164	23	N
BRKHEC	Eastern Gas Transmission & Storage Inc	A3/A (Neg)/N.A.	0.0%	127	--	--	N
DTE	DTE Energy Co	Baa2/BBB/BBB	12.3%	140	--	--	N
CNP	CenterPoint Energy Inc	Baa2/BBB/BBB	21.4%	142	--	--	N
ETR	Entergy Corp	Baa2 (Neg)/BBB/N.A.	11.7%	149	177	28	OW
EXC	Exelon Corp	Baa2/BBB (Pos)	9.0%	135	160	25	N
NEE	NextEra Energy Capital Holdings Inc	Baa1/BBB+/A-	12.0%	136	136	0	N
PEG	Public Service Enterprise Group Inc	Baa2/BBB/N.A.	12.4%	139	--	--	N
SO	Southern Co/The	Baa2/BBB (Pos)	11.8%	135	--	--	N
SRE	Sempra	Baa2/BBB/BBB+	18.7%	159	170	11	OW
AES	AES Corp/The	Baa3/BBB-/BBB-	0.0%	166	--	--	OW

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Ticker	Company Name	Ratings	FFO/Debt	Spread to Benchmark (bp) 10 Year	Spread to Benchmark (bp) 30 Year	10s/30s Curve	JPM View
Operating Companies				**JULI OpCo**			**N**
AEE	Ameren Illinois Co	A1/A/N.A.		110	--	--	NC
AEE	Union Electric Co	A2/A/N.A.		105	72	(33)	NC
AEP	Ohio Power Co	Baa1/A-/A		121	--	--	N
AEP	AEP Transmission Co LLC	A2/A-/A		62	123	60	N
AEP	Indiana Michigan Power Co	A3/A-/A		168	143	(25)	N
AEP	AEP Texas Inc	Baa2/A-/BBB+		140	161	--	N
AEP	Appalachian Power Co	Baa1/A-/A-		142	158	16	OW
AEP	Southwestern Electric Power Co	Baa2/A-/BBB+		145	168	23	OW
AES	Indianapolis Power & Light Co	A2/A- (Pos)		150	--		NC
AGR	New York State Electric & Gas Corp	Baa1/A-/A-		--	--	--	NC
AGR	Rochester Gas and Electric Corp	A2/A/A		--	--	--	NC
WGL	Washington Gas Light Co	WR/A-/A		--	--	--	NC
ATO	Atmos Energy Corp	A1/A-/WD		168	132	(36)	NC
AVA	Avista Corp	A3/A- (Neg)/N.A.		--	142	--	NC
BRKHEC	MidAmerican Energy Co	Aa2/A+ (Neg)/WD		120	117	--	OW
BRKHEC	Sierra Pacific Power Co	A2/A+ (Neg)/WD		76	--	--	UW
BRKHEC	PacifiCorp	A1 (Neg)/A (Neg)/N.A.		174	212	38	UW
CMS	Consumers Energy Co	A1/A/A+		105	100	(5)	N
CNP	CenterPoint Energy Houston Electric LLC	A2/A/A		105	115	10	NC
CNP	CenterPoint Energy Resources Corp	A3/BBB+/A-		125	--	--	OW
D	Virginia Electric and Power Co	A2/BBB+ (Neg)/A		120	146	26	N
DTE	DTE Electric Co	Aa3/A/A+		110	125	--	N
DUK	Duke Energy Carolinas LLC	Aa3/A/N.A.		108	137	--	UW
DUK	Duke Energy Progress LLC	Aa3/A/N.A.		110	135	--	UW
DUK	Duke Energy Indiana LLC	Aa3/A/N.A.		--	141	--	OW
DUK	Duke Energy Florida LLC	A1/A/N.A.		104	137	33	N
DUK	Duke Energy Ohio Inc	A2/A/N.A.		117	150	33	OW
ED	Consolidated Edison Co of New York Inc	Baa1 (Pos)/A-/A-		113	142	29	NC
EIX	Southern California Edison Co	A2/A-/A-		132	174	42	N
TE	Tampa Electric Co	A3 (Neg)/BBB+ (Neg)/A (Neg)		128	147	--	NC
ES	Connecticut Light and Power Co/The	A1/A+/A+		109	120	--	NC
ETR	Entergy Louisiana LLC	A2/A/N.A.		131	136	5	N
ETR	Entergy Mississippi LLC	A2/A/N.A.		135	140	5	N
ETR	Entergy Arkansas LLC	A2/A/N.A.		111	132	--	OW
EVRG	Evergy Kansas Central Inc	A2/A (Neg)/N.A.		--	138	--	N

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				Spread to Benchmark (bp)		10s/30s Curve	JPM
Ticker	Company Name	Ratings	FFO/Debt	10 Year	30 Year		View
EVRG	Evergy Metro Inc	A2/A+ (Neg)/N.A.		130	159	30	NC
EXC	PECO Energy Co	Aa3 (Neg)/A (Pos)		--	113	--	N
EXC	Commonwealth Edison Co	A1/A/A		103	128	25	N
EXC	Delmarva Power & Light Co	A2/A/A		--	133	--	OW
EXC	Baltimore Gas and Electric Co	A3/A/A		106	126	20	OW
FE	Mid-Atlantic Interstate Transmission LLC	A3/BBB (Pos)		117	--	--	NC
FE	American Transmission Systems Inc	A3/BBB (Pos)		121	142	21	OW
FE	Trans-Allegheny Interstate Line Co	A3/BBB (Pos)		91	--	--	OW
FE	Cleveland Electric Illuminating Co/The	Baa3/BBB (Pos)		157	--	--	N
FE	Pennsylvania Electric Co	Baa1/BBB (Pos)		118	--	--	OW
LNT	Wisconsin Power and Light Co	A3 (Neg)/A (Neg)/N.A.		91	--	--	NC
LNT	Interstate Power and Light Co	Baa1/A-/N.A.		--	--	--	NC
NEE	Florida Power & Light Co	Aa2/A+/AA-		85	102	17	N
NGGLN	Brooklyn Union Gas Co/The	Baa2/BBB+/BBB+		194	--	--	NC
PPL	Narragansett Electric Co/The	A3/A-/N.A.		139	--	--	NC
NGGLN	Boston Gas Co	Baa1/BBB+/N.A.		161	--	--	NC
NGGLN	Massachusetts Electric Co	Baa1/BBB+/N.A.		145	--	--	NC
NGGLN	New England Power Co	A3/BBB+/A-		--	159	--	NC
OGE	Oklahoma Gas and Electric Co	A3/A-/A		121	--	--	NC
PCG	Pacific Gas and Electric Co	Baa3 (Pos)/BBB-/BBB		231	261	30	OW
PEG	Public Service Enterprise Group Inc	Baa2/BBB/N.A.		139	111	(28)	N
PNW	Arizona Public Service Co	A3 (Neg)/BBB+ (Neg)/A- (Neg)		113	153	41	NC
PPL	PPL Electric Utilities Corp	A1/A+/N.A.		--	129	--	NC
PSD	Puget Sound Energy Inc	A2/A-/A		--	128	--	NC
SO	Alabama Power Co	A1/A- (Pos)		110	119	9	N
NEE	Gulf Power Co	A1/A/A+		82	--	--	NC
SO	Mississippi Power Co	Baa1 (Pos)/BBB+ (Pos)		123	--	#VALUE!	OW
SO	Georgia Power Co	Baa1/BBB+ (Pos)		122	131	9	N
SRE	San Diego Gas & Electric Co	A1/A/A		108	--	#VALUE!	NC
SRE	Southern California Gas Co	Aa3/A+ (Neg)/AA-		121	147	26	NC
ONCRTX	Oncor Electric Delivery Co LLC	A2/A+/A		103	120	--	N
WEC	Wisconsin Public Service Corp	A2/A-/A+		--	120	--	NC
XEL	Public Service Co of Colorado	A1/A (Neg)/A+		116	126	--	NC
XEL	Northern States Power Co/MN	Aa3/A+/A+		98	123	25	NC
XEL	Southwestern Public Service Co	A3/A/A-		--	144	--	NC
Generating Companies				**JULI Generating Cos**			**N**
SO	Southern Power Co	Baa1/BBB (Pos)			176		UW
CEG	Constellation Energy Generation LLC	Baa2 (Pos)/BBB (Pos)			165	10	N

Source: Bloomberg Finance L.P., S&P Global Market Intelligence, J.P. Morgan.

Note: J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight, NC = Not Covered, NR = Not Rated.

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ESG Ranking

Table 7: Utilities ESG Ranking (0-100)

Utilities	Rank	Company	Ticker	ESG Score	Environmental	Social	Governance
Water	Top Tier	American Water Works Company, Inc.	AWK US	94	63	87	51
		Essential Utilities	WTRG US	83	53	69	41
Electric	Top Tier	Public Service Enterprise Group	PEG US	91	62	69	47
		AES Corporation	AES US	88	57	77	44
		Xcel Energy Inc.	XEL US	86	58	43	63
		Edison International	EIX US	80	48	94	57
		Exelon Corporation	EXC US	77	52	37	74
	Middle Tier	American Electric Power Co.	AEP US	75	51	50	69
		WEC Energy Group, Inc.	WEC US	72	52	55	39
		Consolidated Edison, Inc.	ED US	69	51	75	28
		Duke Energy Corporation	DUK US	63	43	69	83
		Southern Company	SO US	61	50	13	73
		Dominion Energy, Inc.	D US	58	50	44	40
		NextEra Energy, Inc.	NEE US	55	48	40	51
		Sempra Energy	SRE US	50	42	64	59
		PNM Resources, Inc.	PNM US	47	49	25	43
		DTE Energy Company	DTE US	44	47	44	28
		Vistra Corp.	VST US	41	44	55	37
		Black Hills Corporation	BKH US	36	46	25	28
		NiSource Inc.	NI US	33	46	25	30
		CMS Energy Corporation	CMS US	27	43	16	54
		Entergy Corporation	ETR US	25	38	36	58
		Ameren Corporation	AEE US	22	37	45	53
	Bottom Tier	PPL Corporation	PPL US	19	36	65	34
		FirstEnergy Corp.	FE US	16	38	40	30
		NRG Energy, Inc.	NRG US	13	41	15	34
		Evergy, Inc.	EVRG US	11	35	48	46
		Pinnacle West Capital Corporation	PNW US	8	38	21	44

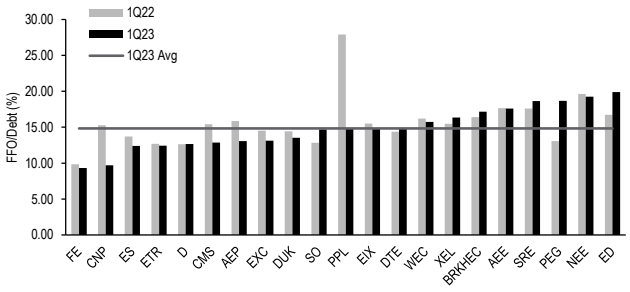
Source: S&P Global Market Intelligence, EEI/AGA, Bloomberg Finance L.P., company reports, and J.P. Morgan.
Note: Our final ranking is derived from a weighted average of percentiles across multiple variables.
Categories are weighted as follows: Environmental – Current (35%), Historical (30%), Future (15%); Social (10%); Governance (10%). See our latest note, original note and follow-up for methodology and takeaways.

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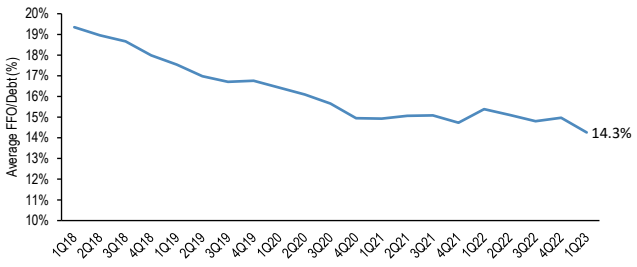
IG Financial Metrics

Figure 1: FFO/Debt in 1Q22 and 1Q23



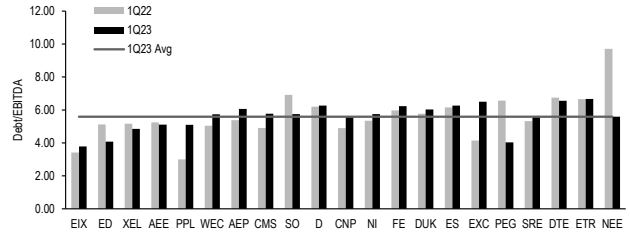
Source: S&P Global Market Intelligence, S&P Cap IQ, J.P. Morgan.

Figure 2: Average FFO/Debt over Time



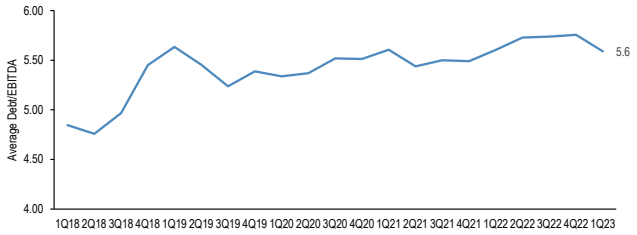
Source: J.P. Morgan.

Figure 3: Leverage in 1Q22 and 1Q23



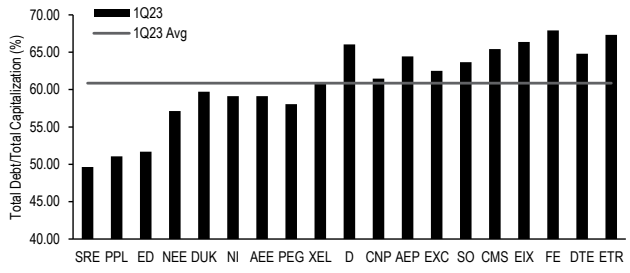
Source: S&P Global Market Intelligence, Bloomberg Finance L.P. Net leverage includes lease adjustments.

Figure 4: Average Leverage over Time



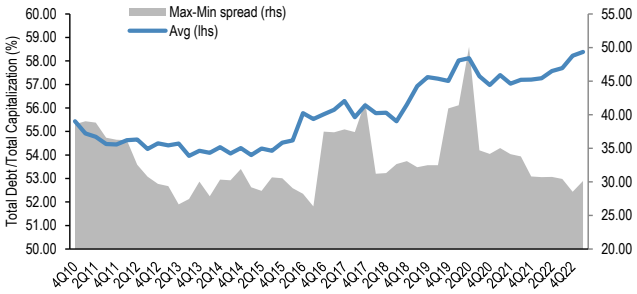
Source: S&P Global Market Intelligence, Bloomberg Finance L.P. Net leverage includes lease adjustments.

Figure 5: 1Q23 Debt/Capitalization



Source: S&P Global Market Intelligence, Bloomberg Finance L.P., J.P. Morgan.

Figure 6: Average Debt/Capitalization over Time



Source: S&P Global Market Intelligence, Bloomberg Finance L.P., J.P. Morgan.

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Ratings Action

Table 8: Recent Ratings Action for Utilities

Date	Company Name	Rating Type	Agency	Current Rating	Prior Rating
08/02/2023	Alabama Power Co	Outlook	S&P	POS	
08/02/2023	Atlanta Gas Light Co	Outlook	S&P	POS	
08/02/2023	Georgia Power Co	Outlook	S&P	POS	
08/02/2023	Mississippi Power Co	Outlook	S&P	POS	
08/02/2023	Northern Illinois Gas Co	Outlook	S&P	POS	
08/02/2023	Southern Co Gas	Outlook	S&P	POS	
08/02/2023	Southern Co Gas Capital Corp	Outlook	S&P	POS	
08/02/2023	Southern Co Services Inc	Outlook	S&P	POS	
08/02/2023	Southern Co/The	Outlook	S&P	POS	
08/02/2023	Southern Electric Generating Co	Outlook	S&P	POS	
08/02/2023	Southern Power Co	Outlook	S&P	POS	
08/01/2023	Avista Capital II	Long Term Rating	Moody's	Baa3	
08/01/2023	Avista Corp	Long Term Rating	Moody's	Baa2	
07/28/2023	Hawaii Electric Light Co Inc	Senior Unsecured Debt	Fitch	A	A-
07/28/2023	Hawaiian Electric Co Inc	LT Issuer Default Rating	Fitch	A-	BBB+
07/28/2023	Hawaiian Electric Co Inc	Senior Unsecured Debt	Fitch	A	A-
07/28/2023	Hawaiian Electric Co Inc	Outlook	Fitch	STABLE	
07/28/2023	Hawaiian Electric Industries Inc	ST Issuer Default Rating	Fitch	F2	F3
07/28/2023	Hawaiian Electric Industries Inc	LT Issuer Default Rating	Fitch	BBB+	BBB
07/28/2023	Hawaiian Electric Industries Inc	Senior Unsecured Debt	Fitch	BBB+	BBB
07/28/2023	Hawaiian Electric Industries Inc	Outlook	Fitch	STABLE	
07/28/2023	Hawaiian Electric Industries Inc	Short Term	Fitch	F2	F3
07/28/2023	Maui Electric Co Ltd	Senior Unsecured Debt	Fitch	A	A-
07/28/2023	Panoche Energy Center LLC	Senior Secured Debt	Moody's	Ba3	B1 *+
07/28/2023	Panoche Energy Center LLC	Long Term Rating	Moody's	Ba3	
07/28/2023	Panoche Energy Center LLC	Outlook	Moody's	POS	
07/28/2023	Public Service Co of Colorado	Outlook	S&P	NEG	
07/27/2023	Midcontinent Independent System Operator Inc	Long Term Rating	Moody's	A1	
07/26/2023	Commonwealth Edison Co	LT Local Issuer Credit	S&P	A-	BBB+
07/26/2023	Commonwealth Edison Co	LT Foreign Issuer Credit	S&P	A-	BBB+
07/26/2023	Commonwealth Edison Co	Outlook	S&P	STABLE	
07/25/2023	Generation Bridge Northeast LLC	Outlook	Moody's	STABLE	
07/24/2023	Northern States Power Co/MN	ST Local Issuer Credit	S&P	A-1	A-2
07/24/2023	Northern States Power Co/MN	LT Local Issuer Credit	S&P	A	A-
07/24/2023	Northern States Power Co/MN	ST Foreign Issuer Credit	S&P	A-1	A-2

Source: Moody's, S&P, Fitch, Bloomberg Finance L.P.

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IG Maturities

Table 9: Upcoming Maturities

Tkr	Obligor	Amt Out ($ mln)	Coupon	Rank	Maturity	Moodys	S&P
NRUC	National Rural Utilities Cooperative Finance Corp	400	5.508%	SR UNSECURED	8/7/2023	A2	A-
NGGLN	National Grid North America Inc	500	0.750%	SR UNSECURED	8/8/2023	Baa2	BBB+
AVA	Avista Corp	7	7.180%	1ST MORTGAGE	8/11/2023	Baa2	BBB
NRUC	National Rural Utilities Cooperative Finance Corp	1	3.000%	SR UNSECURED	8/15/2023	A2	A-
BRKHEC	Sierra Pacific Power Co	250	3.375%	GENL REF MORT	8/15/2023	Baa1	A
ES	Eversource Energy	350	5.379%	SR UNSECURED	8/15/2023	Baa1	A-
CMS	Consumers Energy Co	325	3.375%	1ST MORTGAGE	8/15/2023	(P)A3	A-
SR	Spire Missouri Inc	250	3.400%	1ST MORTGAGE	8/15/2023	A1	A-
BRKHEC	PacifiCorp	30	7.240%	1ST MORTGAGE	8/16/2023	A3	BBB+
BRKHEC	PacifiCorp	15	7.230%	1ST MORTGAGE	8/16/2023	A3	BBB+
NWN	Northwest Natural Gas Co	50	3.542%	1ST MORTGAGE	8/19/2023	(P)Baa1	A+
ETR	Entergy Louisiana LLC	325	4.050%	1ST MORTGAGE	9/1/2023	Baa1	BBB+
PEG	Public Service Electric and Gas Co	325	3.250%	1ST MORTGAGE	9/1/2023	A3	A-
SRE	San Diego Gas & Electric Co	450	3.600%	1ST MORTGAGE	9/1/2023	A3	BBB+
DUK	Duke Energy Ohio Inc	300	3.800%	1ST MORTGAGE	9/1/2023	Baa1	BBB+
DUK	Duke Energy Progress LLC	300	3.375%	1ST MORTGAGE	9/1/2023	A2	BBB+
BRKHEC	PacifiCorp	2	6.720%	1ST MORTGAGE	9/14/2023	A3	BBB+
BRKHEC	PacifiCorp	7	6.750%	1ST MORTGAGE	9/14/2023	A3	BBB+
BRKHEC	MidAmerican Energy Co	250	3.700%	1ST MORTGAGE	9/15/2023	A1	A
WEC	WEC Energy Group Inc	700	0.550%	SR UNSECURED	9/15/2023	Baa1	A-
D	Dominion Energy Inc	1000	6.082%	SR UNSECURED	9/15/2023	Baa2	BBB+
DUK	Duke Energy Corp	0	6.552%	SR UNSECURED	9/15/2023	Baa2	BBB+
EIX	Southern California Edison Co	600	3.500%	1ST REF MORT	10/1/2023	Baa1	BBB
SO	Southern Co Gas Capital Corp	350	2.450%	COMPANY GUARNT	10/1/2023	Baa1	BBB+
DUK	Piedmont Natural Gas Co Inc	45	6.870%	SR UNSECURED	10/6/2023	A3	BBB+
NRUC	National Rural Utilities Cooperative Finance Corp	2	3.050%	SR UNSECURED	10/15/2023	A2	A-
XEL	Xcel Energy Inc	500	0.500%	SR UNSECURED	10/15/2023	Baa1	A-
DUK	Duke Energy Corp	400	3.950%	SR UNSECURED	10/15/2023	Baa2	BBB+
BRKHEC	PacifiCorp	48	6.750%	1ST MORTGAGE	10/26/2023	A3	BBB+
BRKHEC	PacifiCorp	6	6.750%	1ST MORTGAGE	10/26/2023	A3	BBB+
MACKPW	Mackinaw Power LLC	30	6.296%	SR SECURED	10/31/2023	Baa2	
MACKPW	Mackinaw Power LLC	30	6.296%	SR SECURED	10/31/2023	Baa2	
BRKHEC	Eastern Energy Gas Holdings LLC	1	3.550%	SR UNSECURED	11/1/2023	Baa1	A

Source: J.P. Morgan, Bloomberg Finance L.P.

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HY Relative Value

Table 10: HY Utilities Relative Value

Coupon	Description	Rec.	Maturity	Ratings Moody's S&P	Amount Out ($ mn)	Recent Quotes Offer	Yield	Spread	YTW Date	Next Call Date
Calpine Corp. (CPN)		**OVERWEIGHT**								
L+200	TLB-9 (Cov-lite)	**Neutral**	1-Apr-26	Ba2/BB+	$950	$99.82	6.47%	208bp		
L+200	TLB (Cov-lite)	**Neutral**	12-Aug-26	Ba2/BB+	$750	$99.86	6.37%	208bp		
L + 250	TLB-5 (Cov-lite)	**Neutral**	16-Dec-27	Ba2/BB+	$1,000	$99.82	6.59%	255bp		
5.250%	Sr Sec Nts (1st Lien)	**Neutral**	1-Jun-26	Ba2/BB+	$420	$96.75	6.52%	182bp	1-Jun-26	1-Jun-24
4.500%	Sr Sec Nts (1st Lien)	**Neutral**	15-Feb-28	Ba2/BB+	$1,250	$90.75	6.91%	257bp	15-Feb-28	15-Feb-24
3.750%	Sr Sec Nts	**Neutral**	1-Mar-31	Ba2/BB+	$900	$80.48	7.13%	297bp	1-Mar-31	1-Mar-26
5.125%	Sr Nts	**Overweight**	15-Mar-28	B2/B+	$1,400	$89.37	7.92%	360bp	15-Mar-28	15-Mar-24
4.625%	Sr Nts	**Overweight**	1-Feb-29	B2/B+	$650	$84.55	8.17%	395bp	1-Feb-29	1-Feb-24
5.000%	Sr Nts	**Overweight**	1-Feb-31	B2/B+	$850	$82.50	8.17%	401bp	1-Feb-31	1-Feb-26
Clearway Energy (CWEN)		**Neutral**								
4.750%	Sr Nts	**Neutral**	15-Mar-28	Ba2/BB	$850	$92.14	6.76%	244bp	15-Mar-28	15-Mar-24
3.750%	Sr Nts	**Neutral**	15-Feb-31	Ba2/BB	$925	$82.25	6.80%	264bp	15-Feb-31	15-Feb-26
3.750%	Sr Nts	**Neutral**	15-Jan-32	Ba2/BB	$350	$81.13	6.71%	258bp	15-Jan-32	15-Jan-27
Leeward Renewable (LEEREN)		**NEUTRAL**								
4.250%	Sr Nts	**Neutral**	1-Jul-29	Ba3/NR	$375	$87.93	6.76%	255bp	1-Jul-29	1-Jul-24
NextEra Energy Partners (NEP)		**NEUTRAL**								
4.250%	Sr Nts	**Neutral**	15-Jul-24	Ba1/BB	$700	$97.40	7.13%	176bp	15-Jul-24	15-Apr-24
4.250%	Sr Nts	**Neutral**	15-Sep-24	Ba1/BB	$50	$95.38	8.69%	338bp	15-Sep-24	15-Jul-24
3.875%	Sr Nts	**Neutral**	15-Oct-26	Ba1/BB	$500	$92.51	6.51%	188bp	15-Oct-26	15-Jul-26
4.500%	Sr Nts	**Neutral**	15-Sep-27	Ba1/BB	$550	$91.88	6.79%	237bp	15-Sep-27	15-Jul-27
NRG Energy, Inc. (NRG)		**NEUTRAL**								
3.750%	Sr Sec Nts (1st Lien)	**Neutral**	15-Jun-24	Baa3/BBB-	$600	$97.59	6.66%	126bp	15-Jun-24	15-May-24
2.000%	Sr Sec Nts (1st Lien)	**Neutral**	2-Dec-25	Baa3/BBB-	$500	$90.13	6.65%	184bp	2-Dec-25	2-Nov-25
2.450%	Sr Sec Nts (1st Lien)	**Neutral**	2-Dec-27	Baa3/BBB-	$900	$84.37	6.67%	229bp	2-Dec-27	2-Oct-27
4.450%	Sr Sec Nts (1st Lien)	**Neutral**	15-Jun-29	Baa3/BBB-	$500	$88.22	6.93%	272bp	15-Jun-29	15-Mar-29
7.000%	Sec Nts (1st Lien)	**Neutral**	15-Mar-33	Baa3/BBB-	$740	$98.97	7.15%	306bp	15-Mar-33	15-Dec-32
6.625%	Sr Nts	**Neutral**	15-Jan-27	Ba2/BB	$375	$98.63	7.08%	251bp	15-Jan-27	15-Jul-24
5.750%	Sr Nts	**Neutral**	15-Jan-28	Ba2/BB	$821	$94.22	7.29%	294bp	15-Jan-28	15-Jan-24
3.375%	Sr Nts	**Neutral**	15-Feb-29	Ba2/BB	$500	$81.50	7.53%	330bp	15-Feb-29	15-Feb-24
5.250%	Sr Nts	**Neutral**	15-Jun-29	Ba2/BB	$733	$89.13	7.58%	337bp	15-Jun-29	15-Jun-24
3.625%	Sr Nts	**Neutral**	15-Feb-31	Ba2/BB	$1,030	$76.75	7.76%	360bp	15-Feb-31	15-Feb-26
3.875%	Sr Nts	**Neutral**	15-Feb-32	Ba2/BB	$1,100	$75.75	7.82%	370bp	15-Feb-32	15-Feb-27

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Coupon	Description	Rec.	Maturity	Ratings Moody's S&P	Amount Out ($ mn)	Recent Quotes Offer	Yield	Spread	YTW Date	Next Call Date
PG&E Corp (PCG)		**NEUTRAL**								
5.000%	Sr Sec Nts (1st Lien)	**Neutral**	1-Jul-28	B1/BB-	$1,000	$91.50	7.08%	282bp	1-Jul-28	1-Jul-24
5.250%	Sr Sec Nts (1st Lien)	**Neutral**	1-Jul-30	B1/BB-	$1,000	$88.50	7.41%	323bp	1-Jul-30	1-Jul-25
TransAlta Corp (TACN)		**NEUTRAL**								
7.750%	Sr Nts	**Neutral**	15-Nov-29	Ba1/BB+	$400	$103.63	6.76%	237bp	15-Nov-27	15-Nov-25
6.500%	Sr Nts	**Neutral**	15-Mar-40	Ba1/BB+	$300	$95.57	6.95%	284bp	15-Mar-40	nc
Talen Energy (TLN)		**NEUTRAL**								
L+375	TLB (Cov-Lite)	**Neutral**	17-May-30	Ba3/BB	$580	$99.56	8.46%	459bp		
8.625%	Sec Nts	**Neutral**	1-Jun-30	Ba3/BB	$1,200	$103.00	7.86%	358bp	1-Jun-28	1-Jun-26
TerraForm Power, Inc. (TERP)		**NEUTRAL**								
5.000%	Sr Nts	**Neutral**	31-Jan-28	Ba3/BB-	$700	$91.46	7.26%	291bp	31-Jan-28	31-Jul-27
4.750%	Sr Nts	**Neutral**	15-Jan-30	Ba3/BB-	$700	$86.36	7.45%	326bp	15-Jan-30	15-Jan-25
Vistra Energy Corp. (VST)		**OVERWEIGHT**								
L + 200	TLB-3 (Cov-lite)	**Overweight**	31-Dec-25	Baa3/BBB-	$2,050	$99.76	6.34%	186bp		
3.550%	Sr Sec Nts (1st Lien)	**Overweight**	15-Jul-24	Baa3/BBB-	$1,500	$96.75	7.16%	178bp	15-Jul-24	15-Jun-24
3.700%	Sr Sec Nts (1st Lien)	**Overweight**	30-Jan-27	Baa3/BBB-	$800	$91.75	6.37%	181bp	30-Jan-27	30-Nov-26
4.300%	Sr Sec Nts (1st Lien)	**Overweight**	15-Jul-29	Baa3/BBB-	$800	$88.44	6.69%	248bp	15-Jul-29	15-Apr-29
5.125%	Sr Sec Nts	**Overweight**	13-May-25	Baa3/BBB-	$1,100	$97.82	6.44%	145bp	13-May-25	nc
5.500%	Sr Nts	**Overweight**	1-Sep-26	Ba2/BB	$1,000	$96.50	6.78%	213bp	1-Sep-26	1-Sep-23
5.625%	Sr Nts	**Overweight**	15-Feb-27	Ba2/BB	$1,300	$95.63	7.05%	249bp	15-Feb-27	15-Feb-24
5.000%	Sr Nts	**Overweight**	31-Jul-27	Ba2/BB	$1,300	$93.25	6.96%	251bp	31-Jul-27	31-Jul-24
4.375%	Sr Nts	**Overweight**	1-May-29	Ba2/BB	$1,250	$87.35	7.09%	288bp	1-May-29	1-May-24

Source: J.P. Morgan, Bloomberg Finance L.P.

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Generation and Forecasts

Table 11: U.S. Electric Generation

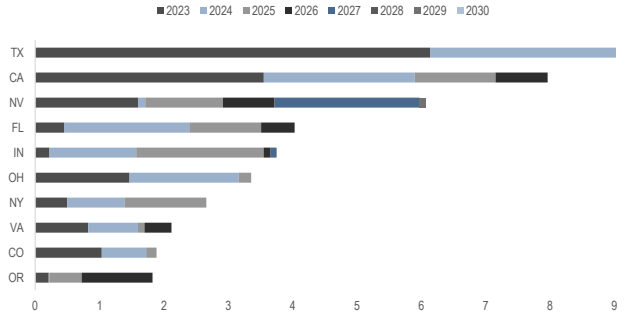
GWh

	Total Electric Generation			Residential			Commercial			Industrial		
	2023	2022	Δ	2023	2022	Δ	2023	2022	Δ	2023	2022	Δ
March	329,856	324,772	-1.5%	111,058	112,391	1.2%	109,890	107,850	-1.9%	82,088	82,955	1.1%
4Q		1,000,695			337,651			327,041			244,875	
3Q		1,187,445			457,739			389,005			265,898	
2Q		1,026,188			346,731			335,193			254,535	
1Q	987,494	1,028,809	4.2%	356,833	379,768	6.4%	320,822	321,794	0.3%	237,731	242,224	1.9%

Source: Bloomberg Finance L.P.

Figure 7: Planned Solar Capacity Additions, Top 10 States

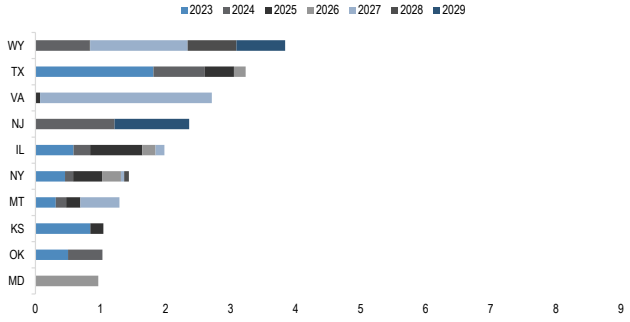
GW



Source: EIA.

Figure 8: Planned Wind Capacity Additions, Top 10 States

GW



Source: EIA.

Source: Capacity from facilities with a total generator nameplate capacity less than 1 MW are excluded from EIA data. This exclusion may represent a significant portion of capacity for some technologies such as solar photovoltaic generation.

Table 12: U.S. Heating and Cooling Degree Days

	Heating Degree Days						Cooling Degree Days					
	2023	2022	2021	Norm	y/y Δ	Norm Δ	2023	2022	2021	Norm	y/y Δ	Norm Δ
4Q		1,302	2,071					73	110			
3Q		2,283	1,449					899	955			
2Q		570	66					433	346			
1Q	2,031	2,071	626	2,284	-1.9%	-11.1%	42	32	27	35	31.3%	20.0%

Source: Bloomberg Finance L.P.

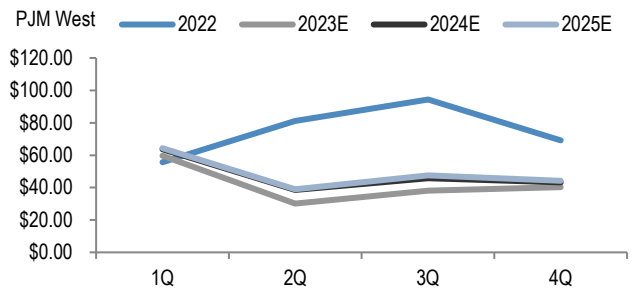
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Power Curves and Spark Spreads

Figure 9: PJM West ATC Price Curve

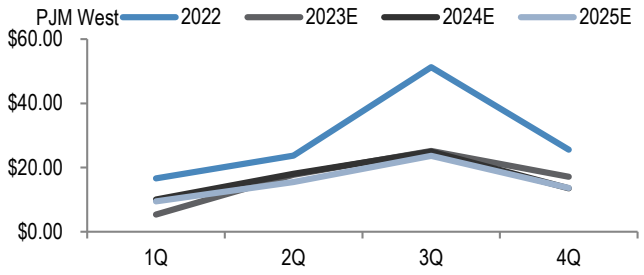
$/MWh



Source: Bloomberg Finance L.P.

Figure 10: PJM West ATC Spark Spread

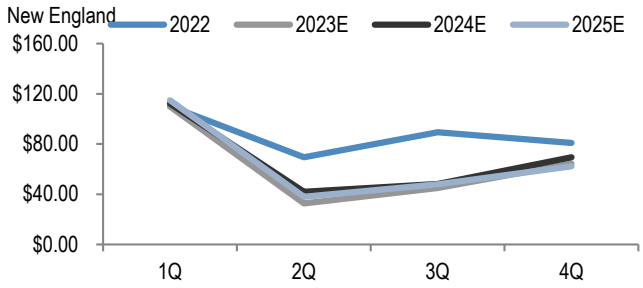
$/MWh



Source: Bloomberg Finance L.P.

Figure 11: NEPOOL ATC Price Curve

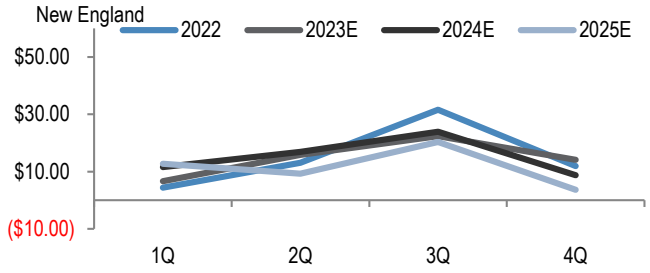
$/MWh



Source: Bloomberg Finance L.P.

Figure 12: NEPOOL ATC Spark Spread

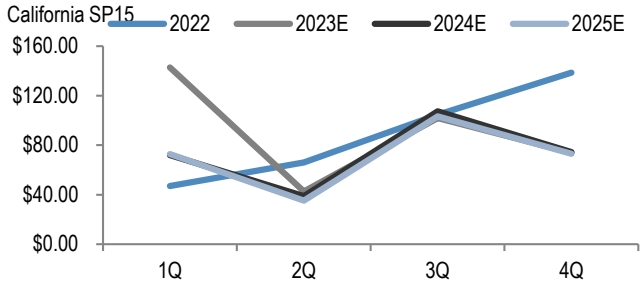
$/MWh



Source: Bloomberg Finance L.P.

Figure 13: WECC – P15 ATC Price Curve

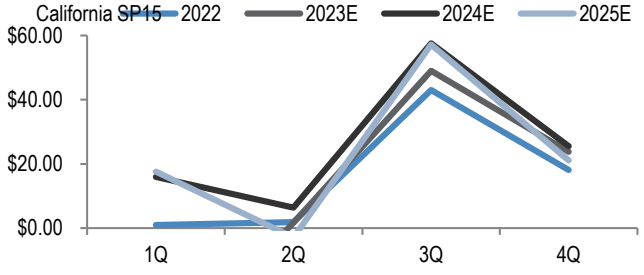
$/MWh



Source: Bloomberg Finance L.P.

Figure 14: WECC – P15 ATC Spark Spread

$/MWh



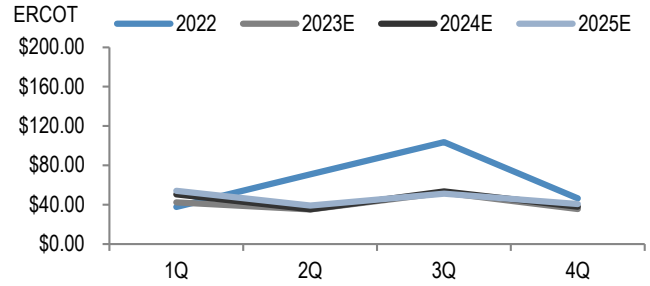
Source: Bloomberg Finance L.P.

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Figure 15: ERCOT – Houston ATC Price Curve

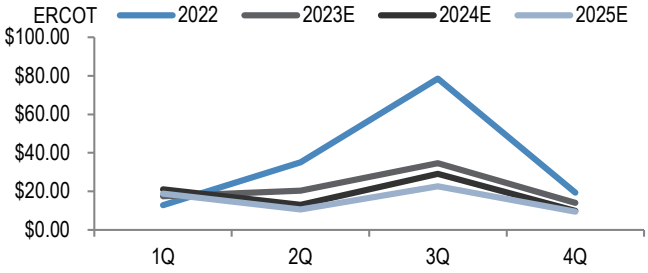
$/MWh



Source: Bloomberg Finance L.P.

Figure 16: ERCOT – Houston ATC Spark Spread

$/MWh



Source: Bloomberg Finance L.P.

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Issuer	27 Oct 16	Downgrade	Underweight	XEL
4.60% '32 *	01 Jul 22	Initiate	Underweight	US98388MAD92
3.300% '25	17 Feb 17	Terminate	Not Covered	US98389BAR15
3.350% '26	15 Aug 18	Terminate	Not Covered	US98389BAU44
4.000% '28	01 Jul 22	Terminate	Not Covered	US98389BAV27
4.700% '20	20 Sep 16	Terminate	Not Covered	US98389BAM28

Ameren Corporation - J.P. Morgan Credit Opinion History

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	Date	Action	Rating/Designation	Ticker/ISIN
Issuer	16 Feb 17	Upgrade	Overweight	AEE
3.5% '31 *	05 Jan 22	Initiate	Overweight	US023608AJ15
2.700% '22	20 Sep 16	Terminate	Not Covered	US02361DAL47
3.65% '26	10 Jan 22	Terminate	Not Covered	US023608AG75

Evergy Inc - J.P. Morgan Credit Opinion History

	Date	Action	Rating/Designation	Ticker/ISIN
Issuer	05 May 17	Upgrade	Overweight	EVRG
2.9% '29 *	10 Jan 22	Initiate	Overweight	US30034WAB28
2.55% '26	17 Apr 17	Terminate	Not Covered	US95709TAN00
3.100% '27	05 Jun 18	Terminate	Not Covered	US95709TAP57
3.900% '27	22 Aug 17	Terminate	Not Covered	US391164AJ95
4.10% '43	20 Sep 16	Terminate	Not Covered	US95709TAJ97
4.300% '44	20 Sep 16	Terminate	Not Covered	US485260BM43
5.292% '22	10 Jan 22	Terminate	Not Covered	US391164AF73

NextEra Energy Inc. - J.P. Morgan Credit Opinion History

	Date	Action	Rating/Designation	Ticker/ISIN
Issuer	28 Jul 17	Downgrade	Underweight	NEE
5.00% '32 *	01 Jul 22	Initiate	Underweight	US65339KCJ79
3.55% '27	01 Jul 22	Terminate	Not Covered	US65339KAT79
3.625% '23	14 Mar 19	Terminate	Not Covered	US65339KAG58
4.500% '21	14 Mar 19	Terminate	Not Covered	US65339KAA88

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North America Equity Research
14 July 2023

Utilities and Midstream

Surveying the RNG Landscape III: Race to Renewables Drives Robust RNG Rollout

RNG remains in focus among energy transition paths, offering an opportunity to capture significant decarbonization benefits while continuing to leverage the value of existing gas infrastructure. We see increased attention across our coverage given improved project economics from the Inflation Reduction Act (IRA), further outlined in our recent energy policy theme report. Our third annual RNG survey builds on analysis from last year's survey and highlights continued industry efforts to secure the regulatory frameworks necessary to meet increasing RNG demand. We present updated company responses to a set of six RNG questions for an overview of RNG assets, capital investments, system activity, IRA impacts, regulatory backdrop, and customer trends. Company thoughts follow for AEE, AGR, ATO, CMS, CNP, D, DTE, DUK, EMA CN, ENB CN, ES, FTS CN, KMI, NEE, NI, NJR, SO, SRE, SWX, SR, TRP CN, UGI, WEC, and WMB.

- **Third annual RNG survey.** We sent six RNG questions to our coverage universe, including select midstream companies and electric-only utilities. Summary tables start on page 2, and individual company responses begin on page 9.
- **IRA-driven activity push cited, although no wholesale change to an already booming landscape.** Among common IRA feedback, related tax credits and a YE24 construction start deadline screen as positives for RNG development activity overall. Additional sentiment on lowering transition costs to customers as an ancillary benefit is consistent with post-IRA electric feedback on wind/solar/battery storage tax credits. However, somewhat surprising was the lack of direct linking from RNG development to the IRA, which appears symptomatic of strong C&I interest pre-IRA and overall demand trends that outstrip current supply. As a result, while edge benefits appear to span some activity acceleration, it does not appear that the IRA is driving an activity step change at this time.
- **Utilities: customer demand trends point to durable opportunities.** C&I interest appears meaningful, mirroring growing corporate sustainability goals that underpin renewables procurement on the electric side. Across utilities, **ATO**, **CMS**, **D**, **DUK**, **EMA**, **SO**, **SRE**, and **SWX**, among others, cited this realized and prospective C&I demand as supporting industry RNG efforts. Common themes include widespread market dynamics of RNG demand outstripping current supply and a push to expand regulatory mechanisms to adequately serve this need via green tariffs and interconnection tools. Among higher profile updates, **CNP** recently filed its first MN Natural Gas Innovation Act (NGIA) plan, promoting new R&D initiatives to explore LDC decarbonization enabled by the state's relatively heavy RNG focus, plus **SRE's** continued positioning on the forefront of blending with CA's SB 1440 RNG procurement standard establishing RNG targets to procure 12.2% of 2020 demand by 2030. Separately, we highlight **NJR**, **SR**, and **SWX** as LDCs to watch, expecting developing state-level policies and regulatory actions to open up incremental RNG opportunities. **NI** pointed to market surveys indicating a

Utilities and Midstream

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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?
NI does not current own any RNG-related assets, although pipeline interconnects up to RNG facilities are in rate base (with developer funding of non-economic portions).

How much regulated and non-regulated capex does RNG represent in both current asset ownership mix and your current growth plan?
None.

How much RNG is currently on your system? What target levels do your emissions reduction goals contemplate?
NI transports 2.5 bcf/yr of RNG for producers. The vast majority of that RNG is transported off system, where the ultimate purchaser receives the environmental benefits. NiSource's voluntary programs do provide emissions reductions for customers, but the company has not set enrollment or emissions reduction targets.

Has the Inflation Reduction Act impacted your RNG efforts or demand trends? How do you see local stakeholder support for RNG given significant changes across the renewables landscape from the IRA?
NI expects the IRA to drive RNG expansion as projects accelerate to meet the YE24 construction start deadline for ITC qualification.

Do you have a green tariff for voluntary RNG usage? Were last year's regulatory and legislative efforts successful (to the extent pursued)? Are there new priorities in focus this year across either front?
NI received commission approval to roll out voluntary green tariffs in IN and VA, with KY and PA proceedings still ongoing. Utilities in OH are not allowed to offer a green rider (competitive suppliers only). The MD commission would like to see a different approach, and discussions on how to proceed are ongoing.

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 (~85%) are interested in RNG and would like to see more options available. Across voluntary programs, feedback shows more customers than expected are willing to pay extra for RNG.

From: Steve Fleishman
To: Weisenburger \ Michael \ V
Subject: The Fleishman Daily 8/28/23 - AGR, AGR/Offshore Wind, ERCOT, FE, NI, Macro, CAL Watch, LNG market, Midstream & Green Weeklies
Date: Monday, August 28, 2023 8:54:02 AM

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August 28, 2023

THE FLEISHMAN DAILY 8/28/23

AGR, AGR/Offshore Wind, ERCOT, FE, NI, Macro, CAL Watch, LNG market, Midstream & Green Weeklies

The Fleishman Daily 8/28/23
Utilities: AGR, AGR/Offshore Wind, ERCOT, FE, NI, Macro, CAL Watch
Midstream: LNG market, Midstream of Consciousness
Clean Energy: Green Playbook
REMINDER: Deadline for 1x1 requests for our conference TOMORROW 8/29; request 1x1 meetings here
WEBCAST REPLAY: Fleish on Fridays; replay here, slides here, poll results here
WEBCAST: Wolfe Natural Resources Weekly Webcast, TODAY at 11:00am ET; register here

Utilities sentiment meter – still at "1". Nvidia week came and went and the only good news for utilities was they didn't get smoked by another Tech rally. The market seems to be realizing that a lot of AI upside has already been reflected in stock prices. The news front was quiet which was a bit disappointing for PCG and PPL where we were hoping for news on their respective rate case and generation plans. This week the key event will EVRG's long-awaited staff and intervenor recommendations in KS. The one piece of good news was finally some hot weather through most of the country though this came with increased storm activity as well. Climate events will be a big focus the next few months as hurricane and fire seasons hit their peaks – hoping for the best. Have a great last week of summer and try to get some time to enjoy it!

Utilities

AGR – PURA final order slightly better than draft; sets ROE at 8.63% / equity at 50%, $23M rate hike
AGR/Offshore Wind – MA approves termination of Commonwealth Wind contract, seeks 3.6 GWs in latest solicitation
ERCOT – Price spikes continue over the weekend; ~$400/MWh real-time daily average since Thursday; update on market reform, seems very long-dated
FE – Storms hit OH/PA service territories hard last week; over 90% of customers restored
NI – CEO Lloyd Yates buys 40K shares or ~$1.06M worth of common stock; good to see
Macro – Wolfe Macro Team highlights utilities as part of its dividend investing strategies
CAL Watch – Weekly implied 2024 ROEs; utility bond yields fall but ROE on track for a 70bp increase

Midstream

LNG market – Australia strike risk not fully resolved yet
Midstream of Consciousness - Anyone want to talk M&A? ET joins an elite group, mixed activity data, and the MLP index dilemma

Clean Energy

Wolfe Green Playbook – PLUG tour in GA; Insider sales trends; More color on SEDG comments

Wolfe Utility & Midstream Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Midstream Stock Charts, Clean Energy Comps, Clean Energy Stock Charts, Models, Valuation Charts

Utilities

AGR – PURA final order slightly better than draft; sets ROE at 8.63% / equity at 50%, $23M rate hike

- On Friday, PURA issued its final order (3-0 vote) in AGR's UI rate case in CT (**link**) – $23M rate hike, 8.63% allowed ROE, 50% equity ratio, and $1.1B rate base
    - The actual ROE was determined at 9.10%, but PURA instituted a 47bps penalty for performance/management issues; UI is also allowed to continue its 50/50 earnings sharing mechanism above the allowed ROE
- Recall that PURA's draft order was as follows – a $2M rate hike over 1 year, 8.28% allowed ROE (including 52bps penalty) and 50% equity ratio
- AGR's UI requested – $136.5M rate increase in steps over 3 years ($102/17/17M) or $54M/year levelized, 10.2% allowed ROE, and 52% equity ratio, $1.4B rate base
- Rates are expected to go into effect in September
- UI's last rate case was decided in December 2016 (three-year rate plan) – with the more recent settlement in 2021 setting the allowed ROE at 9.10% in rate year 2 and

equity ratio at 50% (50/50 sharing above allowed)
  - UI is currently under a 15bps ROE penalty tied to last summer's storm investigation, resulting in an 8.95% allowed ROE – lifting of this penalty could occur within a future rate case or other docket, and UI has filed a court appeal

The PURA draft order was pretty harsh, so it is good to see some improvement. That said, this is still likely amongst the lowest ROEs we've ever seen in the sector. The good news is we already had pretty low expectations coming into this case and UI distribution makes up only ~10% of rate total base (before PNM).

AGR/Offshore Wind – MA approves termination of Commonwealth Wind contract, seeks 3.6 GWs in latest solicitation

- Last week, the Massachusetts DPU approved the termination of contracts between AGR's Commonwealth Wind and the states utilities – resulting in a $48M termination payment
  - Shell/EDPR/Engie's SouthCoast Wind reached a similar termination agreement
- The Massachusetts Department of Energy Resources also finalized its 4th Massachusetts RFP for offshore wind – seeking 3.6 GWs
  - Bid winners are expected to be announced in June 2024
  - Interestingly, the new RFP will include an option for developers to submit indexed price bids

This was expected at this point, as we'll now have to wait until next year for the next round of Massachusetts offshore wind projects. The price indexation feature (+/- 15%) should help avoid some of the economic pressure issues that came up in the 3rd solicitation. The process says that bidders that previously terminated contracts won't be excluded, though it does seem like that will be considered as part of evaluating the winning bids.

ERCOT – Price spikes continue over the weekend; ~$400/MWh real-time daily average since Thursday; update on market reform, seems very long-dated

- ERCOT has continued to see tight market conditions amidst the latest heat wave – price spikes have occurred since last Thursday, crossing over $4,000/MWh on several intervals
  - ERCOT has sent notices of expected tight conditions and requests for conservation on each day
- The average daily real-time price has been close to $400/MWh since Thursday and is close to $200/MWh for the month of August
- No new peak demand records yet, as the current benchmark continues to stand at 85.4 GWs
- Separately, last week ERCOT CEO Pablo Vegas presented at the PUCT – ranking in terms of priority a set of market reform initiations:
  - 1) Establish ORDC price floor; 2) establish reliability standard; 3) implement dispatchable reliability reserve service; 4) implement co-optimization of energy/ancillaries; 5) refine/implement performance credit mechanism

- The ORDC price floor was already voted on by ERCOT back in April and expected to be implemented in November following a PUCT vote – it would set a price adder floor of $10/MWh when reserves fall below 7 GWs and $20/MWh when reserve fall below 6.5 GWs

- The original PCM proposal was altered by the recent Texas legislative session and the current timeline is as follows – "strawman proposal" by October, workshops through 2Q24, PUCT decision before Texas legislature reconvenes in early-2025, and implementation some time in late-2026 or early-2027

More pricing volatility in ERCOT, as conditions remain tight. There was a ton of focus on the PCM and market reform coming out of the latest Texas legislative session, but after the latest commentary it looks like some of the more meaningful changes are going to be very long-dated.

NI – CEO Lloyd Yates buys 40K shares or ~$1.06M worth of common stock; good to see

- Last week, NI CEO Lloyd Yates purchased 40K shares of common stock worth ~$1.06M.
- Following this transaction, CEO Lloyd Yates beneficially owns ~131.2K common shares of NI, which includes RSUs received

Nice to see strong insider buying as we head into NI's L-T outlook update in November.

FE – Storms hit OH/PA service territories hard last week; over 90% of customers restored

- Last week, heavy thunderstorms and winds/tornadoes hit FE's service territories – resulting in 466k outages across its OH/PA service territories
- As of Sunday afternoon, FE had restored power to over 90% of those customers

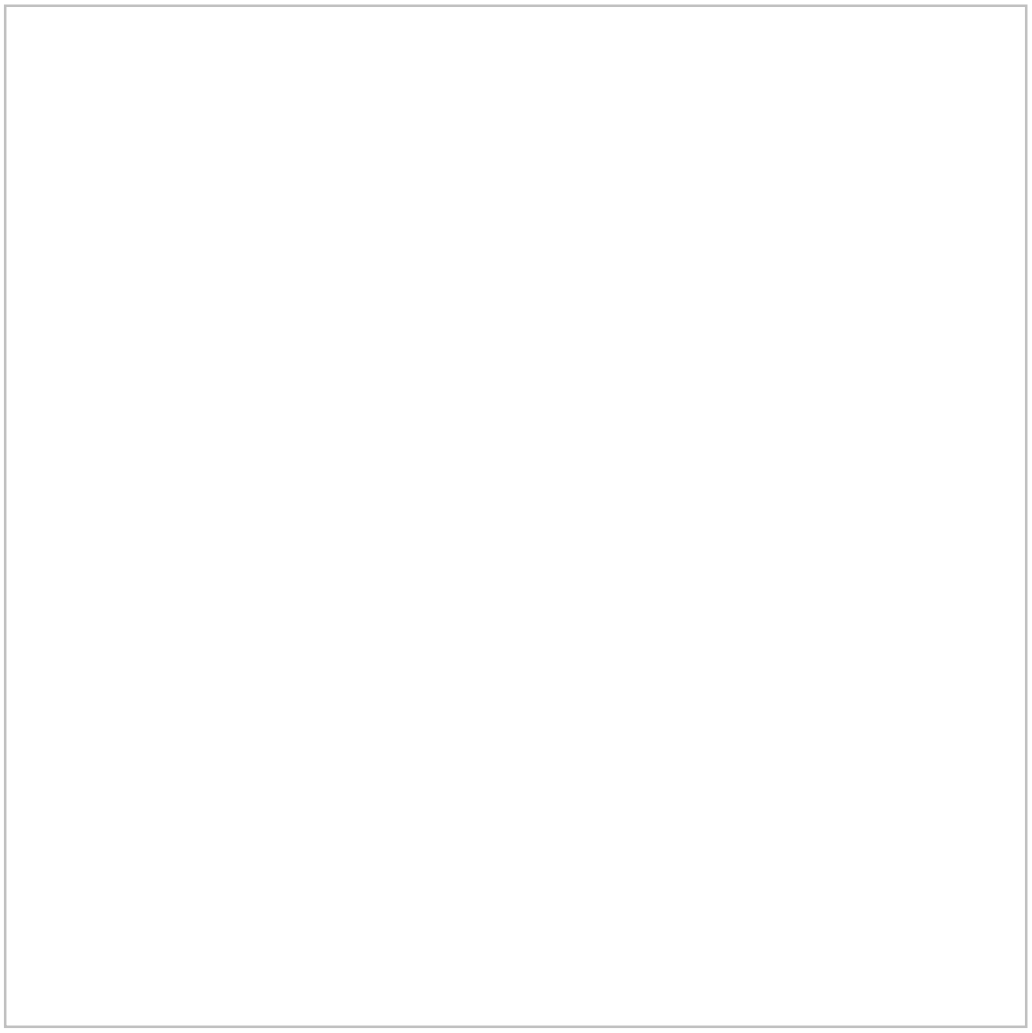
Macro – Wolfe Macro Team highlights utilities as part of its dividend investing strategies

- This morning, Wolfe Macro Strategist Chris Senyek published a report on dividend investing strategies – see **here**.
- As inflation remains sticky, Wolfe's Macro Team believes that the Fed will be higher for longer and expects defensive themes to outperform.
- Wolfe Macro Team's favorite dividend themes and associated utility/power companies include:
    - **Dividend Aristocrats –** ED, NEE, ATO (not covered).
    - **Dividend Yield: Buy 2nd Highest Quintile Yield –** VST, CNP, ATO (not covered), AWK.
    - **Dividend Growth –** VST, NEP.
- Wolfe's Macro Team also published a list of the top 20% dividend yielding stocks, which includes several utilities, IPPs, YieldCos, and midstream stocks within our coverage universe – see page 25 of the note.

CAL Watch – Weekly implied 2024 ROEs: utility bond yields fall but ROE on track for a 70bp increase

- This our weekly series on the utility bond yield index used for the Cost of Capital mechanism (CCM). The allowed ROEs in 2023 for CA utilities are 10.05% for EIX; 10.00% for PCG; and 9.95% for SRE's SDG&E and 9.85% for SRE's SoCal Gas. But 2024 ROEs depend on whether the CCM is triggered.
- CCM: On 9/30, if the difference between the 12-month average of the Moody's Bond Utility Baa Index and the benchmark value (currently 4.37%) exceeds 100bp, then the allowed ROE for the next calendar year is adjusted by one-half of the difference, and the current value of the index becomes the new benchmark value. (The index for SoCal Gas is Moody's Utility A Index).
    - If the difference is within 100bp, ROEs and the benchmark index value remain the same for the subsequent year.

- Below is a chart with the Index values from 10/1/22 through the last available date (light blue bar charts); the average over that period is 5.75% (solid orange line).
- The Index value through last Thu was 6.02%, a 14bp decrease from a week ago; if that were the average from now through 9/30/23, under the CoC mechanism, 2024 ROEs would be increased by 70bp.
- With about a month left in the CCM year, it is on track to be triggered, implying at least a 50bp increase in 2024 ROEs, if the Moody's Baa Index from now through 9/30/23 averages above 2.12% (same if Moody's A index averages above 1.86%).
- Estimated 2024 EPS sensitivities for every 50bp change in CPUC ROE:
    - EIX = $0.25
    - PCG = $0.06 (gives them more cushion to meet their target of at least 10% annual total return)
    - SRE = $0.09 (reflects recent stock split, includes for both SDG&E and SoCal Gas)



Source: Wolfe Utilities & Power Research; Bloomberg

Midstream

LNG market – Australia strike risk not fully resolved yet

- Today, workers at CVX's two LNG facilities in Australia voted to endorse strikes without a deal. Workers must give 7 days of notice prior to taking action.
    - CVX's facilities account for 5% of global LNG supply
- Recall, Woodside Energy came to a preliminary agreement with its workers last week

There's still some uncertainty this week on how the issues will be resolved and so global gas prices could be volatile. While Cheniere (LNG) has minimal fundamental exposure to near-term gas prices, the stock tends to trade somewhat with global pricing.

Midstream of Consciousness - Anyone want to talk M&A? ET joins an elite group, mixed activity data, and the MLP index dilemma

In this week's Midstream of Consciousness, we discuss:

- Midstream consolidation as a key theme and our views on M&A going forward;
- The midstream yield + credit value proposition after S&P upgraded ET to BBB with the CEQP acquisition;
- Recent production data from the EIA's drilling and productivity report;
- Our views on what VettaFi is going to do with the midstream indices if pending deals close; and
- Lastly, we add ET-CEQP to our weekly merger arb spread tracker

See full report for **here** for more

Clean Energy

Wolfe Green Playbook – PLUG tour in GA; Insider sales trends; More color on SEDG comments

- **We attended PLUG's investor visit to their Peachtree green hydrogen facility in Georgia**
  - Facility looks good
  - PLUG needs to set targets they can meet
  - Hydrogen PTC update – now saying October
- **Clean Energy insider trends – still selling, very little buying**
  - FSLR is notable for both the number of transactions and aggregate proceeds; BE is a close second
  - NEE and AES insiders are putting their money where their mouths are
- **SEDG comments in Reuters interview needed more context**
  - The potential price cuts mentioned in the article would not be demand-driven
  - 50%-60% was the level of demand growth that European distributors were anticipating
  - Prices may resume their natural decline trend due to falling input costs, not necessarily due to lower demand
- See full report **here** for more

Wolfe Events

September 14: American Water Works virtual Non-deal Roadshow in Australia
September 18-19, 21: NiSource Non-deal Roadshow in New York/Boston
September 26: CEO panel with CMS & PEG at GLIO Conference in New York
September 27-29: Wolfe Research Utilities, Midstream & Clean Energy Conference; click **here**to request 1x1 meetings (8/29 deadline); click **here** to book your room in our hotel block (please book by 8/28)
November 28-29: Fortis virtual non-deal roadshow in Australia

Recent Popular Reports

Wolfe Clean Energy Initiation
Utilities Top 10 for 2023
Midstream Top 10 for 2023
Clean Energy Top 10 for 2023
Power Supply Outlook 2022
Wolfe Hydrogen Primer
Wolfe Resi Solar Primer
Utility Proxy Review
Midstream Proxy Review
Clean Energy Proxy Review
Utilities Earnings Accountability
Utilities Credit Metrics Outlook
Midstream Credit Metrics Outlook
Utility Pension Review
Midstream Leverage Report
Wolfe Utilities Primer
Wolfe Midstream Primer

Calendar

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GUGGENHEIM

Power & Utilities

August 28, 2023

The Guggenheim Daily Transmission: CT, EXC/MD, LNT, PCG, AZ, NI

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Ticker	Price	Rating
EXC	40.30	Buy
LNT	50.78	Neutral
NI	26.58	Buy
PCG	16.70	Buy

Please join us for our quarterly utilities investor roundtables in NYC on Sept. 25th, and NJ on Sept. 26th, both invite details below.

Our EEI schedule has been posted, see below for full schedule including 1on1s, corporate dinners and cocktail event.

For details on our Guggenheim-hosted client Utility events including our CMS NDR, SO NDR, POR NDR, CEG NDR, PEG NDR, NI NDR, and other events, scroll down...

Please see our sector-wide note on the country's evolving regulatory jurisdictions HERE, our updated mid-year utility sector valuation analysis HERE.

Forward Power Curves, Genco MtM, and Weekly Commentary (see our note HERE)

CT – Final order issued in UIL case

EXC/MD – Additional testimony docketed in BGE case ahead of hearings

LNT – PSCW dockets written final decision on fuel reconciliation

PCG – CPUC posts evidentiary hearing transcript in Pac Gen formation and equity sale proceeding

AZ – Dissenting decision issued in Tucson Electric Power case

NI – Pennsylvania PUC approves second MA gas penalty

CT – Final order issued in UIL case

- "The Public Utilities Regulatory Authority (Authority or PURA) approves an annual revenue requirement for The United Illuminating Company (UI or Company) in the amount of $384.865 million for the rate year commencing on September 1, 2023. This represents an increase of $22.957 million to the Company's currently approved base distribution revenue requirement from which the Company had sought a $131 million increase over three years. While the Company requests a 10.20% return on equity, the Authority determines that an allowed return on equity of 9.10% is appropriate; however, the Authority reduces the allowed ROE by an aggregate 47 basis point reduction (i.e., to 8.63%), subject to certain conditions and timelines, to address performance and management issues." - PURA
- More HERE
- "We can all reach a place where UI and its investors are justly compensated for investments and efforts" -Commissioner Caron
- Commissioner commentary recapped HERE

Guggenheim takeaway: *Despite some modifications from the draft decision the data points out of this case remain overwhelmingly negative in our view, with little supportive commentary from Caron or Betkoski. Still, we believe investors may be treating this as the new baseline for the jurisdiction. As a reminder, ES intends to stay out of a rate case at CL&P through the settlement period (October 2025), with the company confident on the legal standing of the settlement in the face of any attempt by the Chair to call the company back in (to say nothing of the need for the other commissioners to flip in such a situation). Such a timeline means that a decision on any case thereafter would not come until the 2026-2027 timeframe. CL&P also retains the full utilization of its current capital tracker (~ $300M) until the next rate case proceeding. On the gas side, Yankee Gas could be called in at some point. As a reminder, we took a look at the potential ramifications of hypothetically slashing allowed ROEs for the CT utilities in our recent flash HERE, pointing to a potential*

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~$0.10-0.15 impact. Nonetheless, this UIL case doesn't help with sentiment in the state as CT continues to point to becoming a value-destructive state.

EXC/MD – Additional testimony docketed in BGE case ahead of hearings

- Additional testimony has been docketed by several parties in the ongoing BGE MYP
- More HERE

Guggenheim takeaway: *Minor FYI ahead of the hearings later this week (8/0-9/8). As a reminder, we fully expect this case to run the full length of the process (FO expected by the company on 12/14). See our prior flag of intervenor testimony HERE.*

LNT – PSCW dockets written final decision on fuel reconciliation

- "The applicant is authorized to recover the $116,783,859 for the 2022 under-collection of monitored fuel costs, plus accrued interest, by applying a surcharge to Wisconsin retail electric customer bills from October 1, 2023 through December 31, 2025." - PSCW
- More HERE

Guggenheim takeaway: *Flagged for your awareness following the earlier oral decision on the matter (8/10).*

PCG – CPUC posts evidentiary hearing transcript in Pac Gen formation and equity sale proceeding

- The CPUC had an evidentiary hearing for Pac Gen formation last week and posted the full transcript into case documents.
- The record goes through witness testimony and cross examination across the case record.
- As previously announced, PG&E would sell up to 49.9% equity in a 2.7 GW portfolio of regulated power plants (hydro, nat gas and energy storage).
- FERC previously approved the PG&E application to form the PacGen subsidiary.
- FERC Docket: EC23-38 (through search)
- At the CPUC the final date for reply briefs was moved from August 28, 2023 to October 5, 2023 (PFD 90 days after briefs)
- CPUC Docket: A2209018

Guggenheim takeaway:*FYI. PCG announced the plan to split and subsequently sell up to a 49.9% equity stake in the new-co (Pacific Generation, wholly owned sub) and by our estimates, the formation and sale could result in $1.7-2.1B in equity proceeds. Pacific Generation equity sales (noted here). FERC has effectively completed its process and the burden now shifts to the CPUC. Any strategic process would be contingent on regulatory approvals.*

AZ – Dissenting decision issued in Tucson Electric Power case

- Commissioner Anna Tovar issued a dissenting decision in TEP's (TSX:FTS) Arizona rate case.
- The commissioner opposed the 9.55% ROE as being too high and did not fully support the Purchase Power Fuel Adjustor Clause (PPFAC).
- Docket E-01933A-22-0107

Guggenheim takeaway: *We expect Commissioner Tovar to remain consistent in opposing her Republican colleagues on the commission, likely in part to continue differentiating herself from them. That said, there still remain four commissioners who, based on the final outcome of the TEP case, would seem to be taking a more pragmatic approach to utility regulation, and one more in line with other states, which we see as a positive development in the trajectory of AZ regulation, and hopefully for PNW and its AZ utility as well.* ***For more, see our note "Arizona Regulation: Drawing a Line in the Sand? Not with this Commission — Continuing Our Deep Dive in the Desert with Commissioner Myers and Commissioner Thompson" (link HERE).***

NI – Pennsylvania PUC approves second gas penalty

- The order approves a settlement with a fine and corrective actions related to excess pressure incidents at Columbia Gas of Pennsylvania.
- The incidents happened in January 2018 and spring 2018.
- This settlement calls for a $535k penalty as well as corrective actions to prevent further

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incidents.

- No customer property was damaged nor were there any explosions.
- Docket M-2021-3005572

Guggenheim takeaway: *Minor FYI but flagged for your awareness following the approval of the first settlement (and $1m fine) in an order earlier this summer.*

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Equity Research | Corporate Access

CMS Energy Corporation (CMS)

Garrick Rochow, *President & Chief Executive Officer*
Rejji Hayes, *Chief Financial Officer*

Dates & Locations

Wednesday, August 30, 2023
New York

Meeting Format

NDR - 1:1 Meetings & Group Meeting

Company Information

Market Cap: $17.7bn

CMS Energy Corp (CMS) engages in the provision of electric and natural gas activities. It operates through the following business segments: Electric Utility, Gas Utility, and NorthStar Clean Energy. The Electric Utility segment focuses on generation, purchase, distribution, and sale of electricity. The Gas Utility segment includes purchase, transmission, storage, distribution, and sale of natural gas. The NorthStar Clean Energy segment is involved in domestic independent power production including the development and operation of renewable generation and the marketing of independent power production. The company was founded in 1987 and is headquartered in Jackson, MI. (Source: FactSet)

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Equity Research | Corporate Access

Southern Company (SO)

Dan Tucker, *Chief Financial Officer*

Scott Gammill, *VP of Investor Relations & Treasurer*

Dates & Locations

September 13-15, 2023
West Coast

Meeting Format

NDR - 1:1 Meetings & Group Meeting

Company Information

Market Cap: $77.5bn

Southern Company (SO) is a holding company, which engages in the generation and sale of electricity. It operates through the following segments: Traditional Electric Operating Companies, Southern Power and Southern Company Gas. The Traditional Electric Operating Companies segment refers to vertically integrated utilities that own generation, transmission and distribution facilities, and supplies electric services in the states of Alabama, Georgia, and Mississippi. The Southern Power segment constructs, acquires, owns, and manages generation assets such as renewable energy projects and sells electricity in the wholesale market. The Southern Company Gas segment distributes natural gas through natural gas distribution facilities in the states of Illinois, Georgia, Virginia, New Jersey, Tennessee, and Maryland. The company was founded on November 9, 1945, and is headquartered in Atlanta, GA. (Source: FactSet)

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Equity Research | Corporate Access

Portland General Electric Company (POR)

Joseph Trpik, *Chief Financial Officer*
Nick White, *Investor Relations*

Dates & Locations

September 18, 2023
New York

Meeting Format

NDR - 1:1 Meetings & Group Meeting

Company Information

Market Cap: $4.75bn

Portland General Electric Co (POR) engages in the generation, wholesale purchase, transmission, distribution, and retail sale of electricity in the state of Oregon. The firm also sells electricity and natural gas in the wholesale market to utilities, brokers, and power marketers. It also serves residential, commercial and non-residential customers. The company was founded by Edward L. Eastham and Parker F. Morey in 1888 and is headquartered in Portland, OR. (Source: FactSet)

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Utilities Investor Discussion

Please join Shar Pourreza for the quarterly utilities investor discussion on Monday, September 25th

Dates & Time

Monday, September 25, 2023
5:30PM ET

Location

New York
TBA

Participating Guggenheim Analyst

Shar Pourreza, *Senior Managing Director, Equity Research Analyst – Power & Utilities*

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Utilities Investor Discussion

Please join Shar Pourreza for the quarterly utilities investor discussion on Tuesday, September 26th

Dates & Time

Tuesday, September 26, 2023
6:00PM ET

Location

New Jersey
TBA

Participating Guggenheim Analyst

Shar Pourreza, *Senior Managing Director, Equity Research Analyst – Power & Utilities*

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Equity Research | Corporate Access

Constellation Energy Corporation (CEG)

Dan Eggers, *Chief Financial Officer*

Emily Duncan, *Vice President, Investor Relations*

Dates & Locations

October 2 - 3, 2023
West Coast

Meeting Format

NDR - 1:1 Meetings

Company Information

Market Cap: $33.9bn

Constellation Energy Corp (CEG) engages in the generation, supply, and marketing of clean energy electricity, and renewable energy products and solutions. It operates under the following geographical segments: Mid-Atlantic, Midwest, New York, Texas, and Other Power Regions Segment. The company is headquartered in Baltimore, MD. (Source: FactSet)

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GUGGENHEIM



Save the Date: 58th EEI Financial Conference

Dates

November 12 - 14, 2023

Location

JW Marriott Desert Ridge
Phoenix, AZ

Company Dinners (Hosted by Guggenheim)

Sunday, November 12, 2023

5:30 p.m. | Cocktail Reception with full Guggenheim Securities Team & corporate utility clients
Bar Twenty6 at the JW Marriott
5350 E Marriott Dr, Phoenix, AZ 85054

6:30 p.m. | Dinner with **Duke Energy Corp (DUK)** CEO, CFO, and others
Spiga — 7500 E Pinnacle Peak Rd, Scottsdale, AZ 85255

Monday, November 13, 2023

6:30 p.m. | Dinner with **Entergy (ETR)** CEO, CFO, and others
Spiga — 7500 E Pinnacle Peak Rd, Scottsdale, AZ 85255

Tuesday, November 14, 2023

6:00 p.m. | Dinner with **WEC Energy Group (WEC)** CEO, CFO, and others
Ocean Prime — 5455 E High St, Phoenix, AZ 85054

Company Meetings

More Utilities may be added and we will update schedule accordingly

Sunday, November 12th	
Time	*Co.*
9:00AM	SRE
10:00AM	WEC
11:00AM	LNT
1:00PM	ED
2:00PM	NI
3:00PM	CNP
4:00PM	AWK
5:00PM	AEP

Monday, November 13th	
Time	*Co.*
8:00AM	PCG
9:00AM	PEG
9:00AM	ALE
10:00AM	PNW
11:00AM	DTE
12:00PM	CMS
1:00PM	PPL
2:00PM	FE
3:00PM	AVA
4:00PM	D
5:00PM	ES

Tuesday, November 14th	
Time	*Co.*
8:00AM	EVRG
9:00AM	EIX
11:00AM	EXC
12:00PM	OGE
1:00PM	SO
2:00PM	NWE
3:00PM	NEE
4:00PM	AEE

Participating Guggenheim Analyst

Shar Pourreza, *Senior Managing Director, Senior Equity Research Analyst – Power & Utilities*

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Guggenheim 2023 Client and Corporate Access Utility Events

Ticker	Dates	Regions
EIX	*1/10 & 1/11*	Boston & New York
Commissioner Roundtable Event	*1/20*	In Person at Guggenheim
2023 Utilities Conference Call	*1/23*	Dial-In
Virginia Policy Call	*2/7*	Dial-In
Wisconsin Regulatory Call (Chair Valcq)	*2/9*	Virtual
WEC	*2/14–2/16*	West Coast
Wisconsin Regulatory Call (Commissioner Huebner)	*2/17*	Virtual
Arizona Regulatory Call (Commissioners Myers and Thompson)	*2/27*	Virtual
DUK	*3/7-3/8*	NYC
NEE	*3/14-3/16*	West Coast
AEE	*3/22*	Virtual
ERCOT Policy Call	*3/31*	Virtual
PPL	*4/3–4/4*	Boston
EXC	*5/15–5/16*	NYC
AEP	*5/17*	In Person at Guggenheim
CNP C-Suite Dinner	*5/22*	Fort Lauderdale, FL
AGA Conference Meetings	*5/20–5/23*	Fort Lauderdale, FL
ETR	*6/1–6/2*	West Coast
DTE	*6/7–6/8*	NYC
PCG	*6/12*	NYC
ES	*6/22*	NYC
SMR	*6/27*	NYC
SRE	*6/28–6/30*	NYC
SO Meeting, Porsche racing, & Georgia PSC	*7/11–7/12*	Atlanta
LNT	*7/17–7/18*	Boston
PNW	*7/19–7/20*	NYC & Boston
Georgia Regulatory Call (Commissioner Shaw)	*7/24*	Virtual
AWK	*8/9–8/10*	West Coast
Arizona Regulatory Call (Commissioners Myers and Thompson)	*8/16*	Virtual
CMS	8/30	NYC
SO	9/13–9/15	West Coast
POR	9/18–9/19	NYC
NY Roundtable	9/25	NYC
NJ Roundtable	9/26	NJ
CEG	10/2–10/3	West Coast
PEG	10/9–10/12	West Coast
NI	10/17–10/20	West Coast
EEI Conference	11/12–11/14	Arizona

MORE TO BE ADDED…

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Guggenheim Comp Sheet

8/25/2023		Market	Guggenheim EPS Ests					Consensus					Δ vs Consensus (>$0.02)					Implied P/E Multiple					Prem/(Disc) vs Mid/Lg Cap Utes					'22-'27	NTM	Payout	Guggenheim		NTM Total	Consensus		NTM Total
	Price	Cap ($m)	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	EPS	Yield	Ratio	Rating	Target	Return	Rating	Target	Return
Small Cap Electric																																			
ALE	$55.77	3,201	3.70	4.17	4.56	4.87	5.07	3.68	4.05	4.31	4.83	5.05	–	0.12	0.25	0.04	–	15.2x	13.8x	12.9x	11.6x	11.1x	-10%	-12%	-12%	-16%	-15%	8.4%	5.0%	71%	Sell	$49	-7%	Neutral	$63	17%
AVA	$33.33	2,551	2.28	2.49	2.61	2.67	2.73	2.30	2.46	2.58	2.65	2.73	–	–	0.03	–	–	14.5x	13.5x	12.9x	12.6x	12.2x	-14%	-13%	-12%	-8%	-8%	5.2%	5.7%	79%	Sell	$33	5%	Sell	$40	26%
NWE	$51.24	3,077	3.42	3.55	3.75	3.91	4.08	3.42	3.54	3.74	3.86	3.98	–	–	–	0.06	0.10	15.0x	14.5x	13.7x	13.3x	12.9x	-11%	-8%	-7%	-3%	-1%	5.1%	5.1%	74%	Sell	$48	-1%	Neutral	$58	18%
POR	$43.89	4,437	2.66	3.05	3.21	3.38	3.55	2.67	3.04	3.24	3.37	3.55	–	–	–	–	–	16.4x	14.5x	13.6x	13.0x	12.4x	-2%	-8%	-7%	-5%	-5%	5.3%	4.4%	67%	Buy	$48	14%	Buy	$50	19%
		13,265																15.3x	14.1x	13.3x	12.6x	12.1x	-9%	-10%	-9%	-8%	-7%	6.0%	3.0%	73%					
Mid/Large Cap Electric																																			
AEE	$80.45	21,116	4.35	4.67	5.05	5.40	5.68	4.38	4.68	5.02	5.36	5.66	–	–	0.03	0.04	–	18.4x	17.2x	16.0x	15.0x	14.2x	9%	10%	9%	9%	10%	6.6%	3.3%	57%	Neutral	$85	9%	Buy	$89	13%
AEP	$79.33	40,869	5.30	5.64	6.00	6.39	6.81	5.26	5.59	5.97	6.32	6.71	0.04	0.05	–	0.07	0.10	15.1x	14.2x	13.3x	12.6x	11.8x	-10%	-9%	-9%	-9%	-9%	6.0%	4.4%	63%	Buy	$96	25%	Buy	$96	25%
CMS	$57.11	16,661	3.12	3.41	3.65	3.91	4.26	3.11	3.35	3.62	3.88	4.18	–	0.06	0.03	–	0.08	18.4x	17.0x	15.8x	14.7x	13.7x	9%	9%	8%	7%	5%	8.1%	3.6%	63%	Neutral	$61	10%	Buy	$65	18%
CNP	$28.22	17,763	1.50	1.61	1.73	1.87	2.03	1.50	1.62	1.73	1.87	2.01	–	–	–	–	–	18.8x	17.4x	16.3x	15.1x	14.0x	12%	12%	11%	10%	8%	9.5%	2.8%	49%	Buy	$34	23%	Buy	$32	18%
D	$48.52	40,600	3.37	3.54	3.75	4.24	4.50	3.56	3.57	3.75	4.23	4.36	(0.19)	(0.03)	–	–	0.14	13.6x	13.6x	12.9x	11.5x	11.1x	-19%	-13%	-12%	-16%	-14%	1.4%	5.6%	76%	Buy	$56	21%	Neutral	$56	21%
DTE	$104.92	21,625	6.26	6.73	7.19	7.75	8.30	6.23	6.69	7.17	7.74	8.27	–	0.04	–	–	–	16.8x	15.7x	14.6x	13.6x	12.7x	0%	0%	-0%	-1%	-2%	6.4%	3.8%	62%	Buy	$124	22%	Buy	$124	22%
DUK	$90.58	69,837	5.65	6.05	6.35	6.75	7.15	5.62	5.97	6.33	6.75	7.16	0.04	0.08	–	–	–	16.1x	15.2x	14.3x	13.4x	12.7x	-4%	-3%	-2%	-2%	-3%	6.3%	4.6%	71%	Buy	$102	17%	Buy	$101	16%
ED	$89.88	31,002	4.86	5.19	5.50	5.81	6.02	4.89	5.24	5.52	5.85	6.13	–	(0.05)	–	(0.04)	(0.11)	18.4x	17.2x	16.3x	15.4x	14.7x	9%	10%	11%	12%	13%	5.6%	3.7%	65%	Neutral	$85	-2%	Neutral	$90	4%
EIX	$69.93	26,803	4.71	4.98	5.48	5.71	6.03	4.72	5.12	5.58	5.93	6.25	–	(0.14)	(0.10)	(0.22)	(0.22)	14.8x	13.7x	12.5x	11.8x	11.2x	-12%	-13%	-14%	-14%	-14%	5.5%	4.3%	61%	Neutral	$74	10%	Buy	$74	10%
ES	$65.17	22,750	4.34	4.72	5.00	5.24	5.49	4.37	4.64	4.94	5.27	5.58	–	0.08	0.06	(0.03)	(0.09)	14.9x	14.1x	13.2x	12.4x	11.7x	-11%	-10%	-10%	-10%	-10%	6.1%	4.3%	62%	Buy	$80	27%	Buy	$80	23%
ETR	$94.80	20,046	6.71	7.16	7.76	8.31	8.97	6.69	7.18	7.71	8.24	8.85	–	–	0.05	0.07	0.12	14.2x	13.2x	12.3x	11.5x	10.7x	-16%	-15%	-16%	-16%	-17%	6.9%	4.7%	64%	Buy	$113	24%	Buy	$116	27%
EVRG	$56.89	13,061	3.65	3.97	4.24	4.47	4.75	3.63	3.95	4.22	4.42	4.66	–	–	–	0.05	0.09	15.7x	14.4x	13.5x	12.9x	12.2x	-7%	-8%	-8%	-8%	-6%	4.8%	4.5%	67%	Buy	$68	24%	Buy	$63	15%
EXC	$40.30	40,070	2.36	2.50	2.74	2.93	3.10	2.35	2.51	2.72	2.90	3.11	–	–	–	0.03	–	17.1x	16.0x	14.8x	13.9x	13.0x	2%	3%	1%	1%	-0%	6.4%	3.8%	62%	Buy	$45	15%	Buy	$45	12%
FE	$36.27	20,796	2.54	2.69	2.89	3.07	3.27	2.54	2.69	2.87	3.06	3.24	–	–	–	–	–	14.3x	13.5x	12.6x	11.9x	11.2x	-15%	-14%	-14%	-14%	-14%	6.3%	4.5%	61%	Buy	$44	26%	Buy	$42	16%
LNT	$50.78	12,833	2.90	3.08	3.27	3.50	3.67	2.89	3.08	3.29	3.47	3.67	–	–	–	–	–	17.6x	16.5x	15.4x	14.6x	13.8x	5%	5%	5%	6%	7%	6.1%	3.7%	62%	Neutral	$49	0%	Buy	$56	13%
OGE	$34.23	6,856	2.02	2.16	2.25	2.37	2.48	2.01	2.13	2.26	2.40	2.50	–	–	–	–	–	17.0x	16.1x	15.1x	14.3x	13.7x	1%	3%	3%	4%	5%	2.8%	5.0%	81%	Neutral	$36	10%	Buy	$38	10%
PCG	$16.70	34,924	1.22	1.37	1.47	1.61	1.75	1.21	1.34	1.47	1.58	1.73	–	–	–	–	–	13.8x	12.4x	11.4x	10.5x	9.7x	-18%	-21%	-22%	-23%	-26%	9.7%	1.0%	13%	Buy	$21	27%	Buy	$19	5%
PEG	$61.12	30,506	3.45	3.67	4.10	4.29	4.59	3.46	3.69	4.04	4.24	4.49	–	–	0.06	0.05	0.10	17.7x	16.6x	15.1x	14.4x	13.6x	5%	6%	3%	5%	5%	5.8%	3.9%	65%	Buy	$70	18%	Buy	$67	10%
PNW	$79.16	8,970	4.20	5.00	5.15	5.25	5.40	4.20	4.97	5.15	5.48	5.61	–	–	–	(0.23)	(0.21)	18.8x	15.9x	15.4x	14.4x	14.1x	12%	2%	5%	5%	9%	4.9%	4.5%	75%	Neutral	$83	9%	Neutral	$80	4%
PPL	$25.27	18,626	1.58	1.71	1.82	1.95	2.07	1.58	1.71	1.82	1.94	2.06	–	–	–	–	–	16.0x	14.8x	13.9x	13.0x	12.3x	-5%	-5%	-5%	-5%	-5%	8.0%	4.0%	61%	Buy	$31	27%	Buy	$30	24%
SO	$68.09	74,321	3.60	4.05	4.30	4.55	4.80	3.60	4.02	4.31	4.54	4.76	–	–	–	–	0.04	18.9x	16.9x	15.8x	15.0x	14.3x	12%	8%	8%	9%	10%	5.9%	4.2%	73%	Buy	$80	22%	Buy	$73	7%
WEC	$85.10	26,843	4.60	4.91	5.24	5.61	5.97	4.61	4.92	5.26	5.61	5.96	–	–	–	–	–	18.5x	17.3x	16.2x	15.2x	14.3x	10%	11%	10%	10%	10%	6.1%	3.8%	67%	Neutral	$94	14%	Buy	$97	9%
Mid/Lg Cap (excl. EIX, PCG)																		**16.8x**	**15.6x**	**14.6x**	**13.7x**	**13.0x**							**6.0%**	**4.1%**	**65%**					
SMID + Lg Cap		**630,143**																**16.6x**	**15.4x**	**14.4x**	**13.5x**	**12.8x**							**6.0%**		**67%**					

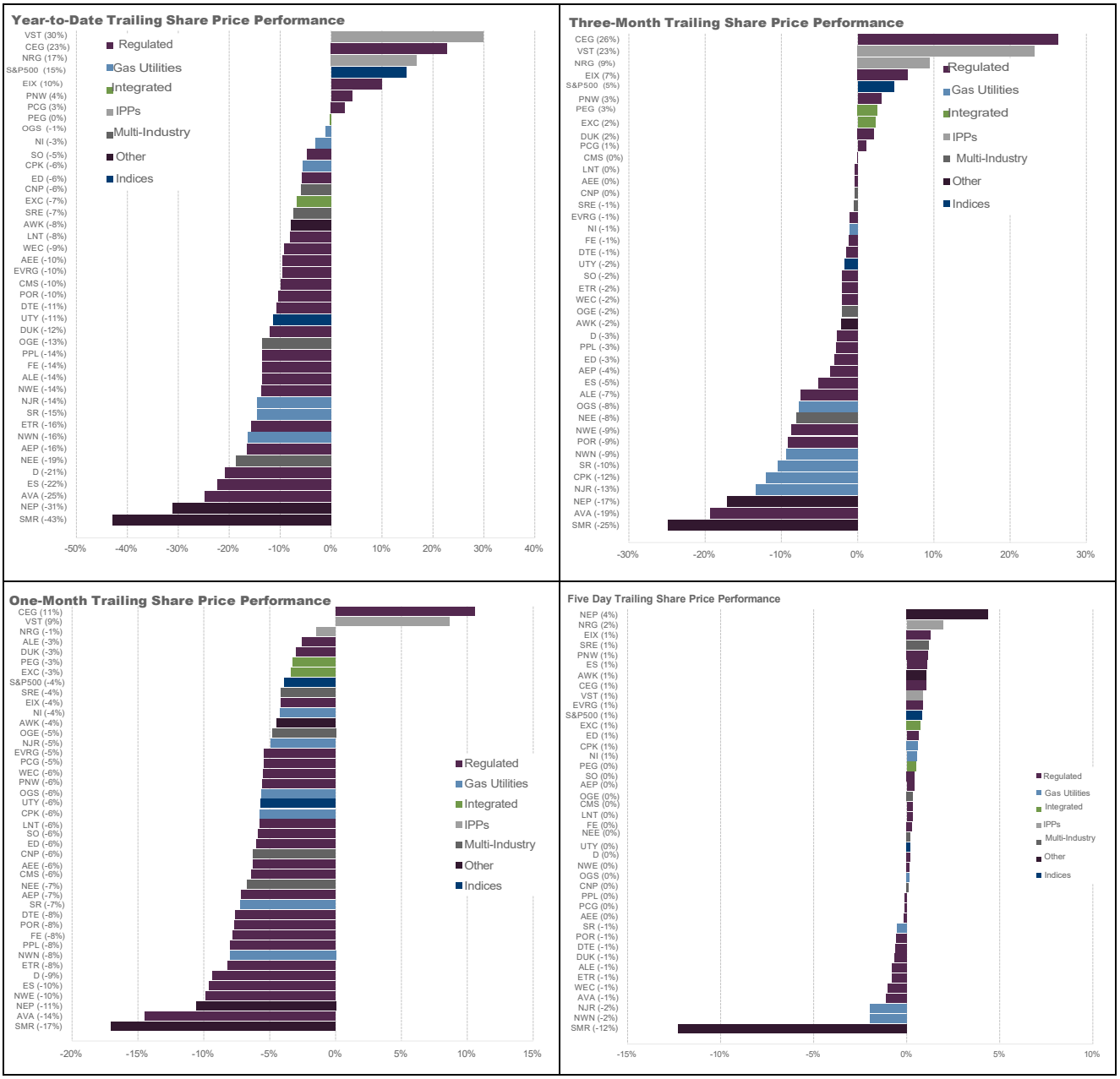
		Market	Guggenheim EPS Ests					Consensus					Δ vs Consensus (>$0.02)					Implied P/E Multiple					Prem/(Disc) vs Mid/Lg Cap Utes					'22-'27		NTM	Payout	Guggenheim		NTM Total	Consensus		NTM Total
Diversified	Price	Cap ($m)	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	EPS		Yield	Ratio			Rating	Target	Return
NEE	$67.96	137,532	3.13	3.43	3.69	3.99	4.27	3.12	3.32	3.68	4.02	4.41	–	–	0.11	–	(0.03)	(0.14)	21.8x	20.5x	18.5x	16.9x	15.4x		29%	31%	26%	23%	19%	8%	2.9%	61%	Buy	$86	29%	Buy	$89	34%
SRE	$71.56	45,033	9.00	9.50	10.13	10.80	11.71	4.49	5.08	5.47	6.56	7.02		4.51	4.42	4.66	4.24	4.69	16.0x	14.1x	13.1x	10.9x	10.2x		-5%	-10%	-11%	-21%	-21%	5%	3.8%	56%	Buy	$172	144%	Buy	$84	5%
		182,565																	**18.9x**	**17.3x**	**15.8x**	**13.9x**	**12.8x**		**12%**	**10%**	**8%**	**1%**	**-1%**	**6.5%**	**3.4%**	**58%**					
Gas LDCs																																					
NJ	$26.58	10,984	1.57	1.68	1.82	1.95	2.07	1.58	1.68	1.81	1.94	2.07	–	–	–	–	–	16.9x	15.8x	14.7x	13.7x	12.8x		0%	1%	1%	-0%	-1%	7%	3.9%	63%	Buy	$30	17%	Buy	$31	17%
CPK	$111.56	1,985	5.42	5.84	6.23	6.59	6.94	5.32	5.80	6.25	6.59	6.95	0.10	0.04	–	–	–	21.0x	19.2x	17.8x	16.9x	16.1x		25%	23%	22%	23%	24%	7%	2.2%	43%	Neutral	$112	3%	Buy	$134	20%
NJR	$42.44	4,141	2.67	2.74	2.94	3.10	3.34	2.67	2.75	2.96	3.17	3.42		–	–	–	(0.07)	(0.08)	15.9x	15.4x	14.4x	13.4x	12.4x		-5%	-1%	-2%	-2%	-4%	6%	3.9%	60%	Neutral	$47	15%	Neutral	$51	7%
NWN	$39.80	1,397	2.65	2.83	2.98	3.09	3.21	2.68	2.78	3.01	3.05	3.23		–	0.05	–	0.04	–	14.9x	14.3x	13.2x	13.0x	12.3x		-12%	-9%	-10%	-5%	-5%	5%	4.9%	71%	Neutral	$42	10%	Buy	$49	23%
OGS	$74.85	4,150	4.14	4.24	4.53	4.98	5.31	4.14	4.30	4.57	4.95	5.31		–	(0.06)	(0.04)	–	–	18.1x	17.4x	16.4x	15.1x	14.1x		8%	11%	12%	10%	9%	10%	3.6%	63%	Neutral	$73	1%	Neutral	$78	5%
SR	$58.85	3,096	4.20	4.31	4.57	4.73	4.99	4.20	4.31	4.63	4.83	5.06		–	–	(0.06)	(0.10)	(0.07)	14.0x	13.6x	12.7x	12.2x	11.6x		-17%	-13%	-13%	-11%	-11%	5%	5.1%	69%	Neutral	$65	16%	Neutral	$68	7%
		25,753																	**16.6x**	**16.0x**	**14.9x**	**14.0x**	**13.2x**		**-0%**	**2%**	**2%**	**2%**	**2%**	**6.7%**	**3.9%**	**62%**					
Regulated Water																																					
AWK	$140.42	27,335	4.84	5.14	5.59	5.98	6.45	4.81	5.14	5.59	6.05	6.46	0.03	–	–	(0.07)	–	29.2x	27.3x	25.1x	23.2x	21.7x	74%	75%	72%	69%	67%	7%	2.1%	58%	Neutral	$147	7%	Buy	$158	15%	

	IPPs	Market	Guggenheim EBITDA Ests					Consensus					Δ vs Consensus (>$20m)					Implied EV/EBITDA Multiple					Enterprise Value					'22-'25	NTM	Payout	Guggenheim		NTM Total	Consensus		NTM Total
		Price	Cap ($m)	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	Growth	Yield	Ratio	Rating	Target	Return	Rating	Target	Return
CEG		$105.87	34,047	3,150	3,451	3,509	3,346	3,804	3,492	3,959	3,831	3,780	3,875	(342)	(507)	(322)		(434)	(71)	10.9x	9.4x	9.4x	9.2x	8.6x	38,180	37,350	36,022	34,880	33,459	9.6%	1.2%	22%	Buy	$97	-7%	Buy	$109	15%
NRG		$37.16	8,514	3,181	3,122	3,126	3,042	3,107	3,039	3,173	3,230	2,827	3,032	142	(51)	(104)		215	75	5.9x	5.3x	4.8x	4.9x	4.1x	18,052	16,828	15,349	13,967	12,513	21.2%	4.3%	29%	Neutral	$34	-4%	Neutral	$41	9%
VST		$30.12	11,071	3,700	3,755	3,792	3,621	3,535	3,748	4,079	4,019	3,711	3,971	(48)	(324)	(227)		(91)	(437)	6.2x	5.7x	5.6x	6.0x	5.6x	23,419	23,252	22,678	22,234	22,192	6.8%	2.9%	25%	Buy	$31	6%	Buy	$34	15%
Other																																					
NEP		$48.30	4,513	1,837	1,977	2,143	2,325	2,471	1,930	2,161	2,375	2,459	2,526	(93)	(184)	(232)		(134)	(55)												7.8%	–	Buy	$74	61%	Buy	$77	67%
SMR		$5.85	436	(141)	(57)	8	96	n/a	(137)	(49)	10	139	485	–	–	–		(43)	–												–	–	Buy	$18	208%	Buy	$12	108%

Source: Guggenheim Securities, LLC estimates, Bloomberg LP.

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Share Price Performance (Year-to-Date, Three-Month, One-Month, & Five-Day Trailing)



(1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.

(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).

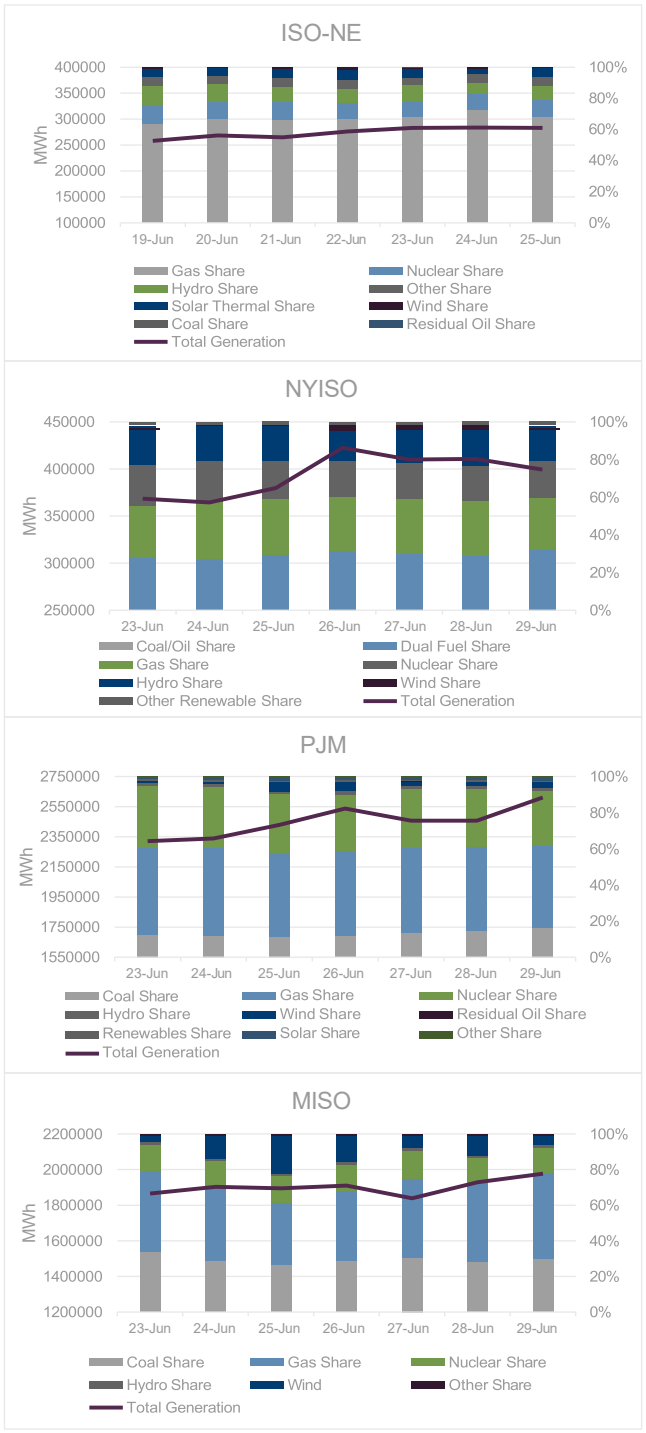
(3) Integrated utilities own and operate regulated T&D franchises, as well as un-regulated power generation with commodity exposure.

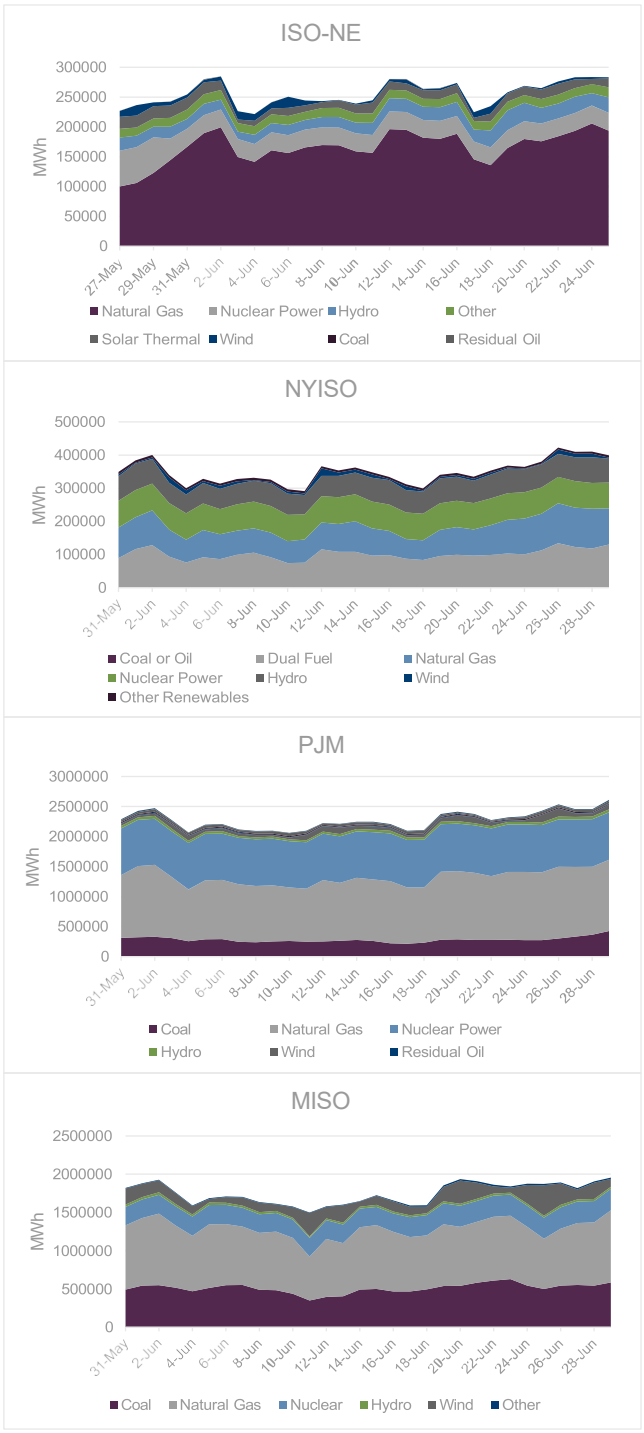
(4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.

Source: Bloomberg, Guggenheim Securities, LLC estimates.

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Generation and Mix

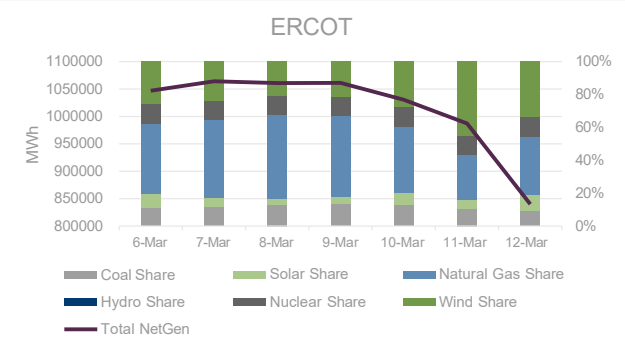


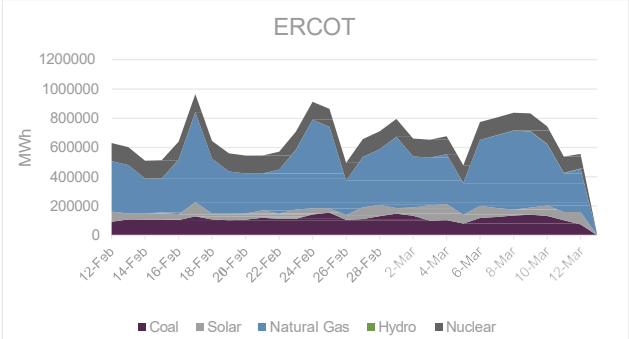


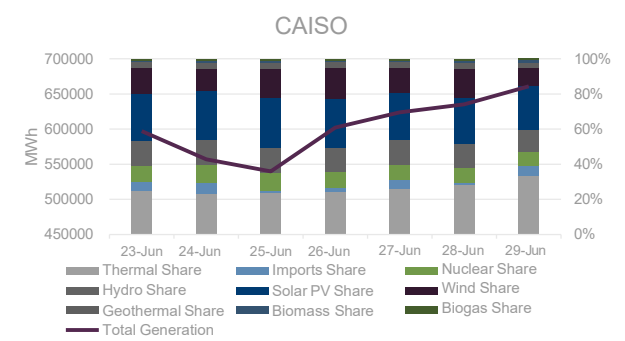
Source: S&P Global Platts, Guggenheim Securities, LLC.

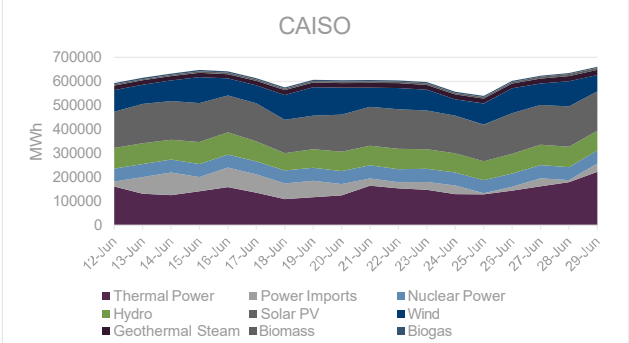
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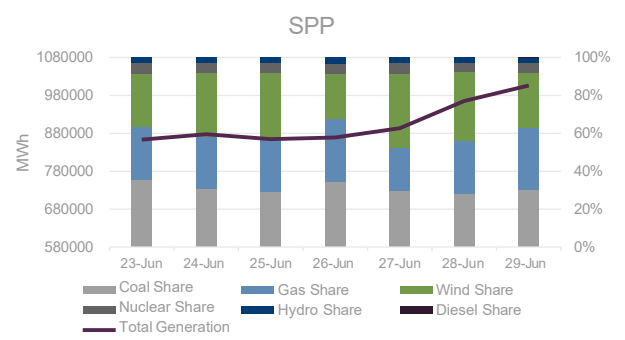
Generation and Mix (continued)

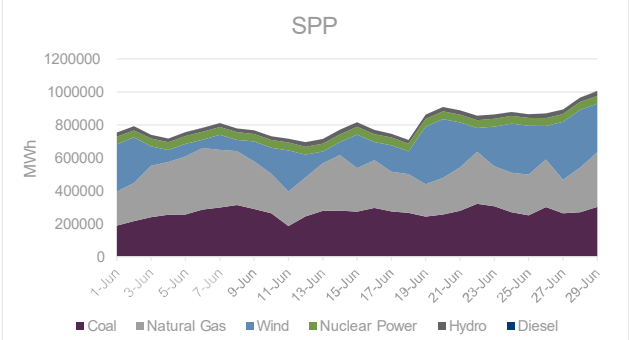








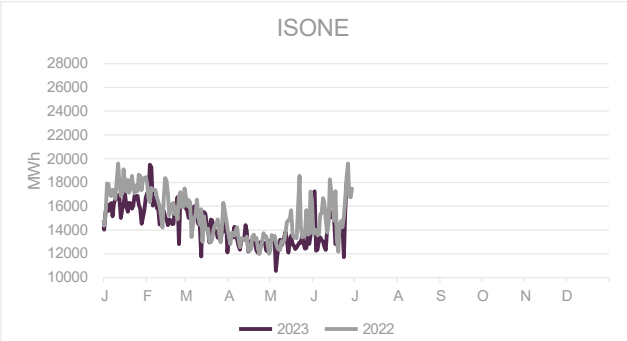


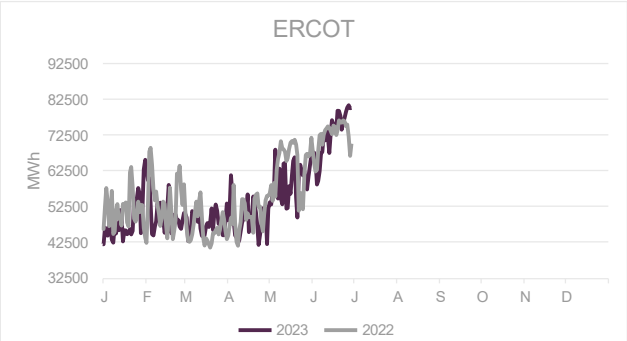


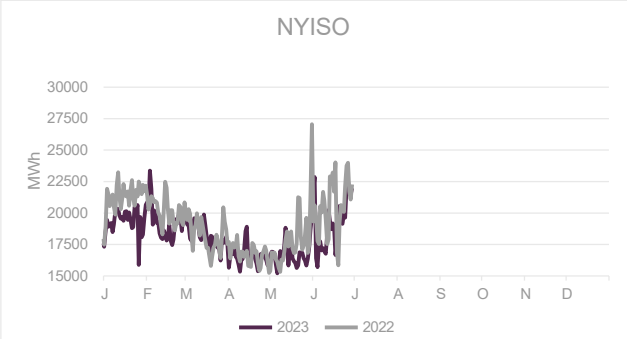
Source: S&P Global Platts, Guggenheim Securities, LLC.

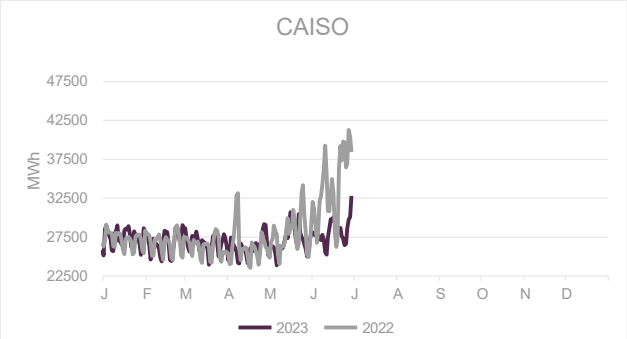
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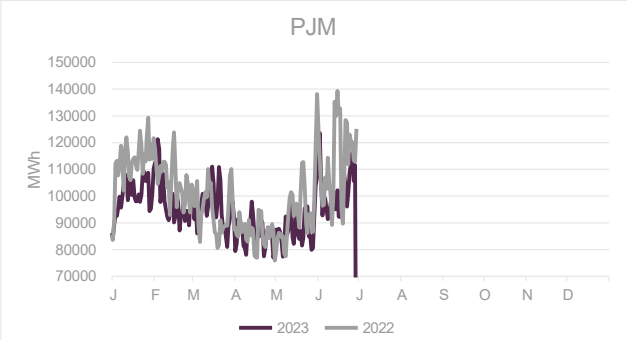
YTD Peak Load

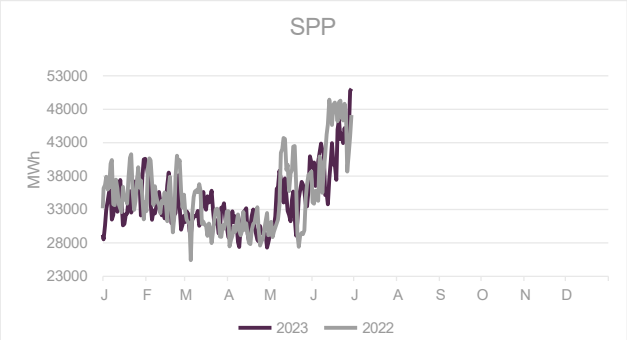


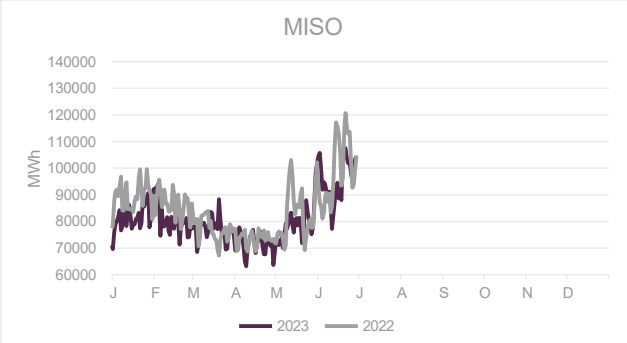












Source: S&P Global Platts, Guggenheim Securities, LLC.

Average Deviation in Peak Load vs Prior Year

RTO/ISO	2Q22	3Q22	4Q22	1Q23	2Q23
ISONE	-1.2%	5.1%	-0.9%	-4.5%	-4.3%
NYISO	-0.1%	3.5%	-0.7%	-4.5%	-3.9%
PJM	3.8%	0.2%	2.1%	-5.2%	-4.8%
MISO	5.0%	0.1%	0.7%	-4.9%	-2.7%
CAISO	1.2%	4.0%	0.3%	1.0%	-6.0%
ERCOT	19.1%	7.9%	7.4%	-1.5%	-2.6%
SPP	9.7%	5.0%	7.1%	-1.6%	-0.7%

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Regulatory Calendar

Power and Utilities: Coverage Calendar (6/6/2023-9/6/2023)

Date	State	Ticker	Utility/Event	Docket	Description
4/1/2023-6/30/2023	CA	PCG	Pacific Gas and Electric Co.	A-21-06-021 (Elec)	ALJ proposed decision expected
4/1/2023-6/30/2023	CA	PCG	Pacific Gas and Electric Co.	A-21-06-021 (Gas)	ALJ proposed decision expected
4/1/2023-6/30/2023	CA	PCG	Pacific Gas and Electric Co.	A-21-06-021 (Track 2)	ALJ proposed decision expected
5/22/2023-6/16/2023	CA	SRE	San Diego Gas & Electric Co.	A-22-05-016 (Elec)	Hearings scheduled in rate case
5/22/2023-6/16/2023	CA	SRE	San Diego Gas & Electric Co.	A-22-05-016 (Gas)	Hearings scheduled in rate case
5/22/2023-6/16/2023	CA	SRE	Southern California Gas Co.	A-22-05-016	Hearings scheduled in rate case
6/1/2023-6/30/2023	MO	AEE	Union Electric Co.	C-ER-2022-0337	Decision possible in rate proceeding
6/1/2023-6/30/2023	OH	DUK	Duke Energy Ohio Inc.	C-22-0507-GA-AIR	Decision possible in rate proceeding
6/1/2023-6/30/2023	OK	AEP	Public Service Co. of OK	Ca-PUD2022-000093	Decision possible in rate proceeding
6/1/2023-6/30/2023	VA	AEP	Appalachian Power Co.	C-PUR-2022-00150 (G-RAC)	Decision likely in G-RAC proceeding
6/1/2023-6/30/2023	VA	D	Virginia Electric & Power Co.	C-PUR-2022-00070*(RiderRGGI)	Hearing examiners report may be issued in Rider RGGI reinstatement proceeding
6/1/2023-6/30/2023	VA	D	Virginia Electric & Power Co.	C-PUR-2022-00164 (Rder US-2)	Decision likely in Rider US-2 proceeding
6/1/2023-6/30/2023	VA	D	Virginia Electric & Power Co.	C-PUR-2022-00187 (Rider OSW)	Hearing Examiners report may bee issued in Rider OSW update proceeding
6/1/2023-6/30/2023	VA	D	Virginia Electric & Power Co.	C-PUR-2022-00210 (Rider DSM)	Hearing examiner's report may be issued in Rider DSM proceeding
6/12/2023	IL	SO	North Shore Gas Co.	D-23-0068	Company rebuttal testimony due in rate proceeding
6/12/2023-6/13/2023	VA	SO	Virginia Natural Gas Inc.	C-PUR-2022-00052	Hearings scheduled in rate case
6/13/2023	DC	EXC	Potomac Electric Power Co.	FC-1176	Scheduling conference to be held in electric multiyear rate plan proceeding
6/13/2023	MI	DTE	DTE Electric Co.	C-U-21297	Staff and intervenor testimony due
6/13/2023	OR	POR	Portland General Electric Co.	D-UE-416	Staff, intervenor testimony on rates due
6/14/2023	ID	AVA	Avista Corp.	C-AVU-E-23-01	Staff, intervenor testimony due
6/14/2023	ID	AVA	Avista Corp.	C-AVU-G-23-01	Staff, intervenor testimony due
6/14/2023	IL	AEE	Ameren Illinois	D-23-0082	Company rebuttal testimony due in rate proceeding
6/14/2023	OR	POR	Portland General Electric Co.	D-UE-416	Power cost update settlement conference
6/15/2023	PA	FE	FirstEnergy Corp.		Intervenor testimony due in operating company consolidation proceedings
6/15/2023	DE	EXC	Delmarva Power & Light Co.	D-22-0897	Deadline for Delmarva to request for interim electric rates
6/19/2023-6/26/2023	NC	DUK	Duke Energy Carolinas LLC	D-E-7 Sub 1276	Hearings scheduled in rate case
6/20/2023	MD	EXC	Baltimore Gas and Electric Co.	C-9692 (EL)	Parties to file testimony in rate case
6/20/2023	MD	EXC	Baltimore Gas and Electric Co.	C-9692 (GAS)	Parties to file testimony in rate case
6/21/2023	OR	POR	Portland General Electric Co.	D-UE-416	PGE testimony on power cost update due
6/26/2023	MI	CMS	Consumers Energy Co.	C-U-21308	Briefs due in rate case
6/27/2023	IL	EXC	Commonwealth Edison Co.	D-23-0055	Company rebuttal testimony due in rate proceeding
6/28/2023	OR	POR	Portland General Electric Co.	D-UE-416	General rate revision settlement conference
6/28/2023	VA	D	Virginia Electric & Power Co.	C-PUR-2023-00022 (Rider CCR)	Intervening parties to file testimony in Rider CCR update
6/29/2023	TX	ETR	Entergy Texas Inc.	D-53719	End of agreed upon suspension period — decision may be issued in rate case
6/30/2023	MD	FE	The Potomac Edison Co.	C-9695	Rebuttal testimony due in rate case
6/6/2023	VA	D	Virginia Electric & Power Co.	C-PUR-2023-00005 (Rider E)	Staff to file testimony in Rider E update proceeding
6/7/2023	MD	NI	Columbia Gas of Maryland Inc	C-9701	Prehearing conference scheduled in rate case
6/7/2023	MD	EXC	Potomac Electric Power Co.	C-9702	Prehearing conference scheduled in rate case
6/9/2023	MD	FE	The Potomac Edison Co.	C-9695	Intervening parties to file testimony in rate case
6/9/2023	NC	DUK	Duke Energy Progress LLC	D-E-2 Sub 1300	Proposed orders and/or briefs due by
7/1/2023-7/30/2023	VA	D	Virginia Electric & Power Co.	C-PUR-2022-00070*(RiderRGGI)	Decision may be issued in Rider RGGI reinstatement proceeding
7/1/2023-7/31/2023	VA	D	Virginia Electric & Power Co.	C-PUR-2022-00187 (Rider OSW)	Decision expected in Rider OSW update proceeding
7/1/2023-9/30/2023	CA	PCG	Pacific Gas and Electric Co.	A-21-06-021 (Elec)	Commission decision expected
7/1/2023-9/30/2023	CA	PCG	Pacific Gas and Electric Co.	A-21-06-021 (Gas)	Commission decision expected
7/1/2023-9/30/2023	CA	PCG	Pacific Gas and Electric Co.	A-21-06-021 (Track 2)	Commission decision expected
7/10/2023	MI	CMS	Consumers Energy Co.	C-U-21308	Reply briefs due
7/11/2023	SC	D	Dominion Energy South Carolina	D-2023-70-G	Intervenor testimony due
7/11/2023-7/12/2023	VA	D	Virginia Electric & Power Co.	C-PUR-2023-00005 (Rider E)	Hearing scheduled in Rider E update proceeding
7/12/2023	ID	AVA	Avista Corp.	C-AVU-E-23-01	Company rebuttal testimony due
7/12/2023	ID	AVA	Avista Corp.	C-AVU-G-23-01	Company rebuttal testimony due
7/12/2023	VA	D	Virginia Electric & Power Co.	C-PUR-2023-00022 (Rider CCR)	Staff testimony due in Rider CCR update proceeding
7/14/2023	CA	SRE	San Diego Gas & Electric Co.	A-22-05-016 (Elec)	Opening briefs due in rate case
7/14/2023	CA	SRE	San Diego Gas & Electric Co.	A-22-05-016 (Gas)	Opening briefs due in rate case
7/14/2023	CA	SRE	Southern California Gas Co.	A-22-05-016	Opening briefs due in rate case
7/14/2023	KY	DUK	Duke Energy Kentucky Inc.	C-2022-00372	Deadline for decision in rate proceeding
7/14/2023	MD	FE	The Potomac Edison Co.	C-9695	Surrebuttal testimony due in rate case
7/14/2023	VA	AEP	Appalachian Power Co.	C-PUR-2023-00002	Intervening parties to file testimony in triennial review case
7/15/2023	DE	EXC	Delmarva Power & Light Co.	D-22-0897	Delmarva may implement proposed electric rate increase, subject to refund
7/15/2023-8/15/2023	VA	SO	Virginia Natural Gas Inc.	C-PUR-2022-00052	Hearing Examiners report may be issued in rate case
7/18/2023	IL	SO	Northern Illinois Gas Co.	D-23-0066	Hearing to begin in rate proceeding
7/18/2023	NC	DUK	Duke Energy Carolinas LLC	D-E-7 Sub 1276	Company updated testimony due on or before
7/18/2023-7/21/2023	MD	FE	The Potomac Edison Co.	C-9695	Hearings scheduled in rate case
7/19/2023	NC	DUK	Duke Energy Carolinas LLC	D-E-7 Sub 1276	Public Staff and intervenor testimony due by
7/21/2023	OR	POR	Portland General Electric Co.	D-UE-416	PGE reply testimony on rate revision due
7/21/2023	OR	POR	Portland General Electric Co.	D-UE-416	Staff, intervenor rebuttal testimony on power cost update due
7/24/2023	OR	AVA	Avista Corp.	D-UG-461	Settlement conference--hosted by Staff
7/25/2023	IL	AEE	Ameren Illinois	D-23-0067	Hearing to begin in rate proceeding
7/28/2023	VA	AEP	Appalachian Power Co.	C-PUR-2023-00002	Staff testimony due in triennial review proceeding
7/31/2023	MD	EXC	Baltimore Gas and Electric Co.	C-9692 (GAS)	Rebuttal testimony to be filed in rate case
7/31/2023	VA	D	Virginia Electric & Power Co.	C-PUR-2022-00162 (Rider SNA)	Decision expected in Rider SNA adjustment proceeding
7/31/2023	VA	D	Virginia Electric & Power Co.	C-PUR-2022-00210 (Rider DSM)	Decision expected in Rider DSM proceeding
7/31/2023-8/25/2023	MD	EXC	Baltimore Gas and Electric Co.	C-9692 (EL)	Rebuttal and surrebuttal testimony to be filed
7/7/2023	OR	AVA	Avista Corp.	D-UG-461	Staff, intervenor testimony due
8/1/2023	OR	POR	Portland General Electric Co.	D-UE-416	General rate revision settlement conference
8/1/2023	SC	D	Dominion Energy South Carolina	D-2023-70-G	Rebuttal testimony due
8/1/2023-8/31/2023	VA	D	Virginia Electric & Power Co.	C-PUR-2023-00005 (Rider E)	Hearing Examiner's report may be issued in Rider E update proceeding
8/10/2023	AZ	PNW	Arizona Public Service Co.	D-E-01345A-22-0144	Hearing to begin in electric rate case
8/10/2023	IL	SO	North Shore Gas Co.	D-23-0068	Hearing to begin in rate proceeding
8/10/2023-8/11/2023	PA	FE	FirstEnergy Corp.		Heairings scheduled in operating company consolidation proceeding
8/11/2023	CA	SRE	San Diego Gas & Electric Co.	A-22-05-016 (Elec)	Reply briefs due
8/11/2023	CA	SRE	San Diego Gas & Electric Co.	A-22-05-016 (Gas)	Reply briefs due
8/11/2023	CA	SRE	Southern California Gas Co.	A-22-05-016	Reply briefs due
8/11/2023	VA	AEP	Appalachian Power Co.	C-PUR-2023-00002	Rebuttal testimony due in triennial review case
8/15/2023	MI	DTE	DTE Electric Co.	C-U-21297	Briefs due in electric rate case
8/16/2023	MI	CMS	Consumers Energy Co.	C-U-21308	ALJ proposed decision expected
8/18/2023	DE	EXC	Delmarva Power & Light Co.	D-22-0897	Intervenor testimony due in electric rate proceeding
8/18/2023	OR	AVA	Avista Corp.	D-UG-461	Settlement conference--hosted by Staff
8/21/2023	IL	EXC	Commonwealth Edison Co.	D-23-0055	Hearing to begin in rate proceeding
8/21/2023	SC	D	Dominion Energy South Carolina	D-2023-70-G	Evidentiary hearings begin
8/22/2023	OR	POR	Portland General Electric Co.	D-UE-416	Staff, intervenor rebuttal testimony on rate revision due
8/22/2023	WY	D	Dominion Energy Inc.	D-30010-215-GR-23	Intervenor testimony due in gas rate proceeding
8/23/2023-8/24/2023	VA	AEP	Appalachian Power Co.	C-PUR-2023-00002	Hearings scheduled in triennial review proceeding
8/25/2023	MD	EXC	Baltimore Gas and Electric Co.	C-9692 (GAS)	Surrebuttal testimony to be filed
8/29/2023	MI	CMS	Consumers Energy Co.	C-U-21389	Staff and intervenor testimony due
8/3/2023-8/17/2023	MD	FE	The Potomac Edison Co.	C-9695	Briefs to be filed in rate case
8/30/2023-9/8/2023	MD	EXC	Baltimore Gas and Electric Co.	C-9692 (EL)	Hearings to be conducted in rate case
8/30/2023-9/8/2023	MD	EXC	Baltimore Gas and Electric Co.	C-9692 (GAS)	Hearings to be conducted in rate case
8/4/2023	NC	DUK	Duke Energy Carolinas LLC	D-E-7 Sub 1276	Company rebuttal testimony due by
8/7/2023	AZ	PNW	Arizona Public Service Co.	D-E-01345A-22-0144	Prehearing conference to be held in electric rate case
8/7/2023	IL	AEE	Ameren Illinois	D-23-0082	Hearing to begin in rate proceeding
8/7/2023	OR	AVA	Avista Corp.	D-UG-461	Avista reply testimony due
8/9/2023-8/10/2023	VA	D	Virginia Electric & Power Co.	C-PUR-2023-00022 (Rider CCR)	Hearings scheduled in Rider CCR update proceeding
9/1/2023	MI	DTE	DTE Electric Co.	C-U-21297	Reply briefs due in electric rate case
9/1/2023-9/30/2023	VA	D	Virginia Electric & Power Co.		Decision due on Phase III Grid Transformation Plan proposal
9/1/2023-9/30/2023	VA	D	Virginia Electric & Power Co.	C-PUR-2023-00022 (Rider CCR)	Hearing examiner's report may be issued in Rider CCR update proceeding
9/1/2023-9/30/2023	VA	SO	Virginia Natural Gas Inc.	C-PUR-2022-00052	Decision may be issued in rate case
9/6/2023	MD	AEP	Public Service Co. of OK	C-9695	Law judge's proposed order to be issued in rate case

Source: S&P Global Market Intelligence, Company Filings, Guggenheim Securities, LLC.

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Key Research

Guggenheim's Forward Commodity Curves

- Forward Power Curves, GenCo MtM, and Weekly Commentary

Key Research

- Arizona Regulation: Drawing a Line in the Sand? Not with this Commission — Continuing Our Deep Dive in the Desert with Commissioner Myers and Commissioner Thompson
- POR: Valuation Dislocation on Wildfire Misconception Provides Fresh Entry Point: Upgrade to BUY
- SO: Fruitful Conversation With Georgia PSC Chair: "If It Isn't Broke, Don't Fix It"
- SO: "Georgia on My Mind" While Racing Porsches - Looking Past a Few NT Potholes to LT Sunny Skies with the Right Team at the Wheel
- Lead in the Water? We Don't Think So – First Glance at Utility Related Lead (Pb) Cable Insulation Exposure
- Guggenheim Regulatory Baseline: Taking the Midyear Pulse of Our 40+ States
- Utilities: A Midsummer Night's Dream or Daydream? Making Valuation and Ratings Changes but Has Sector Thesis Changed?
- ES: Calmer Waters Ahead? Yes, But Wind and Connecticut Cross Currents Remain – Updating Our Thoughts Ahead of Imminent Wind Deal
- AEP – One Notch Victory; Even More Confidence Built – Execution Story Remains but Back on Track; Reiterate BUY on Deep Value and Regulatory Turnaround
- NRG: Management Stays the Course as Analyst Day Delivers More Guardrails on Capital Allocation
- NI: Healthy Multiple for NIPSCO 19.9% Sale in Line with Consensus Expectations; Questions Remain Around Equity Needs & Blackstone Equity Contributions
- POR: Stepping to the Sidelines as 1H23 Momentum Closes Valuation Gap, NT Catalyst Pathway Quiets, Downgrading to Neutral
- PCG NDR: If You Declare It, They Will Come
- POR: Initial Testimony Points to a Slightly Wider Bid-Ask
- DTE – 2023 Electric Rate Case Gets Direct Testimony; 50-60% of Ask Revenue Recommendation, Details Show Normal Bid-Ask, ROE Shows Slight Uptick
- DTE NDR – Constructive Discussion on Upside Trends; 2023 Headwinds Language Softened, Regulatory Alignment in Progress
- DUK: Disappointing Transaction Valuation But A Clearing Event Nonetheless; Focus Shifts To NC Rate Case Conclusions
- CNP – Mgmt. Engagement, Regulatory Alignment and Capex Upsides Could Further Differentiate CNP; Upgrading to Buy on a Selective Premium Call, $32PT
- PNW – Staff Files Constructive Testimony, Just Like Last Rate Case; All Eyes on Aug/Sept ACC Hearings While We Remain More Constructive on AZ Overall
- FE – Meeting with FE's New CEO Reinforces Our Confidence in the Existing Plan, No Rebasing Ahead – Bear Calls Won't Likely Work, Remains Our Best Idea
- CEG/NRG: STP Transaction Embodies the Tectonic Rift in IPP Strategies – Deal Supports Our BUY Stance on CEG; Neutral Stance on NRG
- PCG Analyst Day: Digging for Gold in All the Right Places; Investor Day Highlights Tangible Risk Reduction and Stakeholder Buy-In
- ES: Gets Offshore Sale Process in Motion
- AGA 2023 Recap: Acquisitions, Guidance and Growth Dominate Discussion
- AEP – Now TX?? Yes, EPS Trajectory Intact but These Misses Are Becoming Hard to Digest for Anyone – Questions Surround Regulatory Affairs Naiveté
- AEP NDR: Death By 1,000 Cuts? No. Despite Some Stumbles Out of the Gate, CEO Very Honed In; Focus on Execution and B/S Dominates Conversations
- EXC NDR: Post-AEE Selloff Gets Interesting as the Pathway to a Boring Story Runs Through Illinois
- NRG: Hotel NRG - You Can Check Out Anytime You Like but You Can Never Leave… Activist Points Make Sense to Us but Pathways Forward Unclear
- IL: Staff Direct Testimony Sets Disappointing Floor in MYP Bid-Ask vs. Investor Expectations
- ETR – ETR-TX Settlement Filed Resolving Most Issues; 9.57% ROE, 51.21% ER and Full Rate Base Approval
- NEP: NEP Announces Strategic Steps to Minimize Equity; LT Platform Positioning
- Quarterly Weather Review: Cloudy With a Chance of Lower EPS
- Rising Debt Costs a Problem? Nah, Fake It Till You Make It
- AEP: No Surprise, KY Deal Breaks – Clearing Event
- Guggenheim Nuclear Conference Wrap: If You Build It, They Will Come?
- NEP: CEPF and Near-Term Financing Drilldown – Headwinds? Yes. Distribution Reset? Unlikely. Share Weakness Unwarranted; Bear Calls Flawed

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- ERCOT: Policy Call Reinforces Uphill View on Repricing as TX Legislature Mulls Resource Adequacy Tweaks
- AEE NDR: Bread and Butter Utility Update Underscores Ameren's Premium Attributes
- NEE NDR: Management Continues to Chop Through IRA Upside Opportunities but Baseline Remains Conservative; Headline Hurdles Require Time
- ES: What Are the Bears Playing for Now? The Dislocation to Group Getting Out of Hand
- SRE: Port Arthur Reaches FID, Few Holdovers with Project Equity, but Economics Are Broadly Accretive
- SMR: 2023 to See Slightly Heightened Cash Usage as Focus Remains on Execution
- DUK: CEO NDR – How to Strengthen the Balance Sheet Without a "Rip-the-Band-Aid-Off" Equity Scenario? Patience.
- PEG Analyst Day – Straight Talking with PEG; Mgmt. Backs Up Sustainable 5-7% EPS Growth with Room to Exceed
- SRE: PUCT Modifies Oncor PFD, Approves Oncor Rate Case; 9.7% ROE and 42.5% Equity Ratio – Above Our Expectation
- Arizona Regulation: Taking a Deep Dive in the Desert — New Commissioners Bring a Wealth of Experience, Insights, and Planned Improvements to the ACC
- PNW: APS Wins Appeal of 2019 Rate Case's Penalty ROE and SCR Disallowance — Arizona Supreme Court May Be Next
- VST: Sensible Transaction and Organizational Realignment Look to Freeze the Melting Ice Cube Argument
- Deal or No Deal? Taking the Pulse of Fuel Deferrals Across Our Coverage Universe
- PJM: How Low Can You Go? Residualization of the BRA Marches On…
- D: Legislative Breakthrough Yields a Deal; Focus Turns to Credit Repair
- AEP: Contracted Renewables Sale Above Our Expectations
- LNT: Cleanup in Aisle 4? PSCW's Damage Control Proves Effective: Upgrading to NEUTRAL
- PSCW: Conversation with Chair Valcq Strikes a Balanced Tone
- D: Halftime in Richmond as Multiple Bills Advance
- D: SB1265 Amended Ahead of Crossover Deadline Tomorrow
- FE – The Same Board Who Set The Current Strategic Plan Is Also Picking The CEO… Follow-Up Thoughts Post Our Mgmt. Call
- FE – Rebase Coming? No. Asset Sale Delay? No. New CEO Strategy Shift? No. Balance Sheet Concerns? No. More Growth Opps? Yes. FE Remains '23 Best Idea
- D: General Assembly Sausage-Making Enters Full Swing as Lawmakers Continue to Cement the Bid-Ask
- D: Key Bills Pass Out of Senate Committee
- Commissioners Roundtable Recap: Regulators Remain Level-Headed Amid Rate Volatility and the Grid Transition
- 2023 Utility Outlook: Magic Mirror on the Wall, Who Is the Fairest One of All?
- D: New Legislation Proposes Novel Option for OSW Stake Sale – Mosaic Pieces Continue to Form a Clearer Picture
- ETR – LPSC Votes on Modified Settlement Proposal with Customer Benefits, but Recognition of Hurricane Cost Prudency
- D: Opening Move in Richmond: Evolutionary Legislation Lays Path Forward

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ANALYST CERTIFICATION

By issuing this research report, each Guggenheim Securities, LLC ("Guggenheim Securities") research analyst whose name appears in this report hereby certifies that (i) all of the views expressed in this report accurately reflect the research analyst's personal views about any and all of the subject securities or issuers discussed herein and (ii) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst.

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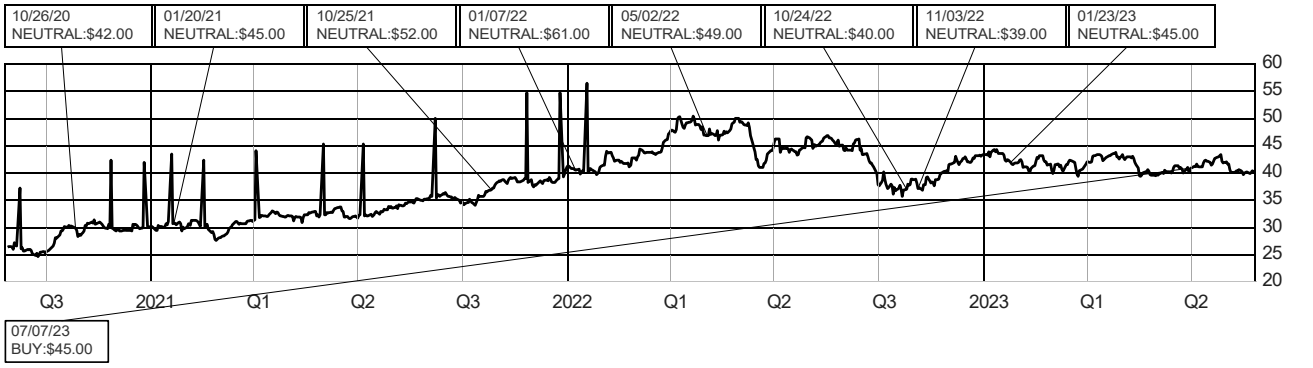
Guggenheim Securities, LLC or its affiliates expect(s) to receive or intend(s) to seek compensation for investment banking services from Exelon Corporation, Alliant Energy Corporation, NiSource Inc. and PG&E Corporation in the next 3 months.

Guggenheim Securities, LLC or its affiliates received compensation for investment banking services from PG&E Corporation during the past 12 months.

Guggenheim Securities, LLC makes a market in the securities of PG&E Corporation.

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Rating and Price Target History for: Exelon Corporation (EXC) as of 08-25-2023



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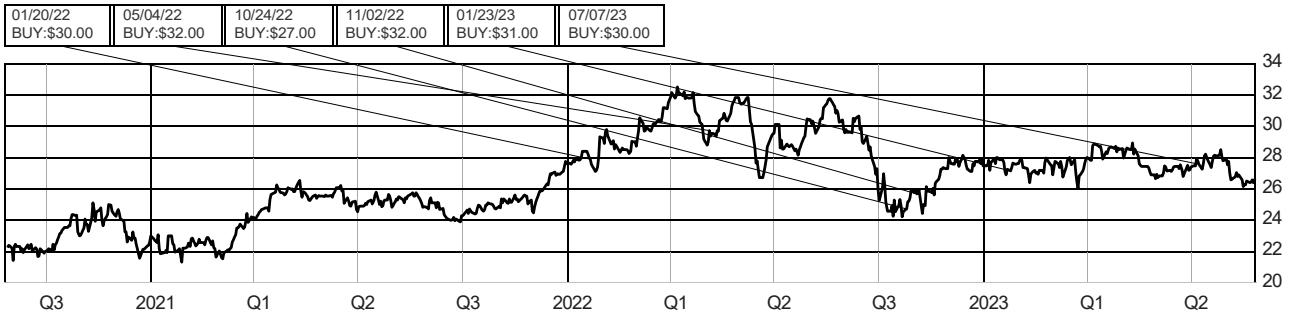
Rating and Price Target History for: Alliant Energy Corporation (LNT) as of 08-25-2023



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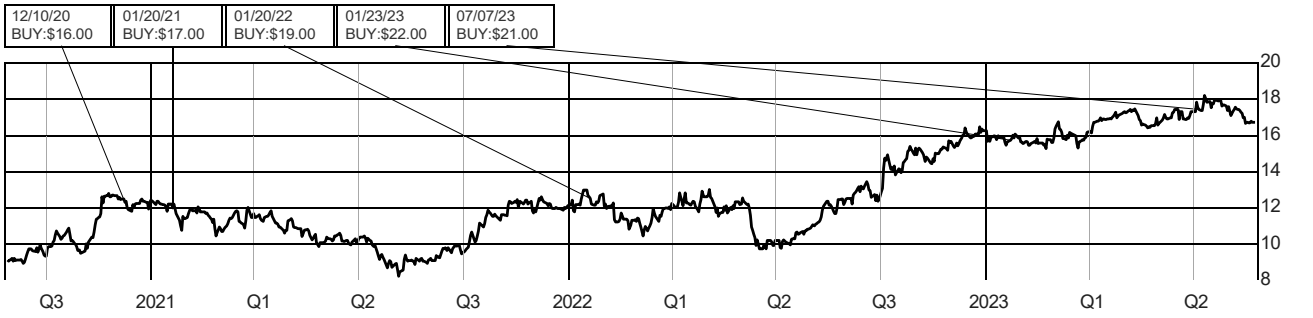
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Rating and Price Target History for: NiSource Inc. (NI) as of 08-25-2023



Created by: BlueMatrix

Rating and Price Target History for: PG&E Corporation (PCG) as of 08-25-2023



Created by: BlueMatrix

RATINGS EXPLANATION AND GUIDELINES

BUY (B) - Describes stocks that we expect to provide a total return (price appreciation plus yield) of 10% or more within a 12-month period.

NEUTRAL (N) - Describes stocks that we expect to provide a total return (price appreciation plus yield) of between plus 10% and minus 10% within a 12-month period.

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US Utilities

2Q 2023 Earnings Wrap

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Mild Weather; Guidance Questions

Overall, 2Q'23 was challenging for the utility space. Utilities beat consensus estimates by 3%, on average, however consensus was significantly lowered prior to reporting season. Investor sentiment in the space was broadly negative as half year results were impacted by significantly milder than normal weather across the first half of the year, and a challenging path was seen for most companies back to annual guidance midpoints. Equity income fund flows in July were ($3.5)Bln making the trailing 3 month average ($4.1)Bln the worst we have seen in 15 years. We think the group could set up for a more positive backdrop in the back end of the year for four reasons: (1) September will be a significant month of management interaction with the Street as conference season restarts; (2) utilities could catch a defensive bid as the year moves into 4Q and investors seek to protect alpha; (3) 3Q has exhibited significantly warmer than normal weather across broad swaths of the country, and results could be better than anticipated, removing any concerns about achieving annual guidance; (4) the capex roll forwards at the EEI conference and into the year end reporting cycle in 2024 are likely to be positive as a result of the IRA driven upside particularly in '25/26+.

Power Beats Drive Performance

Power stocks beat numbers in the quarter significantly, with CEG beating by 47%, NRG beating by 7%, and VST beating by 11%. CEG and VST also increased guidance for the full year, which is rare prior to 3Q results and expresses confidence in the summer so far given the hot weather/higher volumes dynamic. CEG raised guidance $400mln to $3.3-$3.7Bln for the year, and VST increased the low end of their guidance range by $200mln to $3.6-$4.0Bln. NRG indicated that they were tracking to the high end of their range, but left guidance unchanged at ~$3.1-$3.3Bln. Both CEG and NRG indicated that the STP stake sale would close by year-end, but we see the balance of risks to that deal being delayed by the ROFR lawsuit with NRG rather than CEG. CEG could redeploy cash to buybacks during any delay, while NRG's ~$1.6Bln in proceeds necessary for their ~$1.0Bln in buybacks this year would get pushed out. Vistra also discussed the tightening of the ERCOT grid due to the significantly hot weather over the last couple of weeks as wind power has fallen off some. If the warm weather continues and the grid experiences emergency conditions the benefits are likely to VST's favor given they are net long generation, and could present risks for NRG, given they could be net short. Vistra also lowered the debt issuance required for the Energy Harbor acquisition to $1-$1.5Bln versus $2.6Bln previously as cash has returned to the balance sheet on return of collateral as hedges have settled.

Asset Sales Continue to Cool, Balance Sheets a Go Forward Touch Point

In our 2Q earnings preview, we highlighted that we believe asset sales would remain challenging, and reporting season has only reinforced that view. Dominion didn't give any updates on their strategic review, and we still are awaiting a date for the analyst day. Duke indicated on their call that they were not buyers of assets in the near term. The STP stake sale is now contending with a ROFR lawsuit and ES still is trying to get to the finish line around its sale of offshore wind. Balance sheets remain challenged for a good part of the sector. Eventually asset sales will have to come to fruition or equity issuance for balance sheet repair could be a headwind in 2024 to the growth upside and reduction in customer bill pressures from the IRA that we expect.

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Figure 1: 2Q 2023 Earnings Results

US Companies in US$			Quarterly					Annual					
Company	Ticker	Scheduled Reporting Date	2Q'23E UBS	2Q'23E Consensus	UBS vs. Consensus	UBS Confidence Indicator[1]	2Q'22A Adjusted	2023E UBS	2023E Consensus	UBS vs. Consensus	Trailing 12 Month	2022A	2023E Guidance
ELECTRIC UTILITIES													
AES Corp	AES	Reported	$0.21A	$0.23	($0.02)		$0.34A	$1.71	$1.71	$0.00	$1.56	$1.67	$1.65-$1.75
Alliant Energy	LNT	Reported	$0.64A	$0.58	$0.06		$0.63A	$2.90	$2.89	$0.01	$2.60	$2.80	$2.82-$2.96
Ameren Corp	AEE	Reported	$0.90A	$0.79	$0.11		$0.80A	$4.36	$4.36	($0.01)	$3.95	$4.14	$4.25-$4.45
American Electric Power	AEP	Reported	$1.13A	$1.13	($0.00)		$1.20A	$5.25	$5.27	($0.02)	$5.00	$5.09	$5.19-$5.39
CenterPoint Energy	CNP	Reported	$0.28A	$0.27	$0.01		$0.31A	$1.51	$1.49	$0.03	$0.87	$1.17	$1.48-$1.50
CMS Energy	CMS	Reported	$0.75A	$0.70	$0.05		$0.53A	$3.12	$3.10	$0.02	$2.39	$2.89	$3.06-$3.12
Consolidated Edison	ED	Reported	$0.61A	$0.61	$0.00		$0.64A	$4.93	$4.85	$0.08	$3.69	$4.57	$4.85-$5.00
Dominion Energy	D	Reported	$0.53A	$0.47	$0.06		$0.77A	$3.83	$3.82	$0.02	$3.41	$4.10	N/A
DTE Energy	DTE	Reported	$0.99A	$0.88	$0.11		$0.88A	$6.26	$6.21	$0.04	$4.66	$5.62	$6.09-$6.40
Duke Energy	DUK	Reported	$0.91A	$0.98	($0.07)		$1.14A	$5.63	$5.63	$0.00	$5.01	$5.27	$5.55-$5.75
Edison International	EIX	Reported	$1.01A	$0.95	$0.06		$0.94A	$4.71	$4.73	($0.02)	$4.52	$4.63	$4.55-$4.85
Emera Inc (C$)	EMA-TSE	11-Aug	$0.60A	$0.61	($0.01)		$0.59A	$3.29	$3.20	$0.09	$2.53	$3.03	N/A
Entergy Corp	ETR	Reported	$1.84A	$1.68	$0.16		$1.78A	$6.65	$6.71	($0.06)	$6.81	$6.42	$6.55-$6.85
Evergy, Inc	EVRG	Reported	$0.81A	$0.77	$0.04		$0.86A	$3.65	$3.63	$0.01	$3.94	$3.71	$3.55-$3.75
Eversource Energy	ES	Reported	$1.00A	$0.91	$0.09		$0.86A	$4.36	$4.36	($0.00)	$3.70	$4.05	$4.25-$4.43
Exelon Corp	EXC	Reported	$0.41A	$0.40	$0.01		$0.44A	$2.36	$2.36	$0.00	$2.03	$2.27	$2.30-$2.42
FirstEnergy Corp	FE	Reported	$0.47A	$0.45	$0.02		$0.53A	$2.59	$2.54	$0.05	$2.27	$2.41	$2.44-$2.64
Fortis Inc (C$)	FTS-TSE	Reported	$0.62A	$0.62	0.00		$0.57A	$2.97	$3.00	($0.03)	$2.62	$2.78	N/A
NextEra Energy	NEE	Reported	$0.88A	$0.88	$0.00		$0.81A	$3.13	$3.11	$0.02	$3.05	$2.90	$2.98-$3.13
NiSource Inc.	NI	Reported	$0.11A	$0.12	($0.01)		$0.12A	$1.57	$1.57	($0.00)	$0.72	$1.46	$1.54-$1.60
OGE Energy Corp	OGE	Reported	$0.44A	$0.44	($0.00)		$0.36A	$2.01	$2.00	$0.01	$2.30	$3.32	$1.93-$2.07
PG&E Corp	PCG	Reported	$0.23A	$0.25	($0.02)		$0.25A	$1.23	$1.21	$0.01	$1.05	$1.10	$1.19-$1.23
Pinnacle West Capital Corporation	PNW	Reported	$0.94A	$1.16	($0.22)		$1.45A	$4.20	$4.19	$0.02	$5.28	$4.26	$3.95-$4.15
PPL Corporation	PPL	Reported	$0.29A	$0.32	($0.03)		$0.30A	$1.60	$1.58	$0.02	$1.31	$2.40	$1.50-$1.65
Public Service Enterprise Group	PEG	Reported	$0.70A	$0.63	$0.07		$0.64A	$3.46	$3.44	$0.01	$2.77	$3.47	$3.40-$3.50
Sempra Energy	SRE	Reported	$1.88A	$1.74	$0.14		$1.98A	$8.98	$9.00	($0.02)	$8.04	$9.21	$8.60-$9.20
Southern Company	SO	Reported	$0.76A	$0.75	$0.01		$1.07A	$3.65	$3.60	$0.05	$3.38	$3.60	$3.55-$3.65
WEC Energy Group	WEC	Reported	$0.92A	$0.85	$0.07		$0.91A	$4.62	$4.61	$0.01	$3.52	$4.46	$4.58-$4.62
Xcel Energy	XEL	Reported	$0.52A	$0.57	($0.05)		$0.60A	$3.35	$3.37	($0.02)	$3.03	$3.17	$3.30-$3.40
Average			**$0.74**	**$0.72**	**$0.02**	**3.0%**	**$0.77**	**$3.72**	**$3.71**	**$0.01**	**$3.31**	**$3.65**	
WATER UTILITIES													
American States Water	AWR	Reported	$1.04A	$0.78	$0.26		$0.54A	$3.16	$2.77	$0.39	$2.12	$2.55	N/A
American Water Works Company	AWK	Reported	$1.44A	$1.31	$0.13		$1.20A	$4.79	$4.78	$0.01	$4.55	$4.51	$4.72-$4.82
California Water	CWT	Reported	$0.17A	$0.50	($0.33)		$0.36A	$1.90	$1.75	$0.14	$0.96	$1.96	N/A
Essential Utilities	WTRG	Reported	$0.34A	$0.34	$0.00		$0.31A	$1.88	$1.86	$0.02	$1.73	$1.77	$1.85-$1.90
SJW Group	SJW	Reported	$0.58A	$0.56	$0.02		$0.39A	$2.47	$2.47	($0.00)	$2.28	$2.06	$2.40-$2.50
Average			**$0.71**	**$0.70**	**$0.02**	**2.2%**	**$0.56**	**$2.84**	**$2.73**	**$0.11**	**$2.33**	**$2.57**	
IPPS - Adjusted EBITDA not EPS	**US$mlns**												
Constellation Energy	CEG	Reported	$1,031A	$701	$330		$603A	$3,129	$3,116	$13	N/A	$2,667	$2,900-$3,300
NRG Energy	NRG	Reported	$819A	$763	$56		$358A	$3,062	$3,085	($23)	N/A	$1,754	$3,010-$3,250
Vistra Energy	VST	Reported	$1,008A	$907	$101		$761A	$3,699	$3,590	$109	N/A	$3,115	$3,400-$4,000
Average			**$953**	**$790**	**$162**	**20.5%**	**$574**	**$3,297**	**$3,264**	**$33**		**$2,512**	

1. UBS Confidence Indicator: Green = high confidence in estimate vs. consensus; Red = low confidence in estimate vs. consensus; Yellow = mid confidence in estimate vs. consensus

Source: FactSet, company filings, UBS Equity Research

Source: Factset, Company Earnings Releases, UBS Equity Research Estimates

AES Corp.

Results came in mixed with EPS in-line and Adjusted EBITDA potentially as well but unclear if investors continued to re-orient to the new metric. Management reminded investors on the call that 75% of EPS is in 2H'23 and stated they do not plan to issue equity given the stock price. AES made progress on the PPA goal for the year at 2.2 GW versus 5 GW to 6 GW for the year but investors seemed to hope for more positive news following the complexity from the investor day change in segment reporting. Ohio rate case decision on August 10 was expected but a positive (see our note). Independent board member stock purchase in the mid-$19s worth noting. Pushback has been other IPPs are better to own right now, despite valuation.

Alliant Energy

The key development was the non-unanimous settlement reached in Iowa for 400 MWs of solar generation development (DAS I and II, Creston and Wever) at a 10.75% ROE. These projects had been hung up in court and regulatory review since last year and this clears the way, pending final IUB approval, for the projects to move ahead. The focus for investors should now turn to the Wisconsin rate cases where intervenor and staff testimony is due 9/5 and the window for settlement of the cases is between then and when hearings are schedule to begin on 9/27. A final decision in the cases is expected by year-end. The quarterly results were solid at 64c vs. 58c consensus and the company is on track to meet it's FY '23 EPS guidance of $2.82-$2.96.

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Ameren

Ameren posted a solid beat this quarter at 90c vs. UBS/Consensus of 77c/79c and remains on track to hit its full year guidance of $4.25-$4.45. The key catalyst from here is a constructive outcome of the Ameren IL electric and gas rate cases. The electric case is slated to have a recommended order by an ALJ on October 20th and a decision by December 20th. The gas case should be decided by the end of November.

American Electric Power

The quarterly results were in line at $1.13 with UBS/Cons at $1.13/$1.11. The stock has lagged the group by ~700bps since early April, before the company terminated its sale of its Kentucky assets. While we view the recent wins in Louisiana and Oklahoma on approval for regulated renewables, we believe the company needs to continue to execute consistently over the next several quarters around rate cases, fuel recoveries, non-core asset sales and 2H'23 earnings growth to improve the valuation. Please see our recent downgrade note here for more details.

American States Water

The company had a positive call and a strong earnings comparison at $1.04 versus $0.54 last year which included +$0.18/share to reverse the 2022 impact of the cost of capital decision which is prospective. The second year increase from the California rate case decision resulted in $15 million in higher revenues (+$0.32/share). AWR's contracted services segment also improved ($0.12 versus $0.10).

American Water Works

A strong beat at $1.44 versus the $1.31 consensus. Positive drivers included revenue from rate cases and demand (+$0.47/share) and the impact of weather (+ $0.07/share). AWK noted that 75% of inflationary costs are included in revenue from recent rate cases. AWK has 32 acquisitions pending in 10 states covering 74,800 customer connections for $555 million. This compares to annual guidance to spend $0.4 billion on acquisitions.

California Water Service Group

The company noted that the delay in the general rate case decision impacted year-to-date revenues by -$43 million to -$63 million (-$0.65/share to -$0.95/share). Management expects a proposed decision in the general rate case this year. Actual demand is at 90% of levels in the general rate case. The company's ATM raised $113 million year-to-date and this program will continue at least through 2025.

CenterPoint Energy

Centerpoint provided a positive update on earnings (28c vs. cons/UBS of 27c/25c) and capital expenditure guidance. The company increased 2023 capex by $400mm and highlighted that the backlog of capex outside its base plan through 2030 far exceeds the $3.0bn it has identified. We continue to believe the long-term CNP story is very solid but see the current valuation as full in front of multiple rate case filings over the next six months. Please see our recent downgrade note here for more details.

CMS Energy

The company delivered a EPS beat versus consensus and assuaged investors with drivers for full year guidance to offset weather. This includes significant O&M savings (+$0.26/share) and a gain on repurchase of debt to help offset non-recurring mild weather experience in 1H'23. There was some initial investor pushback around the debt one-timer helping to meet annual guidance in 2023. Michigan seemed on track with the recent gas rate case settlement that maintained the 9.9% allowed ROE, however, we continue to pay close attention (note). Further, post the quarter, CMS announced the potential sale of up to 74MWs of hydro assets (note).

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Consolidated Edison

The only utility to raise 2023 EPS guidance (2%) to $4.85-$5.00 from $4.75-$4.95. Drivers for the high-end guidance increase included a bit more cash on hand than expected and transitory reduction in health care expenses. The low-end guidance increase was due to more comfort with the CECONY rate stipulation in practice and closing the renewables sale. Other notable topics included completion of the $1 billion share buyback and NY transmission need and opportunity for Con Edison Transmission.

Constellation Energy

Beat expectations by 40%+ mainly on commercial and industrial retail margins in New England and PJM and booking of above the cap revenues from prior Illinois Zero Emission Credit years given the current year is under the cap. Raised Adj. EBITDA guidance by $400mln to $3.3-$3.7Bln. We reiterated our Buy rating and raised our price target to $117 from $108 (note). Management expressed confidence in the Hydrogen opportunity and the likelihood that additionality will not be applicable to the tax credits. Further, management expressed confidence in closing the acquisition of the minority stake in the South Texas Project nuclear plant by year-end despite a ROFR lawsuit filed by the Cities of Austin and San Antonio. At worst we think the ROFR lawsuit delays the ultimate closing of the acquisition and don't see this as impactful to CEG as cash could be returned to shareholders in the meantime.

Dominion Energy

The only focus for investors is on the outcome of the business review and what the baseline earnings power will look like in 2025. The company has provided little in the way of updates since the VA legislative session ended and the regulatory reform bill was passed. The Cove Point sale provides some of the pieces (see note here) but we believe investors will need to see additional asset sale announcements before or at the analyst day for the stock to find investor support. The analyst day has not been announced but is expected to be before the end of 3Q'23.

DTE Energy

An earnings beat which included upside from DTE Energy Trading to help offset the mild weather year-to-date. There was some pushback from investors around earnings quality given the beat was from trading, and Michigan remains one area of the country that hasn't had a really hot summer, so there are some headwinds around making the midpoint of annual guidance. Broadly though we believe in the plan to deliver on 2023 EPS guidance which relies on significant O&M expenses reductions, some of which are one-time. Recent approval of the company's IRP represented a positive data point for discussion (note).

Duke Energy

The quarterly results were softer than expected with adjusted EPS of 91c vs. UBS/cons of 95c/98c. The company has a lot of work to do in the 2H to meet full year guidance of $5.55-$5.75, but laid out a plan of cost reductions and favorable July weather to meet the target. In response to questions around M&A opportunities, CEO Lynn Good stated that the "sole focus"for Duke was currently on the organic growth opportunities unpinning the 5-7% long term EPS growth through 2027. We believe many investors were focused on Duke's intentions as it related to LDC assets for sale in the market and any corresponding impact to the balance sheet and growth outlook. Management came across as clearly focused on what they see as a robust stand-alone plan and reiterated that no equity is needed through 2027. We continue to believe the balance sheet is a concern for many investors and almost certainly contributes to the modest discount at which it trades, but DUK talking down acquisitions, our perception of negative investor sentiment going into the earnings print, and the possibility of constructive outcomes in the NC rate cases in the coming weeks likely helps to support the stock in the near term.

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Edison International

EPS growth rate guidance extension of 5% to 7% from 2025 to 2028 met or exceeded investor expectations. The guidance relied on conservative assumptions such as no benefit for an increase in the California cost of capital. Our take on the conference call was that management expressed confidence in a conservative plan that is highly achievable. (note) The update on covered conductor installation was 4,950 miles versus 4 ½ years ago with 76% of the system hardened by year-end.

Emera

Reported in-line results C$0.60 versus C$0.61 consensus and guidance remained unchanged at C$8-C$9Bln in capex, 7%-8% rate base growth and 4%-5% dividend growth thru '25. Balance sheet metrics were improving with C$1Bln of cash flow delivered in the 1H, nearly half of the C$2.1Bln target. The LIL was sanctioned in service and earnings will shift from AFUDC to cash for the balance of the year. The People's Gas and Barbados rate proceedings should be completed by year end. Management indicated that TEC remains on track to be within the ROE range, and NSPI is on track for the low end of the ROE range in 2023.

Entergy

The company posted a strong quarter at $1.84 vs. UBS/Consensus of $1.66/$1.68, however we believe the beat was largely driven by the timing of O&M savings. As far as near term earnings drivers going forward, our focus is on the sales outlook, as the full year guidance was lowered to +70bps from +100bps in the quarter and the +5c of EPS added to full year guidance from sales in Q1 was removed this quarter. Ultimately, we believe a large portion of the 16% discount at which ETR trades vs. peers is related to the SERI overhang. There is no clear timetable for resolution, although the company is hopeful FERC acts soon on clarifying its December order. For more details please see our note ETR: Examining the Overhangs.

Essential Utilities

Management took a more conservative approach and delayed the inclusion of the DELCORA transaction in guidance to 2H'25 from early 2024. The company has $280 million left of equity issuance for 2023. Acquisitions are running at or ahead of plan with 4 closed and 3 announced system transactions totaling $145 million. Management expressed confidence in 5% to 7% EPS growth rate to 2025.

Eversource

Reported an increase in the offshore wind impairment (-$0.95/share in 2Q'23) but confidently stated they expect to announce sale details in the near-term, although that has now been a theme for several earnings calls. The company did not change the guidance on equity of $1 billion from the ATM to fund several years of capital investment. The company reiterated no plans to file an electric rate case in Connecticut until 4Q'25.

Exelon

We believe EXC had one of the better updates this quarter. While earnings were in-line, the company provided clarity on capex opportunities ($850mm transmission project, plus PJM opportunities $300mm-$1.0bn) beyond the current plan that we believe could support the 6-8% EPS growth beyond the '23-26 forecast period. The company continues to show cost discipline to offset interest and other cost pressures and reiterated they expect to be at the mid point or better of the growth rate. We believe the stock sets up well from here over the balance of the year with resolution of both the BGE and ComEd rate cases and potential for additional transmission awards from PJM by year-end.

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Evergy

EVRG had a solid Q2 report with EPS of $0.81 vs. UBS/Consensus estimates of $0.77 and reaffirmed full year '23 guidance of $3.55-$3.75. The key driver for EVRG to improve on the 10% discount at which it trades remains the outcome of the Kansas general rate case and the subsequent financial outlook update on the Q4 call. Investors will be looking to the Kansas Corporation Commission Staff position on 8/29.

FirstEnergy

The company remained on track for the year with a small beat in the quarter ($0.47 vs. $0.45 guidance midpoint). FE disclosed receipt of an additional SEC subpoena on May 25 and another from the Ohio Organized Crime Investigations Commission on June 29 related to its deferred prosecution agreement. The company did not rule out a separate Ohio investigation of HB 6 related issues. We downgraded FE to Neutral from Buy on August 7 (note).

Fortis Inc.

Fortis reported in-line results of C$0.62 versus C$0.61 consensus estimates. Guidance was unchanged as we expect a more wholesome update from the company at their analyst day on Sept 19. Management reiterated C$22.3Bln capital plan through '27, and 6.2% rate base CAGR to C$46.1Bln in that same year, with 4%-6% annual dividend growth guidance. A reasonable outcome was achieved in the TEPCo rate case in Arizona on August 8.

NextEra Energy

Backlog was a focus in the quarter, 1,665MWs in 2Q'23 vs. 2,035MWs in 2Q'22, although the half year numbers were more in line declining by only 120MWs year over year. Investors will be keenly focused on the NEER development backlog additions in 3Q'23 - the 3Q'22 backlog additions were 2,345MWs. Potential green hydrogen growth is awaiting tax credit clarity on additionality rules and matching, however, post NEE's call, Senator Manchin and Cardin have both indicated that additionality was never the intent of Congress (source). Currently tax credit rules on hydrogen are expected to be out in the Fall. Siemens Gamesa reported issues with 4.X and 5.X generation wind turbines, which was a headwind to stock performance, however we believe NEE's exposure is limited (note). On the call NEE indicated that the FEC would make a decision on it's investigation process in 1Q'24. Separately, former Florida State Senator Frank Artiles trial in the alleged "ghost candidate" scheme is set for 5 February 2023 (source).

NiSource

NiSource was one of the only companies to guide up this quarter and we believe the company is well positioned to outperform in the 2H'23. NI reported Adj. EPS of $0.11 v. $0.11 consensus estimates. Management guided to the upper half of the 2023 guidance range for Adj. EPS of $1.54-$1.60, and long term Adj. EPS growth of 6%-8%. Given the NIPSCO stake sale which is still on track to close by year-end, management reiterated no new block equity through 2027, and zero ATM equity in '23/24. Please see our upgrade note here for more details.

NRG Energy

NRG beat consensus expectations, and indicated that they are trending toward the high end of their annual guidance range. Of the power exposed names, however, they did not raise guidance as CEG and VST did. They expressed confidence in the Vivint model post acquisition, although we see the 14% increase year on year in customer acquisition costs as reason for conservatism around expectations. While subscriber costs were lower boosting margins this may be around some one time items and the one time impact related to financing equipment for new subscribers off of NRG's balance sheet instead of with small commercial banks as Vivint did as a stand alone company. Management also expressed confidence in closing the minority stake sale of the South Texas Project

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nuclear plant to Constellation Energy despite the ROFR lawsuit. We see any delay in close as a result of the ROFR lawsuit as more consequential to NRG given the proceeds of the sale are funding the $997mln of share buybacks in 2023. A ROFR was exercised in 2004 when AEP's Texas Central Company (TCC) was a seller of their 25.2% stake under restructuring legislation at that time, but we believe NRG's position would be that this was a sale of a stake at the project level and not the overlying equity interest as in the NRG/CEG case (note).

OGE Energy

Management reported on strong load growth in the territory with an expectation for +4% growth for 2023 following +16.5% for commercial load year-to-date. The backlog of new customer connections is showing strength and coming from tribal, non-crypto data centers and energy. Asked about the Oklahoma stay of the EPA's Good Neighbor rule, the company said they will comply when required although the 10-Q disclosed a capital outlay of $2.7 billion. OGE plans to file an Oklahoma rate case in 4Q'23 and will update the 5% to 7% EPS growth rate guidance when they report 2023 results.

Pinnacle West Capital Corporation

PNW reported Q2'23 EPS of $0.94 vs. cons / UBS of $1.16 / $1.10. Extremely mild weather in June drove the miss, with weather being 25c lower year over year. The company updated its 2023 EPS guidance to $4.10-$4.30 from $3.95-$4.15. This increase reflects the implementation of higher rates on July 1st following ACC approval of the settlement related to rate case items from 2021. Expectations for weather normalized sales growth for 2023 were lowered to 2-4% from 3.5-5.5%. The key driver for PNW remains constructive resolution of the APS rate case later this year. The Tucson Electric Co. rate case decision this week at a 9.55% ROE was viewed favorably by the market, although no renewable investment rider was granted. The softer sales outlook is something to monitor as we go through the year.

PPL Corporation

Mild weather (-$0.08/share) and storms (-$0.01/share) impacted year-to-date results but the company reaffirmed 2023 EPS guidance of $1.50-$1.65. Management reported on potentially increasing the $175 million cost efficiencies target. Following the recent failure of offshore wind procurement in Rhode Island, management committed to finding a solution. The company noted that Kentucky CPCN hearings could become a forum for PSC review of a settlement for approval. The CPCN represents a $2.5 billion capital outlay, however, denial of coal plant retirements would still require $0.5 billion to $1.5 billion of to comply with EPA regulations.

PG&E Corp.

The investor call revisited wildfire mitigation improvements and protections in California under AB 1054 like the wildfire insurance fund liability cap and the presumption of prudency. The company reminded that they do not require equity through 2024 and that the PacGen sale process is on track. We upgraded PCG to Buy from Neutral on August 7 (note).

Sempra

Beat expectations at $1.88 v. $1.74, and reiterated guidance ranges of $8.60-$9.20 for '23, and $9.10-$9.80 for '24. The one pushback we got from investors of our positive view is that the delay of Cameron Train 4 FID to next year pushes all the catalysts for the stock into 2024. We think that misses the fact that a two stage significant capital update is likely coming for Oncor in Texas both around growth in the state this fall, and resiliency spending next year. There is also transmission capex upside in California with ~$2.3Bln in projects out for bid in SDG&E's service territory. We believe California is an improving regulatory jurisdiction, as evidenced by our Buy ratings on all three California utilities. Further, for Sempra we believe the clean energy transition opportunities around hydrogen, RNG, CCS, and the potential for further execution of the LNG export backlog and other projects at SIP are all undervalued in the current share price.

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Southern Company

The quarter was uneventful, with the biggest development coming on 7/31 when Vogtle Unit 3 was placed into service. Investors will be focused on the continued progress at at Unit 4, which has been cleared for fuel load to take place at some point between now and the end of October. The company will make its final prudence determination filing at the Georgia PSC following fuel load at Unit 4. We estimate $7.3bn is the final approved cost and believe Street expectations are around that level, with the potential for several hundred million in COVID related costs to be approved. We expect the company will file for +/- $10bn in cost recovery. Resolution on prudence should come by year-end and we believe there's a potential for settlement along the way.

SJW Group

There were not significant new disclosures from the call since SJW completed its California general rate case in 2022. Following an advice letter filing the company's California cost of capital allowed ROE is 9.31% and should approach 10% with the Baa bond tracking mechanism for 2024. The company expects to file the Connecticut rate case in 4Q'23.

Vistra Corp

Beat expectations with Adj. EBITDA of $1,008mln vs. $907mln consensus estimate and increased the low end of the 2023 guidance range by $200mln to $3.6-$4.0Bln. On the call management expressed increasing confidence in their Adj. EBITDA mid-point opportunity of $3.7-$3.8Bln stand alone Adj. EBITDA in '24/25 and an ~$900mln in Adj. EBITDA from Energy Harbor, although this is on an open basis. Our estimate for 2024 is ~$4.4Bln to account for some out of the money hedging at Energy Harbor. Management also continued to express confidence in 4Q'23 close for the Energy Harbor acquisition and indicated that as a result of P-Cap financing of $450mln that allows for treasuries to be used to post collateral, and collateral postings returning cash to the balance sheet as hedges have settled that the debt issuance required to execute the Energy Harbor acquisition is $1-$1.5Bln vs. the original $2.6Bln guidance. This makes the Energy Harbor deal even more value accretive to Vistra. We reiterated our Buy and raised our price target to $40 from $37 (note)

Xcel Energy

The company reaffirmed in the upper-half of the range the 5% to 7% EPS growth rate guidance. XEL does not believe their equipment caused the Marshall fire in Colorado although there will be a hearing 9/21 in Colorado court. XEL awaits a decision on the Colorado rate settlement potentially mid-August and awaits a decision on its request for reconsideration of the Minnesota electric rate decision.

WEC Energy Group

A beat from WEC but largely an uneventful quarter with adjusted EPS for Q2'23 of $0.92 vs. UBS/Consensus of $0.83/$0.85. The company is on track for its full year guidance of $4.58-$4.62. Management talked up the benefits of the Microsoft manufacturing facility being constructed in the WEC service territory with the first portion operational in late '25 early '26. Incremental investment by WEC around the facility is not currently in the capex plan and represents upside. The settlement window for the Illinois gas rate case is in November.

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Valuation Method and Risk Statement

North America Utilities: 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 comparing Baa corporate yields to group dividend yields and RU price to earnings ratios to those for the S&P 500, we incorporate a positive or negative adjustment to our group multiple representing the gap we calculate to the nearest 5%; 2) Growth Adjustment: We adjust our valuations based on the growth quartile each utility occupies. First quartile receives a 4% premium, second quartile a 2% premium, third quartile a 2% discount and fourth quartile a 4% discount; 3) Regulatory Adjustment: Our valuation adjustments for regulation are based on our proprietary Regulatory Rankings. First quartile jurisdictions receive 10%, second quartile 5%, third quartile -5% and fourth quartile -10%; 4) Clean Energy Transition: A potential 5% premium for a risk adjusted clean energy transition growth opportunity; 5) Earnings Consistency Adjustment: For companies that fall in the top quartile of % Time Beat/Meet, we include +4%; 6) Multi Utility Diversified Valuation: For multi utilities (those with more than 15% of unregulated earnings), we perform a sum-of-the-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. We identify the following risk factors: rising interest rates; regulatory and policy risks; operational risks; construction risks; cybersecurity risk to the transmission grid and/or customer data, and extreme weather events.

IPPs: Our valuation methodology is based on mid-cycle EV/EBITDA multiples of 7.1x.

CEG: Our valuation methodology is based on an infrastructure comp on EV/EBITDA.

Water Utilities: Our valuation methodology for the group is price-to-earnings based. Our methodology includes: 1) Growth Adjustment: We adjust our valuations based on the growth quartile each utility occupies. First quartile receives a 4% premium, second quartile a 2% premium, third quartile a 2% discount and fourth quartile a 4% discount; and 2) Regulatory Adjustment: Our valuation adjustments for regulation are based on our proprietary Regulatory Rankings. First quartile jurisdictions receive 10%, second quartile 5%, third quartile -5% and fourth quartile -10%.

North American utilities: We identify the following risk factors for the sector overall: rising interest rates; regulatory and policy risks; operational risks; construction risks; cybersecurity risk to the transmission grid and/or customer data, and extreme weather events.

IPPs: We identify the following risks for the sector: Power prices, fuel prices, capacity prices, supply and demand for electricity, extreme weather, economic conditions, and cost of financing and collateral hedging.

CEG: We identify the following risks for CEG: Power price volatility above the nuclear PTC price, uranium fuel prices, supply and demand for electricity, cost of financing and nuclear operational risk.

Water Utilities: We identify the following risks: rising interest rate; regulatory and policy risks; operational risks; construction risks; water quality, safety and contamination risk; physical risk to the water sources, treatment or delivery systems; cybersecurity risk; drought and extreme weather events.

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12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	54%	41%
Neutral	FSR is between -6% and 6% of the MRA.	37%	43%
Sell	FSR is > 6% below the MRA.	9%	36%
Short-Term Rating	**Definition**	**Coverage[3]**	**IB Services[4]**
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 30 June 2023.
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.

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Company Disclosures

Company Name	Reuters	12-month rating	Price	Price date
AES Corp[4,5,16]	AES.N	Buy	US$19.61	10 Aug 2023
Alliant Energy Corp[16]	LNT.O	Neutral	US$51.60	10 Aug 2023
Ameren Corp[16]	AEE.N	Neutral	US$80.47	10 Aug 2023
American Electric Power Inc[2,13,4,5,16,7,6b]	AEP.O	Neutral	US$81.08	10 Aug 2023
American States Water Co[16]	AWR.N	Neutral	US$88.37	10 Aug 2023
American Water Works Co[16]	AWK.N	Neutral	US$139.48	10 Aug 2023
CMS Energy Corp[16]	CMS.N	Buy	US$57.41	10 Aug 2023
California Water Service Group[16]	CWT.N	Sell	US$52.25	10 Aug 2023
CenterPoint Energy Inc[2,4,5,16,7]	CNP.N	Neutral	US$28.75	10 Aug 2023
Consolidated Edison Inc[16]	ED.N	Neutral	US$90.41	10 Aug 2023
Constellation Energy Corp[4,5,16]	CEG.O	Buy	US$105.72	10 Aug 2023
DTE Energy Co[16]	DTE.N	Buy	US$107.28	10 Aug 2023
Dominion Energy Inc[2,4,5,16,7,6b]	D.N	Neutral	US$49.88	10 Aug 2023
Duke Energy Corp[2,13,4,5,16,7,6b]	DUK.N	Neutral	US$92.91	10 Aug 2023
Edison International[2,4,5,16,7]	EIX.N	Buy	US$69.95	10 Aug 2023
Emera Inc[5]	EMA.TO	Neutral	C$51.87	10 Aug 2023
Entergy Corp[13,16,7,6b,6c]	ETR.N	Neutral	US$96.16	10 Aug 2023
Essential Utilities Inc[16]	WTRG.N	Buy	US$39.35	10 Aug 2023
Evergy, Inc[16]	EVRG.O	Neutral	US$58.01	10 Aug 2023
Eversource Energy[16,7,6b]	ES.N	Neutral	US$66.34	10 Aug 2023
Exelon Corp[2,4,5,16,7,6b,6c]	EXC.O	Buy	US$40.19	10 Aug 2023
FirstEnergy Corp[16,7]	FE.N	Neutral	US$36.30	10 Aug 2023
Fortis Inc[2,4,16]	FTS.TO	Sell	C$54.45	10 Aug 2023
NRG Energy Inc[2,13,4,5,16,7]	NRG.N	Sell	US$36.93	10 Aug 2023
NextEra Energy Inc[2,4,5,16,7,6a]	NEE.N	Buy	US$68.29	10 Aug 2023
NiSource Inc.[4,5,16,7]	NI.N	Buy	US$26.73	10 Aug 2023
OGE Energy Corp[16,7]	OGE.N	Neutral	US$34.46	10 Aug 2023

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Company Name	Reuters	12-month rating	Price	Price date
PG&E Corp[2,4,5,16,7,6b,6c]	PCG.N	Buy	US$17.40	10 Aug 2023
PPL Corp[2,4,5,16]	PPL.N	Buy	US$26.10	10 Aug 2023
Pinnacle West Capital Corp[16,7,6b]	PNW.N	Sell	US$77.10	10 Aug 2023
Public Service Enterprise Group[16,7,6b]	PEG.N	Buy	US$60.52	10 Aug 2023
SJW Group[16]	SJW.N	Neutral	US$69.15	10 Aug 2023
Sempra[4,5,16]	SRE.N	Buy	US$143.00	10 Aug 2023
Southern Co[13,16,7]	SO.N	Buy	US$69.41	10 Aug 2023
Vistra Corp.[2,4,5,16,6a]	VST.N	Buy	US$30.69	10 Aug 2023
WEC Energy Group Inc[16]	WEC.N	Neutral	US$87.08	10 Aug 2023
Xcel Energy Inc[4,5,16]	XEL.O	Neutral	US$59.50	10 Aug 2023

Source: UBS Global Research; Refinitiv. 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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Date: Thursday, September 28, 2023 7:32:48 AM

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The Fleishman Daily 9/28/23
Utilities: NEE, NEP, Day 1 Conference Tidbits, PCG, SRE, NI, AGR
Midstream: Day 1 Conference Tidbits, WES
Clean Energy: Day 1 Conference Tidbits, NOVA
Wolfe Research Utilities, Midstream & Clean Energy Conference – Sep 27 -Sept 29; register here, agenda here

Utilities

NEE – Rattled by NEP news
NEP – Tough pill to swallow
Wolfe Conference – Day 1 – utility tidbits from panels, meetings
PCG – Dinner with management at Wolfe Conference; focused on physical and financial risk reduction, dissatisfied with proposed GRC decisions, other tidbits
SRE – CA GRC – Utilities and Cal Public Advocates request another extension of time for settlement talks to 10/24
NI – Decides to postpone its convert remarketing window to November due to market conditions
AGR – Reaches agreement with Vitol on $100M of PTCs via transferrability

Midstream

Day 1 Midstream quick takes
WES - $600M debt issuance reduces risk of meaningful equity offering for Meritage deal

Clean Energy

Day 1 Clean Energy tidbits from panels, meetings
NOVA – Finalizes Project Hestia DOE loan guarantee program

Wolfe Utility & Midstream Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Midstream Stock Charts, Clean Energy Comps, Clean Energy Stock Charts, Models, Valuation Charts

Utilities

NEE – Rattled by NEP news
Click here to view our complete note
NEP feeling interest rate pressure, NEE not as much. This was our key takeaway from meetings at the Wolfe Conference. NEP was forced to cut its distribution growth in half to 6%, as the dropdown model simply became more challenged in the current environment. That said, NEE feels much more comfortable on its own rate exposure – reiterating all of its financial expectations. NEE has more mechanisms to address this looming headwind – ROE and surplus mechanisms at FPL, $13B of interest rate hedges for NEER, and overall cost savings. NEE still sees EPS growth at the high-end of its 6-8% CAGR.

NEP – Tough pill to swallow
Click here to view our complete note
Tough day after tough decision. The stock fell 20% after cutting the distribution growth outlook to 5-8% (6% target) from 12-15% (12% target). NEP still sees this outlook through 2026 and no growth equity needs over the same time period. This was a tough call to make, but the pressures of the current interest rate environment made a financing vehicle predicated on significant growth difficult to maintain. We believe this was the prudent move, but clearly investor faith has been shaken and will take time to restore. Mgmt. reiterated NEE's commitment to NEP.

Wolfe Conference – Day 1 – utility tidbits from panels, meetings

- **CEG –** Confident in the increasing value of its 180 TWh of nuclear, given reliability and carbon free attributes. Pursuing a delta hedging strategy to capture intrinsic value offered under PTC framework. Sees monetization through retail, hydrogen, and sustainability contracts.
- **CMS** – Seeing robust economic development in Michigan and no impact from UAW strike. Plan conservatively for financing and feel comfortable on interest rates. Closing revenue gap with MI PSC Staff in electric case by delaying solar plants, while still getting AFUDC. Tough to say if can settle again with some potential one-off items that go to final PSC order.
- **CNP –** Well-positioned into CEHE/TX Gas rate cases with flat-to-declining asks;

constructive TX legislative outcomes should help CEHE reduce reg. lag; opportunity to pull O&M forward due to favorable weather in Q3; further capex raises would require gas LDC sales/other form of equity.

- **CWEN** - Comfortable managing through higher rates given no capital needs until late 2025; Reiterate upper range of 5-8% div growth through 2026; Plan to extend growth rate out until at least 2027 in November, albeit likely at a slower pace
- **DUK** – Feels good about 5-7% EPS growth outlook through 2027. Expects a balanced financing approach and no change to 14% FFO/D target. And sees upside to post 2027 capital plan, given higher reserve margin, load growth and IRA.
- **DTE** – Coming down to the wire on electric case settlement. Feel good about Staff/AG positions, but always difficult to bring a lot of parties together. Prefer to settle. Summer weather/storms were incremental headwinds. Trying to find more offsets. Ford is biggest customer, but not seeing much margin impact from UAW strike causing one plant to shut so far.
- **ED – Weather normalization mechanism in Steam settlement reduces EPS variability; confident about earning the allowed ROE at CECONY; capex upside opportunities outside of CECONY's rate case; well-positioned in higher interest rate environment with no L-T HoldCo debt by YE23.**
- **EIX –** Growth outlook updated in July, reflects higher interest rates and does not assume a ROE increase. TKM wildfire cost recovery case still early; intervenors filed protests this week, but formal recommendations likely months away.
- **EMA** – B/S improvement tracking as expected, will assess capital deferrals as needed; N-T regulatory lag from the sharp rise in interest rates; evaluating the timings of the next rate case filings for TECO and NSPI; credit metric impact from Hurricane Lee/Idalia unlikely to be material.
- **ES –** Expects to announce offshore wind sale by YE23; already has a contract with buyer, who has worked with Orsted before. But sharing of risks up to COD. CT regulation not ideal; thinks courts will weigh in. But ES not in CT rate case until fall 2025.
- **ETR –** Hoping to reach a settlement on SERI; prudency case at FERC extended 10 months. Expects more certainty on resiliency upside in 2024. Other upside from MTEP and MISO changes to seasonal requirements. Not seeing slowdown to industrial growth.
- **FE** – Resumption of dividend growth shows confidence in the plan. Focused on new org structure. Pending rate cases progressing well. Nothing new on latest subpoena in Ohio.
- **NRG** – Vivint integration going better than expected. STP deal on track to close and then can ramp up buyback. Ran ERCOT fleet well during the summer. Focused on retail opportunity for controllable demand. Putting any excess cash towards buybacks at this price.
- **PCG –** See dinner takeaways above
- **PEG** – Very comfortable on outlook given plan was set conservatively when rates were high a year ago. Big strategic decisions looking very smart - stuck with nuclear and exited offshore wind. Keeping it simple.
- **POR** – Positive movement in the settlement on PCAM modifications and the RAC for standalone storage would be a constructive outcome; assessing transmission opportunities; executing wildfire risk reduction operations; power costs will be a headwind in Q3 due to August's spike.

- **PPL –** Expects to hit 6-8% EPS growth under any scenario out of KY CPCN/coal case. Sees upside from KY transmission capex; could backfill any denied generation capex. Thinks stock weak in part on investors waiting to see whether PPL can retire coal in KY.
- **VST –** See continued tightness coming to the grid that will bring more price volatility. Believe their CCGT fleet will only become more valuable. Energy Harbor deal taking a little longer than expected, but still plan to close by YE23.

PCG – Dinner with management at Wolfe Conference; focused on physical and financial risk reduction, dissatisfied with proposed GRC decisions, other tidbits

- We hosted dinner at our conference with senior management from PG&E: CEO Patti Poppe and CFO Carolyn Burke. We discussed PCG's wildfire mitigation progress, GRC PD/APD, undergrounding plans, dividend plans, simple affordability model, customer bills, upsides and more. PCG still sees at least 10% EPS growth through 2024 and at least 9% EPS growth 2025-26.
- Patti recently told her Board that the company is out of triage and is getting healthy. PCG is focused on both physical risk reduction (e.g., wildfire mitigation, PSPS, etc) and financial risk reduction.
- **Wildfire mitigation progress.** PCG has reduced wildfire risk. This year, the company has implemented two PSPS events, including one before a Red Flag Warning was issued. And they have been under the radar, which is good. Although there were some weather similarities earlier this year to 2017, PCG sees more mitigations in place this year.
- **Dissatisfaction with PD/APD in GRC.** PCG thinks neither the PD nor APD in its 2023-26 GRC are good enough. Formal comments will be filed on 10/3, and oral arguments to be held 10/18. But in a recent OpEd, Patti conveyed her dissatisfaction with the proposed decisions, as neither goes far enough on safety. For PCG's highest risk areas, undergrounding is the best solution for its customers when factoring in the lifetime costs, which includes vegetation management for covered conductors. PCG doesn't oppose covered conductors – the utility has around 1k miles – but they don't reduce risk enough in those highest risk areas: only 65% vs nearly 98% with undergrounding. There is support for undergrounding in the state.
- **10yr undergrounding plan**. Legislation enacted last year sets the stage for PCG to file a 10yr plan, which will be reviewed by both the OEIS and CPUC. Staff recently issued a framework. PCG wants approval for 2,100 miles in the GRC, which covers through 2026. And the 10yr plan is expected to make the case for more undergrounding clearer. The 10yr proceeding also is expected to provide a pathway for timely cost recovery, which was in last year's law (SB 884).
- **Dividend reinstatement timing**. PCG has to meet a $6.2B cumulative earnings threshold since exiting BK to reinstate the dividend. It's possible to achieve that in 3Q23, but getting a final decision in the GRC before 3Q23 earnings are filed would provide cushion above that threshold. A final decision could be issued at the 11/2 voting meeting, at the earliest. If the threshold is not reached in 3Q23, PCG could reinstate the dividend once a final GRC decision is issued. And that could be prior to YE23 reporting in February.
- **Simple Affordability Model and bill impact**. Patti reiterated the targeted 2-4% LT net impact to customer bills under PCG's Simple Affordability Model. The model takes 9%

rate base growth with offsets of 2% O&M reduction, 1-3% load growth and 2% other, including efficient financing (e.g., minority sale in PacGen). PCG feels good about its O&M reduction targets and overall lean operating system. Load growth is expected as more electrification permeates its region; for instance, in PCG's territory, 23% of new vehicles were EVs. PCG underestimated EV growth a few years back and recently updated it.

- **Other**. Items not in PCG's current plan include energization related capex above that in its GRC request, as well as FERC-regulated transmission capex that has been pre-approved (TO filing next month). Last year's Diablo Canyon legislation also provides support for the plant extension. And any ROE increase from the cost of capital trigger would provide cushion to reinvest into the system for customer benefit.
- **Balance sheet**. PCG remains committed to reducing holdco debt by $2B by 2026. PCG expects the PacGen minority sale by YE24 but has backup plans in case the sale falls through. PCG expects to see improvement on its FFO/Debt, though its mid-teens target by YE24 will be challenged if the PD/APD were adopted. It would be a timing issue, as costs moved outside of GRC to other proceedings ultimately are expected to be recovered.

<u>SRE – CA GRC – Utilities and Cal Public Advocates request another extension of time for settlement talks to 10/24</u>

- Today, SDG&E and SoCalGas, along with a key intervenor Cal Public Advocates Office, requested the CPUC ALJs grant another extension of time to file a settlement, if one is reached.
- They seek a 22-day extension to 10/24 from 10/2; the same parties and TURN first requested a 45-day extension in Aug, saying they were in settlement talks.
    - TURN agrees with an extension of time for the issues it is agreeing to settle with SoCalGas and SDG&E (specifically, Insurance and Customer Services - Information)
    - But TURN does not agree to a broader extension of time for settlements unless SoCalGas, SDG&E, and Cal Advocates specifically disclose the settlement areas that are being explored; those parties disagree with TURN's disclosure request.
    - Settlements need to be filed within 30 days after evidentiary hearings, which were in Aug, unless extensions are granted.
- SDG&E requested a $475M increase (18%) in 2024 over 2023, followed by annual attrition rates of 8-10%.
- SoCalGas requested a $738M increase (20%) in 2024, followed by annual attrition rates of 6-8%.

The continued settlement talks are a good sign. But it appears TURN may not join a comprehensive settlement, at least initially, if one is reached.

<u>NI – Decides to postpone its convert remarketing window to November due to market conditions</u>

- This morning, NI announced that it has decided to postpone the remarketing of up to

862.5K shares of its Series C Mandatory Convertible Preferred Stock due to market conditions.
- NI's original intend remarketing period was 10/2-10/23; the next remarketing window is expected to occur in November.

We will have more thoughts on this after our meeting with NI mgmt. at our conference today.

AGR – Reaches agreement with Vitol on $100M of PTCs via transferrability

- AGR announced that it reached an agreement with Vitol to transfer $100M of PTCs in 2023
- The PTC will come from 8 operating wind farms totaling 1,134 MWs

This is a new market that has developed as a result of IRA and we expect to see more of this across the space, as renewables players without a tax appetite look towards transferability as an alternative. AGR notes that this is one of the largest publicly announced deals to-date.

Midstream

Day 1 Midstream quick takes

- At a high level, the midstream stories feel positively differentiated at the conference as a sector that largely doesn't need to raise any financing in a higher rate environment to meet its targets
- **LNG.** Patient tone on new contracts as staying disciplined on price. New expansion projects will happen, but they have time and flexibility to return more capital. Update on Corpus mid-scale timing with Q3 earnings.
- **TRGP.** Volume growth isn't slowing and is unlikely to into 2024 at current oil prices. Business is performing well with some more color on EBITDA, capex, and dividend growth expected over the Q3-Q4 calls.

WES - $600M debt issuance reduces risk of meaningful equity offering for Meritage deal

- Yesterday, WES priced a $600M bond offering at 6.35%
- Proceeds will be used to fund a portion of the $885M acquisition of the Meritage G&P assets in the Powder River Basin

Recall, the funding plan for the acquisition wasn't entirely clear and WES pointed to its credit facility capacity and potential capital markets transactions. The sizable debt offering reduces the risk of a meaningful equity offering as a source of funds, in our view. We still wouldn't rule out equity completely, but it seems less likely or would be modest in size.

Clean Energy

Day 1 Clean Energy tidbits from panels, meetings

- **NOVA** - Expects to issue 2024 guidance on the 3Q earnings call. Customer guidance to be "close to" the 40% previously given. Liquidity need likely below the $500M implied for next year, possibly materially lower. Project Hestia DOE loan program expected to close soon. CEO has a very bearish view on market liquidity into a hard landing and sees recent 12.5% green bond as a pre-funding growth.
- **FLNC** - EBITDA expected to inflect positive next year. CEO takes competition seriously but sees FLNC differentiated as one of the few players that can tie together digital, engineering and services, and supply chain together. Thinks majority-owner selling would be positive long-term by increasing the stock's liquidity.

NOVA – Finalizes Project Hestia DOE loan guarantee program

- This morning, NOVA announced that the company has closed the $3B loan guarantee agreement with the DOE.
- NOVA anticipates the agreement will support over an estimated $5.0 billion in Sunnova loan originations, reduce the company's weighted average cost of capital, and generate interest savings.
- Anticipates utilizing the DOE loan guarantee in connection with its first Hestia asset backed securitization, Hestia I, in 4Q23.

Unfortunately, this release was a day too late for NOVA to talk details at our conference. We understand that NOVA now intends to securitize the BB tranche of Hestia ABS's which likely reduces corporate capital needs in 2024.

Wolfe Events

September 27-29: Wolfe Research Utilities, Midstream & Clean Energy Conference
September 29: Ameren Non-deal Roadshow in Boston
October 2-4: Alliant virtual Non-deal Roadshow in Australia
October 16-20: Public Service Enterprise Group Non-deal Roadshow in Japan/Australia
October 30-31: NextEra Energy Non-deal Roadshow in London
November 28-29: Fortis virtual Non-deal Roadshow in Australia

Recent Popular Reports

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Utilities Top 10 for 2023
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Clean Energy Top 10 for 2023
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UTILITIES & POWER

Regulateds – Market Overweight
IPPs – Market Weight

August 9, 2023

UTILITIES & POWER

Q2 wrap – Power hot, Renewables and Asset Sales not

- **The Wolfe Byte.** Amidst skepticism from rising rates, utilities again stood up to mother nature reaffirming 2023 outlooks. Power names beat; Renewables and Asset Sellers face headwinds. PCG remains our top idea. FE and CWEN/NEP weakness seem especially overdone. EVRG, ETR, SRE good value with catalysts.
- **Utilities hold up to Mother Nature again, but Q3 will be key.** Utilities nearly all kept their 2023 guidance intact despite very weak weather for the quarter and YTD. In fact, we saw 3 companies raise 2023 outlooks – NI, ED and PNW. The only guide-down was CWEN on poor renewables conditions. Summer weather will be key from here especially as utilities face continued pressure from higher interest rates. Core sales growth was mixed with some signs of weakening industrial sales but certain regions seeing outsized gains from tech and data center growth (D, AEP, OGE, PNW, POR). Overall Q2 came in down 3.5%, better than our down 8% estimate. We still see 2023/2024 bottom-up growth of 5%/8%.
- **Asset Sales – Who will buy D and ES assets?** D's restructuring is front and center as we await asset sales into a Q3 investor day. Unfortunately, some key bidders downplayed their interest this qtr. – DUK on PSNC and NI on Dom OH – leaving investors worried. On ES, the company once again delayed an offshore wind sale announcement but took a $331M impairment on a likely sale price with larger impairments possible ($800M more) if contract terms and tax credits are not improved. NEP also needs to execute on their TX pipeline sale though tone on this remains positive. DUK ended up taking $2.4B total impairments on its renewables sale. Rising rates keep investors worried on asset sales here.
- **We got the Power! Still like CEG, VST.** Power names all beat and raised this quarter headlined by a CEG blowout. CEG raised 2023 guide by $400M. NRG kept their range and pointed to the top-end, while VST formally narrowed to the upper-half; the scorching Texas summer bodes well for Q3 guide-ups. Improving wholesale/retail margins are the main drivers, even helping tangential players like NEE and DTE. While the volatility that drove this may not last, the benefits seem to be flowing into 2024 at least. Higher interest rates also favor these companies huge free cash flow vs financing-heavy sectors like utilities and renewables.
- **Renewables can't catch a bid amidst rising rates; CWEN, NEP weakness overdone.** The whole renewables space remains under pressure. Rising interest rates remain the #1 reason as investors avoid this capital and financing-intensive sector. But the headline news hasn't helped either – bad wind conditions led to Q2 misses, Siemens turbine issues, offshore wind cancellations, weak asset sale prices, IRA delays, etc. That said, we think supply chain and IRA rules should be set for better visibility as the year goes on and especially into 2024. And we think the negativity is getting too extreme. CWEN and NEP look especially attractive here with no financing needs the next couple years and dividend yields approaching 7%.
- **PCG still top idea; Value – FE, EVRG, ETR; GARP – SRE, NI, EXC, PPL; Quality – SO, AEE, CNP.** PCG remains our top idea – best growth, lowest multiple – with key near-term catalysts in their GRC rate case and FVT clean-up trade potential. FE, EVRG and ETR are cheap with catalysts – FE resolving subpoena, EVRG rate case in KS; ETR getting SERI outcome. SRE had a positive update overall and especially on TX capex and improving returns at Oncor; we think this got missed (and its good for CNP too). NI, EXC and PPL are improving quality companies still trading at below avg multiples. SO got Vogtle on and we think is now officially back in the High Quality group. AEE and CNP are our other favorites there.

Exhibit 1: Top Ideas by Theme

Name	Ticker	PT
Value		
PG&E Corp.	PCG	20
FirstEnergy	FE	44
Evergy	EVRG	68
Entergy Corp.	ETR	119
GARP		
Sempra	SRE	172
NiSource	NI	31
Exelon Corp.	EXC	47
PPL Corp.	PPL	32
High Quality		
Southern Company	SO	77
Ameren Corp.	AEE	97
CenterPoint	CNP	33
Power & Renewables		
Constellation Energy Corp.	CEG	115
Vistra Corp.	VST	35
Clearway Energy	CWEN	36
NextEra Energy Partners	NEP	86
NextEra Energy	NEE	89

Source: Wolfe Utilities & Power Research

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Guidance Updates and Q2 Earnings Summaries

Exhibit 2: Guidance Updates at 2Q23 for Utilities, IPPs, and YieldCos

	Guidance Updates
Ticker	
AES	
LNT	
AEE	
AEP	
AWK	
AGR	
CNP	
CMS	
ED	Raised 2023 guidance to $4.85-5.00 from $4.75-4.95
D	
DTE	
DUK	
EIX	Reaffirmed 2023 guidance of $4.55-4.85 and 2025 guidance of $5.50-5.90; L-T 5-7% EPS growth target extended from 2025 to 2028 ($6.60-7.00)
EMA	
ETR	
EVRG	
ES	
EXC	
FE	
FTS	
NEE	
NI	Raised 2023 guidance to the upper-half of the $1.54-1.60 range; Reaffirmed the L-T 6-8% annual EPS growth target through 2027 off the higher FY23 guide
OGE	
PCG	
PNW	Raised 2023 guidance to $4.10-4.30 from $3.95-4.15; Reaffirmed L-T 5-7% EPS CAGR anchored off original 2022 guidance midpoint of $4.00
POR	
PPL	
PEG	
SRE	
SO	
WEC	
XEL	
	Guidance Updates
Ticker	
CEG	Raised 2023 EBITDA guide to $3.3-3.7B from top-half of $2.9-3.3B; Implied '24 will benefit from margin expansion, implying '24 EBITDA of $3.9B using 6/30 prices
CWEN	Reduced 2023 EBITDA / CAFD guides to $1,090-1,120M/$330-360M from $1,170M/$410M; Still targeting the upper-end of 5-8%/year DPS growth through 2026
NEP	
NRG	Reaffirmed 2023 EBITDA guidance at $3,010-3,250M and trending toward to top-end; Reiterated 2023 free cash flow guidance at $1,620-1,860M
VST	Narrowed 2023 EBITDA guidance to $3.6-4B from $3.4-4B (prev. pointed to midpoint or better); Increasing confidence in EBITDA ranges of $3.7-3.8B in 2024-25

Source: Wolfe Research Utilities & Power Research, Company Reports

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Exhibit 3: Wolfe Research Earnings Tracker for Utilities

		2Q23		2Q22		2023 Midpt	2023E	
Company Name	Ticker	Actual	Variance	Actual	Growth	Guidance	WR	Cons
AES Corp.	AES	$0.21	-19%	$0.34	-38%	$1.70	$1.71	$1.70
Alliant Energy	LNT	0.64	3%	0.63	2%	2.89	2.89	2.89
Ameren	AEE	0.90	15%	0.80	13%	4.35	4.38	4.36
American Electric	AEP	1.13	-5%	1.20	-6%	5.29	5.29	5.27
American Water	AWK	1.44	11%	1.20	20%	4.77	4.84	4.81
Avangrid	AGR	0.21	-53%	0.46	-54%	2.28	2.10	2.10
CenterPoint**	CNP	0.28	-3%	0.31	-10%	1.49	1.49	1.49
CMS Energy	CMS	0.75	15%	0.53	42%	3.09	3.12	3.11
Con Edison	ED	0.61	-7%	0.64	-5%	4.93	4.93	4.88
Dominion	D	0.53	3%	0.77	-31%	N/A	3.76	3.80
DTE Energy	DTE	0.99	-4%	0.88	13%	6.25	6.26	6.23
Duke Energy	DUK	0.91	-16%	1.14	-20%	5.65	5.62	5.62
Edison Int'l	EIX	1.01	6%	0.94	7%	4.70	4.70	4.72
Emera*	EMA	0.99	54%	0.59	68%	N/A	3.13	3.18
Entergy	ETR	1.84	6%	1.78	3%	6.70	6.66	6.71
Evergy	EVRG	0.81	2%	0.84	-4%	3.65	3.63	3.63
Eversource Energy	ES	1.00	14%	0.86	16%	4.34	4.35	4.37
Exelon**	EXC	0.41	-9%	0.44	-7%	2.36	2.37	2.36
FirstEnergy	FE	0.47	1%	0.53	-11%	2.54	2.54	2.54
Fortis*	FTS	0.62	1%	0.57	9%	N/A	2.99	2.98
NextEra Energy	NEE	0.88	9%	0.81	9%	3.06	3.09	3.12
NiSource	NI	0.11	-21%	0.12	-8%	1.59	1.59	1.58
OGE Energy**	OGE	0.44	-2%	0.45	-2%	2.00	2.00	2.00
PG&E	PCG	0.23	-20%	0.25	-8%	1.21	1.20	1.21
Pinnacle West	PNW	0.94	-26%	1.45	-35%	4.20	4.20	4.22
Portland General	POR	0.44	-16%	0.72	-39%	2.68	2.68	2.69
PPL Corp	PPL	0.29	-10%	0.30	-3%	1.58	1.59	1.58
PSEG Corp	PEG	0.70	10%	0.64	9%	3.45	3.45	3.45
Sempra Energy	SRE	1.88	5%	1.98	-5%	8.90	8.92	8.98
Southern Co.	SO	0.79	5%	1.07	-26%	3.60	3.60	3.60
WEC Energy Group	WEC	0.92	8%	0.91	1%	4.60	4.61	4.61
Xcel Energy	XEL	0.52	-16%	0.60	-13%	3.35	3.35	3.35

Source: Wolfe Research Utilities & Power Research, Company Reports
Note: Variance is vs. 2Q23 consensus estimates published in our Q2 earnings preview on 7/18/23; EMA has not reported 2Q23 earnings as of 8/9/23
*EPS estimates shown in $CAD; **CNP and EXC are utility-only

Exhibit 4: Wolfe Research Earnings Tracker for IPPs and YieldCos

		2Q23		2Q22		2023 Midpt	2023E	
Company Name	Ticker	Actual	Variance	Actual	Growth	Guidance	WR	Cons
Constellation Energy Corp.	CEG	$1,031	46%	$603	71%	$3,500	$3,553	$3,442
Clearway Energy	CWEN	316	-9%	366	-14%	1,105	1,174	1,134
NextEra Energy Partners	NEP	486	-7%	500	-3%	1,885	2,199	1,957
NRG Energy	NRG	819	5%	386	112%	3,130	3,240	3,133
Vistra Energy Corp.	VST	1,008	18%	756	33%	3,800	3,774	3,742

Source: Wolfe Research Utilities & Power Research, Company Reports
Note: Variance is vs. 2Q23 consensus estimates published in our Q2 earnings preview on 7/18/23

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UTILITIES & POWER

August 9, 2023

2Q23 and YTD Sales Recap

Exhibit 5: Nominal and Weather-Adjusted Sales Growth (2Q23 vs. 2Q22)

Company	Ticker	Residential	Commercial	Industrial	Total Retail	Residential Weather Adjusted	Commercial Weather Adjusted	Industrial Weather Adjusted	Total Retail Weather Adjusted	Decoupling
Alliant Energy	LNT	(5.6%)	(1.6%)	(2.4%)	(2.4%)					No
Ameren Corp	AEE	(9.8%)	(2.9%)	(3.2%)	(5.5%)					No
American Electric Power	AEP	(10.2%)	2.1%	(1.4%)	(3.3%)	(2.4%)	7.7%	0.1%	1.5%	No
Centerpoint	CNP	(9.7%)			(4.3%)					No
CMS Energy	CMS	(7.7%)	3.2%	0.4%	(5.7%)	(0.9%)	5.4%	0.6%	0.3%	Yes
Consolidated Edison	ED	(2.5%)	0.1%	0.1%	(3.5%)					Yes
Dominion Energy*	D	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	No
DTE Energy	DTE	(11.7%)	(3.1%)	0.9%	(5.5%)	(3.5%)	(1.1%)	2.0%	(1.2%)	Yes
Duke Energy	DUK	(5.7%)	(0.4%)	1.7%	(5.4%)	(1.9%)	0.2%	(2.5%)	(1.3%)	No
Entergy Corp	ETR	(4.9%)	(3.3%)	(1.3%)	(3.0%)	0.3%	(1.3%)	(1.3%)	(0.9%)	No
Evergy	EVRG	(3.7%)	1.1%	(4.0%)	(1.7%)	2.6%	2.4%	(3.8%)	1.1%	No
Exelon - ComEd	EXC	(12.6%)	(5.1%)	(2.1%)	(6.5%)	(2.4%)	(3.8%)	(1.8%)	(2.7%)	Yes
Exelon - PECO	EXC	(12.0%)	(6.1%)	(2.5%)	(6.6%)	(0.1%)	(2.9%)	(0.6%)	(0.8%)	No
FirstEnergy	FE	(10.8%)	(6.4%)	1.3%	(4.9%)	(2.4%)	(3.1%)	1.3%	(1.1%)	No
NextEra Energy - FPL	NEE	0.7%	0.8%	(0.4%)	0.3%				(0.5%)	No
NiSource	NI	(12.5%)	(4.2%)	(0.0%)	(4.7%)				(2.1%)	No
OGE Energy	OGE	(8.7%)	10.5%	(16.7%)	(4.1%)	0.7%	16.5%	(3.3%)	3.5%	No
Pinnacle West	PNW	(10.6%)	(0.0%)	(0.0%)	(5.1%)	(2.1%)	2.1%	2.1%	0.1%	No
Portland General	POR	0.3%	2.8%	14.2%	4.5%	(0.3%)	1.7%	8.3%	3.0%	No
PPL - Kentucky	PPL	(12.8%)	(6.4%)	(2.7%)	(7.4%)	(0.7%)	(1.2%)	(2.7%)	(1.8%)	No
PPL - Pennsylvania	PPL	(9.1%)	(3.0%)	(3.3%)	(5.3%)	(4.8%)	(1.4%)	(3.3%)	(3.1%)	No
PSEG	PEG	(10.9%)	(5.5%)	(5.5%)	(7.2%)					No
Southern Company	SO	(11.3%)	(3.4%)	(2.4%)	(5.7%)	(0.4%)	0.9%	(2.4%)	(0.7%)	No
WEC Energy Group	WEC	(6.4%)	0.1%	(3.2%)	(3.0%)	0.0%	1.4%	(3.1%)	(0.6%)	No
Xcel Energy	XEL	(3.5%)	0.5%	0.5%	(0.6%)	(1.0%)	1.2%	1.2%	0.6%	Partial
Average		**(8.0%)**	**(1.3%)**	**(1.4%)**	**(4.0%)**	**(1.1%)**	**1.4%**	**(0.5%)**	**(0.4%)**	

Source: Wolfe Utilities & Power Research, Company Reports
*D saw 4.0% weather-normalized sales growth for LTM ending 6/30/23; Resi +0.1%, Commercial +11.0%, Industrial -4.9%.

Exhibit 6: Nominal and Weather-Adjusted Sales Growth (2023 YTD vs. 2022 YTD)

Company	Ticker	Residential	Commercial	Industrial	Total Retail	Residential Weather Adjusted	Commercial Weather Adjusted	Industrial Weather Adjusted	Total Retail Weather Adjusted	Decoupling
Alliant Energy	LNT	(6.4%)	(2.6%)	(1.9%)	(2.7%)					No
Ameren Corp	AEE	(11.2%)	(3.1%)	(2.9%)	(6.2%)					No
American Electric Power	AEP	(10.8%)	3.5%	1.7%	(2.3%)	(1.8%)	7.8%	2.6%	2.4%	No
Centerpoint	CNP	(8.2%)			(5.1%)					No
CMS Energy	CMS	(8.1%)	(1.5%)	2.1%	(9.5%)	(1.9%)	0.7%	2.2%	(0.7%)	Yes
Consolidated Edison	ED	(1.7%)	5.6%	5.6%	(2.4%)					Yes
Dominion Energy*	D*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	No
DTE Energy	DTE	(10.7%)	(2.9%)	2.0%	(4.9%)	(4.0%)	(0.9%)	2.1%	(1.3%)	Yes
Duke Energy	DUK	(5.3%)	(1.0%)	(1.9%)	(7.0%)	(2.7%)	(1.4%)	(5.0%)	(2.7%)	No
Entergy Corp	ETR	(9.2%)	(1.9%)	0.3%	(3.2%)	0.5%	(0.9%)	0.3%	0.0%	No
Evergy	EVRG	(4.3%)	1.2%	(3.2%)	(1.8%)	2.8%	3.0%	(3.1%)	1.6%	No
Exelon - ComEd	EXC	(10.1%)	(4.6%)	(2.4%)	(5.7%)	(2.1%)	(2.3%)	(1.2%)	(1.9%)	Yes
Exelon - PECO	EXC	(11.2%)	(5.4%)	(2.7%)	(6.6%)	(1.7%)	(0.5%)	(0.2%)	(0.9%)	No
FirstEnergy	FE	(9.4%)	(6.7%)	0.4%	(5.1%)	2.0%	(0.7%)	0.4%	0.7%	No
NextEra Energy - FPL	NEE	1.1%	0.6%	(0.1%)	0.4%					No
NiSource	NI	(9.5%)	(3.8%)	(1.8%)	(4.5%)				(2.9%)	No
OGE Energy	OGE	(10.4%)	14.3%	(9.1%)	(1.4%)					No
Pinnacle West	PNW	(2.8%)	2.0%	2.0%	(0.3%)	(0.0%)	3.1%	3.1%	1.7%	No
Portland General	POR	3.0%	2.1%	12.1%	4.6%					No
PPL - Kentucky	PPL	(13.8%)	(6.2%)	(3.5%)	(8.0%)	(0.2%)	(1.8%)	(3.5%)	(1.7%)	No
PPL - Pennsylvania	PPL	(11.3%)	(4.4%)	(0.1%)	(6.2%)	(3.6%)	(2.2%)	(0.1%)	(2.3%)	No
PSEG	PEG	(9.5%)	(3.1%)	(3.1%)	(5.2%)					No
Southern Company	SO	(11.8%)	(2.3%)	(2.0%)	(5.4%)	0.5%	1.3%	(2.0%)	(0.1%)	No
WEC Energy Group	WEC	(6.1%)	(1.7%)	(3.6%)	(3.7%)	(0.2%)	0.0%	(3.5%)	(1.2%)	No
Xcel Energy	XEL	(2.9%)	0.8%	0.8%	(0.3%)	(0.7%)	1.2%	1.2%	0.6%	Partial
Average		**(7.5%)**	**(0.9%)**	**(0.5%)**	**(3.8%)**	**(0.9%)**	**0.4%**	**(0.4%)**	**(0.5%)**	

Source: Wolfe Utilities & Power Research, Company Reports
*D saw 4.0% weather-normalized sales growth for LTM ending 6/30/23; Resi +0.1%, Commercial +11.0%, Industrial -4.9%.

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Comparables Tables

Exhibit 7: Utility Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2023E	P/E 2024E	P/E 2025E	P/E 2026E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
AES Corp.	AES	$19.61	670	$13,131	11.5x	10.2x	9.3x	N/A	3.4%	5.0%	39%	7.9x	12%
Alliant Energy	LNT	$51.47	253	$13,007	17.8x	16.7x	15.7x	14.8x	3.5%	5.8%	63%	2.0x	42%
Ameren	AEE	81.01	263	21,285	18.5x	17.1x	16.0x	15.0x	3.1%	6.8%	58%	2.0x	40%
American Electric	AEP	80.71	515	41,580	15.3x	14.4x	13.5x	12.7x	4.1%	6.0%	63%	1.7x	35%
Avangrid	AGR	35.16	387	13,599	16.8x	16.4x	14.6x	13.5x	5.0%	0.0%	84%	0.7x	65%
CenterPoint Energy	CNP	28.99	631	18,298	19.4x	17.9x	16.6x	15.4x	2.6%	8.6%	51%	1.9x	37%
CMS Energy	CMS	57.60	292	16,803	18.4x	17.2x	16.0x	14.9x	3.4%	6.0%	62%	2.4x	32%
Con Edison	ED	90.96	345	31,374	18.4x	17.0x	16.2x	15.6x	3.6%	2.5%	66%	1.5x	47%
Dominion	D	49.69	837	41,579	13.2x	14.9x	13.5x	N/A	5.4%	0.0%	71%	1.6x	37%
DTE Energy	DTE	108.31	206	22,331	17.3x	16.2x	15.1x	14.0x	3.6%	7.4%	62%	2.1x	35%
Duke Energy	DUK	92.82	771	71,532	16.5x	15.6x	14.7x	13.8x	4.4%	2.0%	73%	1.5x	38%
Edison International	EIX	70.28	383	26,938	15.0x	13.9x	12.6x	N/A	4.2%	5.4%	63%	1.9x	31%
Emera*	EMA	51.93	272	14,109	16.6x	15.7x	14.9x	13.8x	5.4%	4.1%	89%	1.3x	38%
Entergy	ETR	96.90	211	20,490	14.5x	13.5x	12.6x	11.8x	4.7%	6.0%	68%	1.5x	33%
Evergy	EVRG	58.10	230	13,346	16.0x	14.5x	13.6x	12.9x	4.3%	7.0%	69%	1.4x	42%
Eversource Energy	ES	67.29	349	23,490	15.5x	14.6x	13.6x	12.9x	4.0%	5.9%	62%	1.5x	39%
Exelon	EXC	40.25	995	40,058	17.0x	16.0x	14.6x	N/A	3.6%	7.0%	61%	1.6x	37%
FirstEnergy	FE	36.19	573	20,750	14.2x	13.3x	12.6x	11.9x	4.3%	0.0%	61%	2.0x	30%
Fortis*	FTS	54.70	485	26,502	18.3x	17.4x	16.8x	16.3x	4.1%	4.5%	76%	1.3x	42%
NextEra Energy	NEE	68.92	2,024	139,474	22.3x	20.4x	18.9x	17.5x	2.7%	10.0%	60%	3.1x	38%
NiSource	NI	26.98	413	11,150	17.0x	15.9x	14.8x	13.8x	3.7%	6.4%	63%	1.8x	40%
OGE Energy	OGE	34.53	200	6,916	17.3x	16.3x	15.5x	14.7x	4.8%	1.0%	83%	1.6x	47%
PG&E	PCG	17.44	2,091	36,471	14.6x	13.1x	11.9x	11.0x	0.3%	0.0%	5%	1.5x	30%
Pinnacle West	PNW	77.96	113	8,834	18.6x	15.6x	14.9x	14.2x	4.5%	2.0%	83%	1.5x	37%
Portland General	POR	47.02	101	4,753	17.6x	15.5x	14.6x	14.0x	4.0%	5.0%	70%	1.5x	45%
PPL Corp.	PPL	26.23	737	19,334	16.5x	15.3x	14.2x	13.5x	3.7%	6.7%	61%	1.4x	49%
PSEG	PEG	60.71	499	30,301	17.6x	16.6x	15.1x	14.3x	3.8%	5.6%	66%	2.0x	43%
Sempra	SRE	143.79	315	45,244	16.1x	15.1x	14.1x	N/A	3.3%	3.9%	53%	1.7x	47%
Southern Company	SO	69.19	1,091	75,455	19.2x	17.2x	16.1x	15.3x	4.0%	2.9%	78%	2.5x	33%
WEC Energy Group	WEC	87.28	315	27,531	18.9x	17.8x	16.6x	15.6x	3.6%	7.0%	67%	2.4x	39%
Xcel Energy	XEL	59.69	552	32,921	17.8x	16.7x	15.7x	14.8x	3.5%	6.0%	62%	1.9x	39%
Average					**16.9x**	**15.7x**	**14.7x**	**14.2x**	**3.8%**	**4.7%**	**64%**	**2.0x**	**39%**
Average (ex EIX & PCG)					**17.0x**	**15.9x**	**14.8x**	**14.3x**	**3.9%**	**4.9%**	**66%**	**2.0x**	**39%**

Source: Wolfe Utilities & Power Research, FactSet
*Current price shown in $CAD

Exhibit 8: YieldCo Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2023E	EV/EBITDA 2024E	EV/EBITDA 2025E	EV/EBITDA 2026E	Div Yield
Clearway Energy	CWEN	25.25	202	5,099	9.8x	10.0x	N/A	N/A	6.0%
NextEra Energy Partners	NEP	48.98	192	9,419	6.7x	7.1x	6.6x	6.5x	7.0%
Atlantica Yield*	AY	22.71	116	2,636	9.3x	8.8x	8.6x	8.6x	7.8%
Brookfield Renewable Partners*	BEP	26.42	289	7,630	24.5x	21.6x	20.6x	19.4x	5.3%
Average					**12.6x**	**11.9x**	**11.9x**	**11.5x**	**6.5%**

Source: Wolfe Utilities & Power Research, FactSet
*Not covered by Wolfe Research, estimates based on consensus

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Exhibit 9: IPP Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2023E	EV/EBITDA 2024E	EV/EBITDA 2025E	Levered FCF Yield 2023E	Levered FCF Yield 2024E	Levered FCF Yield 2025E	Unlevered FCF Yield 2023E	Unlevered FCF Yield 2024E	Unlevered FCF Yield 2025E
Constellation Energy Corp	CEG	105.11	322	33,803	11.1x	10.0x	9.6x	5.3%	6.8%	7.0%	5.5%	6.7%	6.9%
NRG Energy	NRG	37.22	230	8,569	5.5x	5.4x	4.8x	20.3%	21.6%	27.6%	12.9%	13.8%	15.8%
Vistra Corp	VST	30.31	373	11,306	6.2x	5.7x	5.4x	16.4%	20.4%	23.7%	10.0%	11.8%	12.4%
Average					**7.6x**	**7.0x**	**6.6x**	**14.0%**	**16.3%**	**19.4%**	**9.5%**	**10.7%**	**11.7%**

Source: Wolfe Utilities & Power Research, FactSet

Exhibit 10: Wolfe Research EPS Estimates for Utilities vs. Consensus

Company Name	Ticker	2023E WR	2023E Cons	2024E WR	2024E Cons	2025E WR	2025E Cons	2026E WR	2026E Cons
AES Corp.	AES	1.71	1.70	1.92	1.92	2.10	2.09	N/A	2.17
Alliant Energy	LNT	2.89	2.89	3.08	3.08	3.28	3.27	3.47	3.47
Ameren	AEE	4.38	4.36	4.74	4.68	5.06	5.02	5.39	5.36
American Electric	AEP	5.29	5.27	5.60	5.60	6.00	5.98	6.35	6.33
American Water	AWK	4.84	4.81	5.13	5.13	5.59	5.59	6.04	6.05
Avangrid	AGR	2.10	2.10	2.15	2.33	2.40	2.53	2.60	2.63
CenterPoint Energy	CNP	1.49	1.49	1.62	1.62	1.75	1.73	1.88	1.86
CMS Energy	CMS	3.12	3.11	3.34	3.36	3.60	3.63	3.86	3.88
Consolidated Edison	ED	4.93	4.88	5.35	5.23	5.60	5.51	5.82	5.79
Dominion	D	3.76	3.80	3.33	3.59	3.68	3.78	N/A	4.15
DTE Energy	DTE	6.26	6.23	6.68	6.71	7.17	7.18	7.76	7.86
Duke Energy	DUK	5.62	5.62	5.94	5.98	6.32	6.33	6.72	6.70
Edison International	EIX	4.70	4.72	5.07	5.07	5.60	5.51	N/A	5.78
Emera*	EMA	3.13	3.18	3.31	3.32	3.49	3.43	3.78	3.64
Entergy	ETR	6.66	6.71	7.20	7.18	7.70	7.71	8.18	8.25
Evergy	EVRG	3.63	3.63	4.01	3.97	4.26	4.24	4.52	4.45
Eversource Energy	ES	4.35	4.37	4.61	4.64	4.93	4.95	5.22	5.32
Exelon	EXC	2.37	2.36	2.51	2.51	2.76	2.72	N/A	2.92
FirstEnergy	FE	2.54	2.54	2.72	2.68	2.87	2.85	3.04	3.07
Fortis*	FTS	2.99	2.98	3.14	3.11	3.25	3.25	3.36	3.42
NextEra Energy	NEE	3.09	3.12	3.38	3.41	3.64	3.70	3.93	4.02
NiSource	NI	1.59	1.58	1.70	1.69	1.82	1.81	1.95	1.94
OGE Energy	OGE	2.00	2.00	2.11	2.11	2.22	2.26	2.34	2.36
PG&E	PCG	1.20	1.21	1.33	1.35	1.46	1.47	1.59	1.61
Pinnacle West	PNW	4.20	4.22	5.00	5.01	5.23	5.19	5.49	5.42
Portland General	POR	2.68	2.69	3.03	3.08	3.21	3.24	3.36	3.39
PPL Corp.	PPL	1.59	1.58	1.72	1.71	1.85	1.83	1.94	1.95
PSEG	PEG	3.45	3.45	3.66	3.70	4.03	4.06	4.23	4.25
Sempra	SRE	8.92	8.98	9.49	9.56	10.21	10.21	N/A	10.80
Southern Company	SO	3.60	3.60	4.03	4.03	4.30	4.31	4.53	4.55
WEC Energy Group	WEC	4.61	4.61	4.91	4.91	5.25	5.25	5.60	5.60
Xcel Energy	XEL	3.35	3.35	3.58	3.60	3.81	3.85	4.03	4.03

Source: Wolfe Utilities & Power Research, FactSet
*Estimates are in $CAD

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Exhibit 11: Wolfe Research EBITDA Estimates for YieldCos vs. Consensus

		2023E		2024E		2025E		2026E	
Company Name	Ticker	WR	Cons	WR	Cons	WR	Cons	WR	Cons
Clearway Energy	CWEN	$1,174	$1,134	$1,154	$1,208	N/A	$1,238	N/A	$1,277
NextEra Energy Partners	NEP	$2,199	1,957	$2,195	2,252	$2,351	2,471	$2,331	2,666
Atlantica Yield*	AY		835		876		905		898
Brookfield Renewable Partners*	BEP		2,225		2,521		2,649		2,805

Source: Wolfe Utilities & Power Research, FactSet
*Not covered by Wolfe Research, estimates based on consensus

Exhibit 12: Wolfe Research EBITDA Estimates for IPPs vs. Consensus

		2023E		2024E		2025E	
Company Name	Ticker	WR	Cons	WR	Cons	WR	Cons
Constellation Energy Corp	CEG	3,553	3,442	4,022	3,892	4,044	3,828
NRG Energy	NRG	3,240	3,133	3,145	3,184	3,240	3,204
Vistra Corp	VST	3,774	3,742	3,750	4,109	3,808	4,132

Source: Wolfe Utilities & Power Research, FactSet

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WOLFE RESEARCH

August 9, 2023

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From: Steve Fleishman
To: Weisenburger \ Michael \ V
Subject: The Fleishman Daily 9/15/23 - VST, NI, Autos Strike, ES, EMA, ERCOT, XEL, ET/CEQP, EPD, SPWR, RUN
Date: Friday, September 15, 2023 9:36:21 AM

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September 15, 2023

THE FLEISHMAN DAILY 9/15/23

VST, NI, Autos Strike, ES, EMA, ERCOT, XEL, ET/CEQP, EPD, SPWR, RUN

The Fleishman Daily 9/15/23
Utilities: VST, NI, Autos Strike, ES, EMA, ERCOT, XEL
Midstream: ET/CEQP
Clean Energy: SPWR, RUN
WEBCAST: Fleish on Fridays, TODAY at 11:00am ET; register here

Utilities

VST – To join S&P 400 Midcap index after close today
NI – Announces plan to remarket ~$863M of its Mandatory Convertible Preferred Stock relating to its 2021 equity units offering in accordance with L-T financial plan
Autos Strike – UAW strikes at three plants in MO/MI/FE covering AEE/DTE/FE service territories
ES – S&P lowers outlook to stable from positive at holdco/subs, sees 13-14% FFO/D
EMA – Files rate case in New Mexico seeking a ~$49M rate hike, 10.5% ROE, and 53% equity ratio
ERCOT – Explains to PUCT that EEA2 emergency in early-September was due to transmission issue
XEL – MPUC denies reconsideration request in the MN electric rate case; expected

Midstream

ET / CEQP – Background to merger shows CEQP considered other parties, ET is a tough negotiating partner! ET 2024-25 EBITDA above consensus
EPD – Prospectus for equity distribution agreement a normal course renewal

Clean Energy

SPWR – Departure of corporate controller/principal accounting officer
RUN – Prices largest ever resi solar securitization at improved spread

Wolfe Utility & Midstream Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Midstream Stock Charts, Clean Energy Comps, Clean Energy Stock Charts, Models, Valuation Charts

Utilities

VST – To join S&P 400 Midcap index after close today

- After the close today, S&P announced that VST would become a constituent of the S&P 400 Midcap index
- Our partners at Nomura Instinet estimate that this will result in ~30M shares to buy or 7x absolute liquidity

This was announced a few weeks ago and will now go into effect.

NI – Announces plan to remarket ~$863M of its Mandatory Convertible Preferred Stock relating to its 2021 equity units offering in accordance with L-T financial plan

- NI intends to remarket up to 862.5K shares of its Mandatory Convertible Preferred Stock, with a liquidation preference of $1000/sh., that were originally issued as part of its 2021 equity units.
    - This is consistent with NI's L-T financial plan; NI intends to designate 10/2/23-10/23/23 as the period for remarketing.
- On 3/1/24, each outstanding share of the Mandatory Convertible Preferred Stock will automatically convert into between 34.9107 and 41.0201 shares of NI common stock.
    - The number of shares will depend on the 40-day volume weighted average price of NI's common stock over a period preceding 3/1/24.
    - If the closing price of NI's common stock on the date of the pricing of the remarketing is $24.3783 or less, the minimum conversion rate will be increased to an amount equal to $1,000 divided by 117.5% of such closing price.
- Currently, the Series C Mandatory Convertible Preferred Stock bears no dividends, but dividends may become payable following a successful remarketing.
- NI will not directly receive any of the proceeds from the remarketing process.
    - A portion of the proceeds will be automatically applied to purchase a portfolio of U.S. Treasury securities.
        - This is intended to satisfy the 2021 equity unit holders' obligations to purchase NI's common stock under the purchase contract component of

the instrument.
    - Any remaining proceeds will be remitted to the holders of the 2021 equity units after the remarketing settlement date.

This announcement is consistent with NI's L-T financial plan and the additional share dilution resulting from the remarketing process has been factored into NI's 6-8% annual EPS growth target. NI has previously mentioned that part of the proceeds may be used to redeem outstanding preferred stock – NI has $500M of 6.50% Series B Preferred Stock outstanding.

Autos Strike – UAW strikes at three plants in MO/MI/FE covering AEE/DTE/FE service territories

- The United Auto Workers union strike began at midnight last night – starting 3 plants
    - GM's Wentzille Missouri = AEE's service territory
    - Ford's Wayne Michigan = DTE's service territory
    - Stellantis' Toledo Ohio = FE's service territory

The autos are part of the high volume, low margin industrial bucket of customers for utilities. However, we'll be monitoring this as our understanding is the UAW plans to rotate where it is striking across different plants of GM/Ford/Stellantis. It is unclear when the strike will end.

ES – S&P lowers outlook to stable from positive at holdco/subs, sees 13-14% FFO/D

- On 9/14, S&P lowered the credit rating outlook to stable from positive at ES' holding company and subs.
- S&P said the outlook for ES' rating reflects that it will sell its offshore wind assets "imminently" and solely focus on its regulated T&D assets while maintaining FFO-to-debt of 13%-14%, which S&P said is "indicative of minimal financial cushion for the rating."
- Its base case for ES is $4-5B/yr capex, ~7% div growth, and at least $1B of equity issuances over the next 5 years; S&P assumes the offshore wind sale by YE23 with proceeds used to repay debt, but assumes no further impairments.
- S&P also noted recent developments indicate CT is becoming less supportive of credit quality and decreases cash flow predictability, as SB 7 discontinued the electric system improvement tracker and gives PURA discretion regarding the consistent implementation of decoupling.
- S&P further pointed to PURA's Aquarion and UIL rate orders "significantly" deviating from its base case, denying multiyear plans, including material disallowances, penalties and below-average ROEs. ES' PURA regulated operations represent ~33% of EBITDA, wrote S&P.
- Recall that Moody's rates ES at Baa1 but has been on negative outlook for over a year; Moody's projects 13-14% CFO pre-W/C to debt in 2023, excluding offshore wind proceeds. Moody's downgrade threshold is 15%.

The lowered outlook reflects a deteriorating CT regulatory environment and minimal cushion to S&P's FFO/D downgrade threshold for ES. The offshore wind sale is important for the

outlook, as S&P's base case assumes a sale by yearend with proceeds going to repay debt, plus "at least $1B of equity" over the next five years. But that assumes no further impairments or presumably any contingencies, both of which we believe are possible.

EMA – Files rate case in New Mexico seeking a ~$49M rate hike, 10.5% ROE, and 53% equity ratio

- Yesterday, NMGC filed a rate case with the NM PRC requesting a revenue increase of $48.97M based on a future test year ending 9/30/25, 10.5% ROE, and 53% equity ratio.
    - NMGC is seeking recovery of its avg. rate base, which includes ~$278.2M in additional capital investments vs. the settlement stipulation reconciliation in its last rate case.
- NMGC is currently allowed a 9.375% ROE and 52% equity ratio.
- In its filing, NMGC noted that it is experiencing increased operating expenses, which are expected to continue to rise throughout the future test year.
- Based on previous regulatory schedules, a hearing is expected in 2Q24 with an NM PRC decision in 3Q24; new rates would be effective 10/1/24.
- The average bill impact is anticipated to be $6.70/month – an 11% increase compared to current bills.

This filing was anticipated after mgmt. alluded to it on EMA's Q2 earnings call. NMGC is ~4% of EMA's total rate base; every 50bps ROE change is ~$0.01 of EPS and every 100bps equity ratio change is ~$0.005 of EPS.

ERCOT – Explains to PUCT that EEA2 emergency in early-September was due to transmission issue

- Yesterday, ERCOT provided details to the Public Utilities Commission of Texas on the level 2 emergency that was declared on September 6 – explaining that the transmission system frequency dropped due to transmission constraints coupled with weak wind conditions
    - Priced ended up hitting the $5,000/MWh cap
- The grid has an emergency alert system that is declared when transmission frequency falls below 60 Hertz, to prevent rolling blackouts
- Congestion was said to be a problem, as supply from South Texas wind resources had to be curtailed to prevent grid overload
- Wind resource overall was only 5.5 GWs on average versus a forecast of 7.2 GWs, while thermal unplanned outages were 8.5 GWs versus 5.0 GWs expected under normal conditions
- The emergency event lasted approximately an hour and was resolved by deploying 1.0 GWs of Emergency Response Service capacity, 1.6 GWs of load resources, and curtailing a DC tie to the Mexican grid

This aligns with the plant outage data we reviewed, which indicated that sudden outages were unlikely to be the cause. This appears to be a transmission congestion issue, coupled

with other outage factors, but ERCOT is still investigating the situation.

XEL – MPUC denies reconsideration request in the MN electric rate case; expected

- Yesterday, the MPUC voted 5-0 to deny NSP-MN's reconsideration request in its electric rate case.
- The MPUC noted that *"the Commission analyzed the facts in the record and exercised its judgment consistent with its quasi-judicial authority in determining a reasonable ROE"*.

This was consistent with our expectation that the probability of a material improvement in key parameters is low.

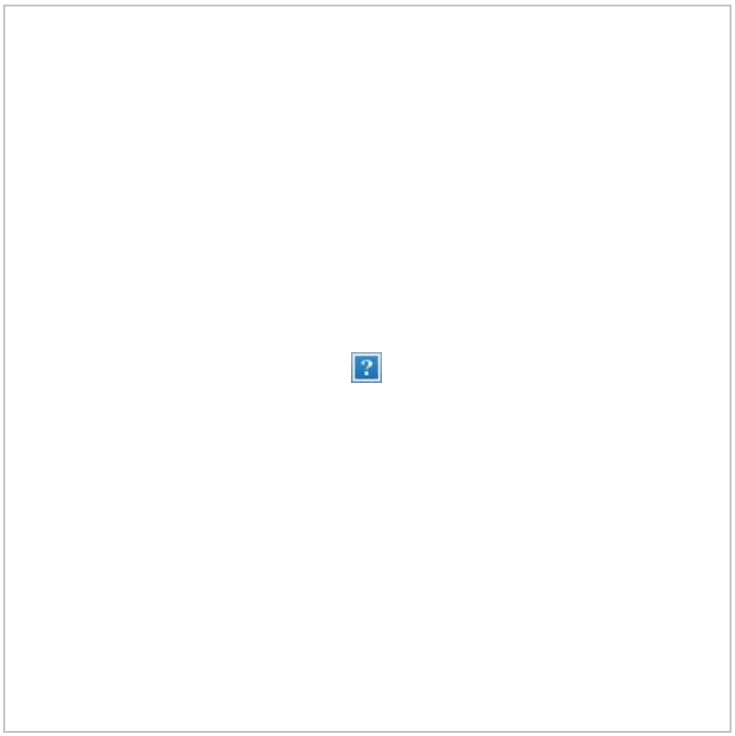
Midstream

ET / CEQP – Background to merger shows CEQP considered other parties, ET is a tough negotiating partner! ET 2024-25 EBITDA above consensus

- This morning, ET filed the S-4 with the background to the CEQP acquisition and unaudited financial forecasts
- Crestwood reviewed potential companies that might want to acquire them as far back as 2019 given their view on the importance of scale and integration
    - In 2020, CEQP reviewed the potential for 3 different companies to spin out their G&P assets and merge with CEQP. Party A reviewed this in mid-2020 but declined to move forward.
    - Party B (an large MLP G&P company) reviewed a combination with Crestwood but declined to move forward
- Crestwood started working with Intrepid in 2023 to try and find merger partners
    - They again talked to Party A as well as three other companies between March and May of 2023
    - Intrepid met with ET in April 2023 and ET indicated interest
- **ET is a tough negotiator!**
    - They made it clear immediately that an acquisition of CEQP would need to be accretive and come with no premium
    - ET didn't want to decide on an exchange ratio until CEQP reported what were expected to be disappointing Q2 results
    - ET tried to put in tough criteria, including that CEQP couldn't terminate the deal for a superior offer and ET would be able to delay the deal. Most of these were eventually removed.
- CEQP also talked to a Party C in July after having negotiated with ET but it wasn't the right fit for Party C given lack of overlap in the Bakken
- **Financial forecasts – ET's EBITDA outlook modestly above consensus while CEQP is a little below consensus – see table below**
    - Uses a commodity deck that is reasonably close to forward curves – little below market on oil but above on gas and NGLs
    - ET assumes $3B per year of growth capex for 2024-26 but that is simply the

high end of their long-range target
- Implied distribution growth looks in line with the 3-5%/year target

Our initial high level conclusions are as follows. 1) ET showed a very disciplined and tough negotiating process from the start. 2) CEQP did assess combining with other parties over the past few years and even in July had a discussion with another party. The combination of these factors makes us think CEQP shouldn't be trading at a 2% premium to the deal price as ET seems determined to hold firm on the offer price and we would think CEQP talking to other parties is reassuring to their holders and the ability to get CEQP holders to vote to approve the transaction. Lastly, the financial forecasts look good with ET's EBITDA modestly ahead of consensus, although we caution that S-4 financial forecasts are certainly not guidance and are given for purposes of the transaction.



Source: Company filings

EPD – Prospectus for equity distribution agreement a normal course renewal

- EPD put out a prospectus this morning for an equity distribution agreement for up to $2.5B

We touched base with the company and this is a normal course renewal of their ATM program. We don't make anything of the filing.

Clean Energy

SPWR – Departure of corporate controller/principal accounting officer

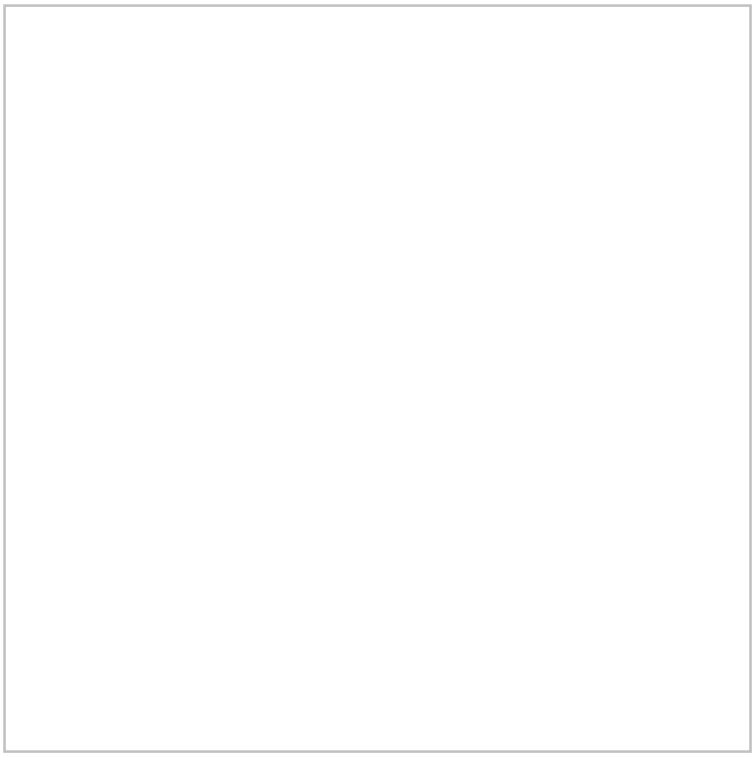
- This week, SPWR filed an 8-K announcing that Vichheka Heang, the company's principal accounting officer and corporate controller, is resigning effective October 15, 2023.
- CFO Elizabeth Eby will assume Ms. Heang's functions on the effective date.

It is concerning to see more executive turnover at SPWR during a challenging time for the company. Recall that just this year, SPWR has appointed a new CFO and COO and two new board members and has seen the departure of its CMO in May.

RUN – Prices largest ever resi solar securitization at improved spread

- Yesterday, RUN announced it priced a record-setting $715M senior securitization of solar assets.
- The notes are backed by 57,731 solar systems across 21 states, and Washington D.C. and Puerto Rico and 85 utility service territories.
    - The average FICO score for the customers is 741.
- The deal was structured into two tranches of A- rated notes and one BB+ tranche which was retained by RUN.
    - The A- rated A-1 tranche of $440M was publicly placed, priced at a 240 bps spread and a 6.78% yield, and was upsized by $100M. The spread represents a 25 bps improvement from RUN's May ABS.
    - The A- rated A-2 tranche of $275M is pari passu with the A-1 tranche and was privately placed.

This is a good outcome for RUN and bodes well for the solar ABS market. The spread was in the range of recent loan-backed ABS offerings and was a slight improvement to RUN's only other offering so far this year. The large deal size and the fact that the publicly placed A-1 tranche was upsized suggests continued strong appetite from investors.



Source: Wolfe Research, FINSIGHT

Wolfe Events

September 18-19, 21: NiSource Non-deal Roadshow in New York/Boston
September 26: CEO panel with CMS & PEG at GLIO Conference in New York
September 27-29: Wolfe Research Utilities, Midstream & Clean Energy Conference
September 29: Ameren non-deal roadshow in Boston
October 30-31: NextEra Energy Non-deal Roadshow in London
November 28-29: Fortis virtual non-deal roadshow in Australia

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Calendar

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IN Fact

November 19, 2023 | 15:22 ET~

NiSource

NI-NYSE	Rating	Price: Nov-17	Target	Total Rtn
	Outperform	$26.08	$28.00	11%

Failing Up: Numbers Modestly Higher on Unsuccessful Remarketing/Story De-Risked

Bottom Line:

On Friday, in its second and final attempt, NiSource announced that the remarketing of the mandatory convertible preferreds associated with its 2021 Equity Units was unsuccessful. **We view this positively as it provides NI with increased financial flexibility and modest EPS accretion (lower equity dilution), and with the "event" in the rearview mirror, investors can refocus on the company's premium growth story, attractive relative valuation, and de-risked calendar. We reiterate our Outperform rating. Our target price remains $28 as our MTM of peer group multiples offsets our increased 2025 EPS.**

Key Points

In its 8-K, management reaffirmed no equity issuances in 2023 and in lieu of the proceeds associated with the mandatory convertible security the company plans to issue up to $600mm of equity in 2024 through its ATM program. Equity requirements for 2025-2028 were reaffirmed at ~$200-300mm/year.

Management also reaffirmed its 2023 guidance of $1.54-1.60 with an expectation of being in the upper half as well as its 2024 guidance range of $1.68-1.72 and annual 6-8% EPS growth 2023-2028

Even with a slightly lower issuance price, we see up to $0.04 of accretion (~2.0%) to our 2024 estimate assuming ~$600mm of equity issued ratably across 2024 versus $862.5mm in 1Q24. The lower share count is partially offset by higher interest-related expense and our assumption of slightly higher O&M to derisk 2025. For 2025 we see modest run-rate accretion, but again this is partially offset by a lower issuance price assumption, higher annualized interest expense and the opportunity to accelerate O&M to derisk the out years of the plan. **Net-net our 2023 estimate is unchanged at $1.59 and our 2024 and 2025 estimates both move up $0.02 to $1.73 and $1.85, respectively.**

Importantly, given the flexibility associated with the NIPSCO minority interest sale, we still see NI achieving an FFO/Debt closer to the midpoint of its 14-16% range or nearly 200bps above its 13% threshold.

Over the past month shares of NI have underpformed by ~3% (Exhibit 1) due to the technical issues associated wit the remarketing. **With the event behind us, investors can refocus on the company's attractive fundamentals (valuation/growth/balance sheet).**

We see shares of NI currently trading at a ~2-3% discount to the broader group which we see as attractive and reiterate our Outperform. NI remains a top pick and anchors the GARP/Relative Value side of our BMO Barbell.

Key Changes		
	Estimates	**2024E**
	EPS	$1.73
	Previous	*$1.71*

For disclosure statements, including the Analyst Certification, please refer to page(s) 6 to 9.

BMO Capital Markets

Utilities, Power & Renewables

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Legal Entity: BMO Capital Markets Corp.



Company Data			in $
Dividend	$1.00	Shares O/S (mm)	413.4
Yield	3.8%	Market Cap (mm)	$10,782
P/BV	1.5x	Net Debt (mm)	$8,877

BMO Estimates				in $
(FY-Dec.)	2021A	2022A	2023E	2024E
EPS	$1.37	$1.46	$1.59	$1.73↑
DPS	$0.88	$0.94	$1.00	$1.07

Consensus Estimates				
	2021A	2022A	2023E	2024E
EPS			$1.58	$1.70

Valuation				
	2021A	2022A	2023E	2024E
P/E	19.0x	17.8x	16.4x	15.1x
Div. Yield (%)	3.4%	3.6%	3.8%	4.1%

QTR. EPS	Q1	Q2	Q3	Q4
2021A	$0.73	$0.13	$0.11	$0.39
2022A	$0.75	$0.12	$0.10	$0.50
2023E	$0.77a	$0.11a	$0.19a	$0.52
2024E	$0.90	$0.15	$0.13	$0.54

Our Thesis

After the analyst day, we believe NI has meaningfully derisked the story that promises investors above-average EPS and rate base growth in favorable regulatory jurisdictions with what will be, upon the completion of the NIPSCO minority stake sale, one of the stronger balance sheets in the sector.

BMO Capital Markets

NiSource - Block Summary Model

Income Statement	2021A	2022A	2023E	2024E
Electric Operations	387	354	459	594
Gas Distribution	674	805	922	990
Coporate & Other	1	(12)	(12)	(24)
Consolidated EBIT	1,104	1,189	1,411	1,602
Depreciation & Amortization	748	821	875	951
EBITDA	1,852	2,010	2,287	2,553
Interest Expense	341	362	493	457
Income Tax	132	137	156	194
Income from continuing operations	571	648	717	800
Weighted Average Shares Outstanding	417	443	450	464
Diluted Operating EPS	$1.37	$1.46	$1.59	$1.73
Dividends per Share	$0.88	$0.94	$1.00	$1.06
Cash Flow Statement	**2021A**	**2022A**	**2023E**	**2024E**
Operating Cash Flow	1,255	1,409	1,613	1,780
Investing Cash Flow	(2,205)	(2,570)	(3,450)	(1,250)
Financing Cash Flow	956	1,141	1,781	(549)
Net Change in Cash Flow	7	(20)	(56)	(19)
EOP Cash on Balance Sheet	876	76	19	0
Common stock (net)	300	154	0	600
Net debt issued/(repaid)	31	1,488	2,286	(600)
Dividends paid	(345)	(382)	(450)	(494)
Balance Sheet	**2021A**	**2022A**	**2023E**	**2024E**
Common Equity	6,279	6,905	7,175	8,092
Preferred Equity	1,547	1,547	1,547	1,547
Total Debt	9,802	11,316	13,561	12,961
Enterprise Value	$21,160	$23,576	$25,878	$25,900
Common equity %	35.6%	34.9%	32.2%	35.8%
Preferred equity %	8.8%	7.8%	6.9%	6.8%
Total Debt %	55.6%	57.2%	60.9%	57.4%
Book Value per Share	$18.77	$19.09	$19.39	$20.79

Source: BMO Capital Markets, Company Reports

Scenarios

Valuation

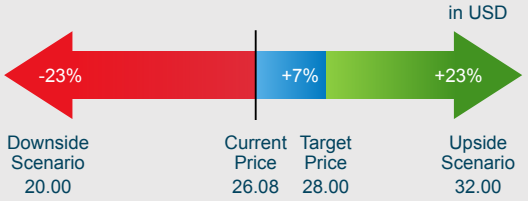
Our target price is the product of a P/E-based sum of the parts. We utilize a regulated-group average multiple using 2025E EPS as base valuation and then make specific adjustments to reflect our current view of the fundamental outlook.

Upside Scenario $32.00

Our upside scenario reflects continued multiple expansion associated with the company's premium and above-average earnings and dividend growth profile, as well as the material improvement in the balance sheet with the successful execution of the minority interest sale in NIPSCO.

Downside Scenario $20.00

Our downside scenario reflects a tightening monetary policy, a deceleration of the company's rate base growth and failure to execute on the sale of a minority interest in NIPSCO to strengthen the balance sheet.



Key Catalysts

Successful execution of both its upcoming NIPSCO Electric rate case as well as sale of a minority interest in its NIPSCO subsidiary by mid-year 2023.

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.

BMO Top 15 List

BMO Top 15 List Member

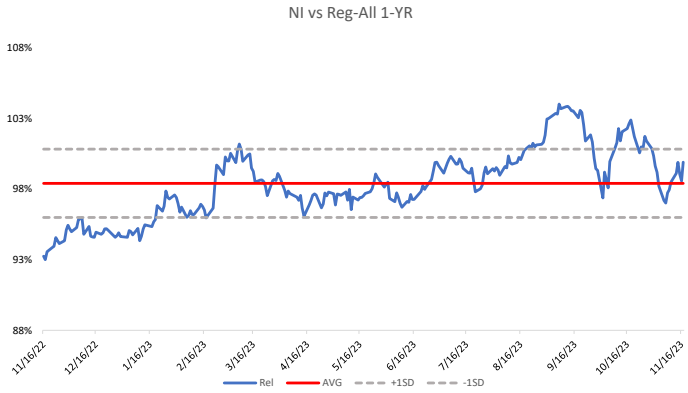
Income Stock

NI-NYSE Research

Glossary

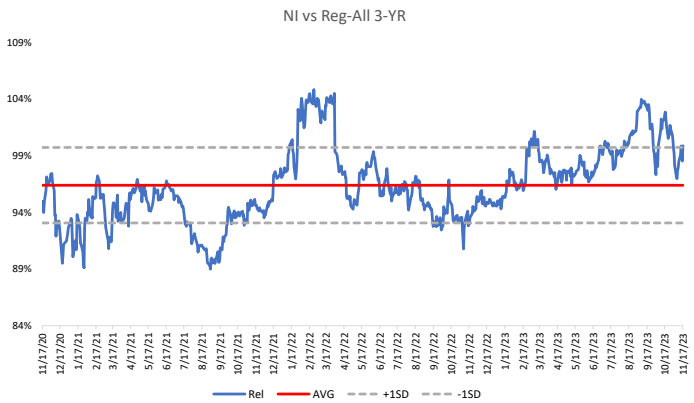
Company Models

Exhibit 1: 12-Month 2YR Forward Relative P/E



Source: BMO Capital Markets, FactSet

Exhibit 2: 3-year 2YR Forward Relative P/E



Source: BMO Capital Markets, FactSet

Exhibit 3: NiSource Inc. - Model Summary

NI Model Summary	2020A	2021A	2022A	2023E	2024E	2025E
EPS By Segment						
Electric Operations	$0.64	$0.65	$0.56	$0.70	$0.75	$0.84
Gas Distribution	$1.05	$1.02	$1.22	$1.31	$1.37	$1.47
Corporate & Other	($0.36)	($0.30)	($0.31)	($0.41)	($0.40)	($0.46)
Consolidated E.P.S.	**$1.32**	**$1.37**	**$1.46**	**$1.59**	**$1.73**	**$1.85**
Dividend per share	**$0.84**	**$0.88**	**$0.94**	**$1.00**	**$1.07**	**$1.13**
Payout Ratio total	63.6%	64.3%	64.2%	62.7%	61.7%	61.4%
Dividend Yield	2.9%	3.2%	3.4%	3.6%	3.9%	4.1%
Valuation Metrics						
Price to Earnings	22.2x	20.2x	18.7x	17.2x	15.9x	14.8x
Price to Book Value	1.7x	1.5x	1.4x	1.4x	1.3x	1.3x
Funding Sources						
Cash Flow from Operations	$1,681	$1,255	$1,409	$1,613	$1,780	$1,962
Total Debt Financings	$2,974	$0	$346	$2,286	($600)	$2,960
Total Equity Financings	$211	$300	$154	$0	$600	$250
Credit Metrics						
Total Debt/Capitalization	60%	56%	57%	61%	57%	59%
FFO/Total Debt	13%	15%	15.6%	11.9%	13.7%	13.4%
Regulated Operations Performance - Realized ROE						
NIPSCO Electric ROE	10.5%	11.0%	9.4%	10.4%	9.8%	9.7%
Columbia Gas of Ohio ROE	8.2%	8.7%	9.7%	9.6%	9.7%	9.7%
Columbia Gas of Pennsylvania ROE	8.2%	8.7%	9.2%	9.0%	9.0%	9.0%
NIPSCO Gas ROE	8.2%	8.6%	10.4%	9.7%	9.7%	9.8%
Columbia Gas of Virginia ROE	12.2%	13.3%	12.3%	12.6%	12.6%	12.7%
Columbia Gas of Kentucky ROE	8.1%	7.6%	8.4%	8.1%	8.3%	8.4%
Columbia Gas of Maryland ROE	8.3%	9.2%	9.6%	9.2%	9.3%	9.3%

Source: BMO Capital Markets, Company Filings

Exhibit 4: NiSource Inc. - Key Assumptions

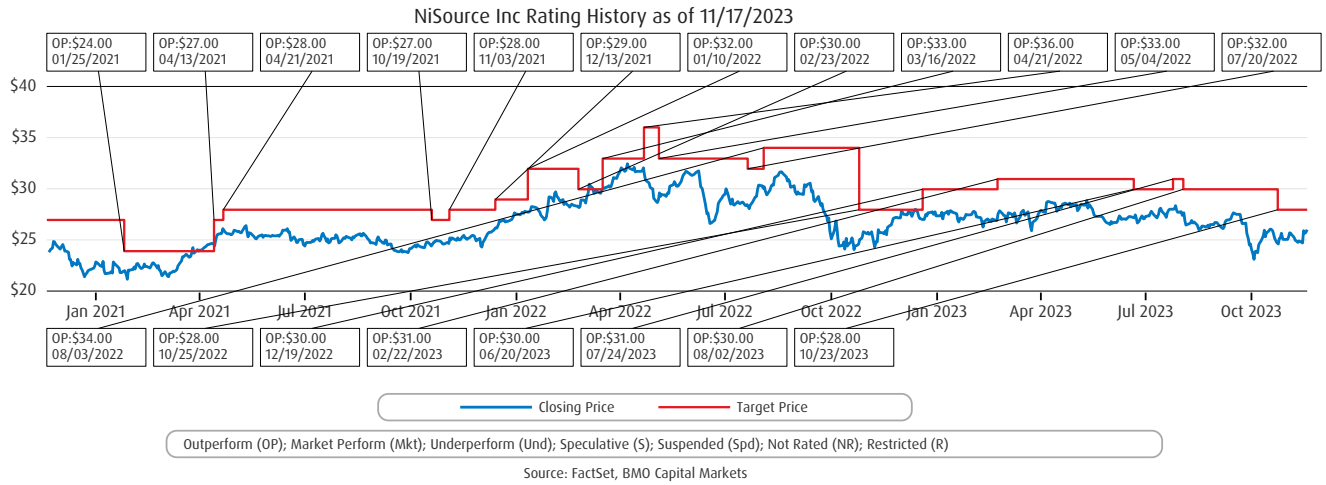
Key Model Assumptions	2020A	2021A	2022A	2023E	2024E	2025E
Total Capital Expenditures by Segment						
Electric Operations	$423	$483	$541	$1,450	$1,500	$1,500
Gas Distribution	$1,267	$1,296	$1,596	$2,000	$1,900	$1,800
Consolidated Capital Expenditures	**$1,690**	**$1,780**	**$2,136**	**$3,450**	**$3,400**	**$3,300**
YE Rate Base Estimates						
NIPSCO Electric	$4,794	$4,898	$5,401	$6,463	$7,538	$8,576
Columbia Gas of Ohio	$3,412	$3,937	$4,402	$5,016	$5,575	$6,075
Columbia Gas of Pennsylvania	$2,069	$2,419	$2,699	$3,075	$3,418	$3,726
NIPSCO Gas	$1,824	$1,991	$2,417	$2,752	$3,057	$3,330
Columbia Gas of Massachusetts	$1,207	$0	$0	$0	$0	$0
Columbia Gas of Virginia	$867	$1,086	$1,090	$1,243	$1,383	$1,508
Columbia Gas of Kentucky	$371	$422	$481	$540	$593	$641
Columbia Gas of Maryland	$150	$197	$223	$254	$282	$308
Total Rate Base	**$14,693**	**$14,950**	**$16,713**	**$19,343**	**$21,847**	**$24,164**

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	2025E 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	$0.84	Electric	14.4x	+10.0%	15.8x	11.9x	$10	15.8x	$13	17.8x	$15
Gas Distribution	EPS	$1.47	Natural Gas	14.0x	+7.5%	15.1x	11.5x	$17	15.1x	$22	17.1x	$25
Corporate & Other	EPS	($0.46)	Blend	15.3x	+0.0%	15.3x	15.3x	($7)	15.3x	($7)	17.3x	($8)
Utility & Parent Value		**$1.85**					10.7x	**$20**	15.3x	**$28**	17.3x	**$32**
Total NiSource Inc.								**$20**		**$28**		**$32**
Upside/(Downside)								(24%)		9%		23%
Current Yield								4%		4%		4%
Total Return								**(20%)**		**13%**		**27%**

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 2025E 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.

Distribution of Ratings (November 18, 2023)

Rating category	BMO rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	StarMine Universe~
Buy	Outperform	48.0 %	15.7 %	45.3 %	54.3 %	57.4 %	57.7%
Hold	Market Perform	49.3 %	17.1 %	50.7 %	44.2 %	41.0 %	37.5%
Sell	Underperform	2.4 %	18.2 %	2.7 %	1.4 %	1.0 %	4.8%

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North American Utilities & IPPs

Refinancing pressures quantified: Who has needs, how much, when, & what offsets?

Industry Overview

Quantifying refinancing risks: what mark to market shows

We present a deep dive into existing debt stacks for Premium, Value, SMID, and Gas LDC utilities under our coverage. Refinancing needs, particularly at the HoldCo level where interest expense for utilities is not recoverable through customer rates, have been an acute focus for investors in 2022-2023 as utilities broadly have underperformed other sectors, with rates a key driver. Our analysis focuses on existing debt as reported by FactSet and does not incorporate future funding needs of regulated rate base or at the HoldCo level. We assess absolute post-tax interest expense and as a percentage of EPS based on our published estimates. Refinancing assumptions for existing debt embed a rate of 6.7%, reflecting 200 bps premium to 30Yr and in line with the Moodys Baa utility index. This approach does attempt to bifurcate between Utility Operating company debt and Holding company (presumably unrecoverable) expenses intentionally to capture which companies face additional customer rate pressure as well. We have previously focused extensively on HoldCo refinancings in our 4Q23 preview (see note).

Premium Utilities: Higher quality balance sheets

A common thread across the premium group is generally higher quality balance sheets and better credit metrics than value and SMID peers, though we see some elevated needs ahead**. DTE** screens as having the highest near-term burden driven in part by an $800m refi at 1.05% in 2025 along with $1.3B at 4.22% in 2024. We reflected these pressures in our recent update on DTE (see note). The other premium names that screen highly on EPS exposure are **WEC** with 3% in 2024 and **NEE** in 2025; however, NEE has interest rate hedges which defers ~$0.15 impact: see our 3Q23 NEE recap for details.

Value Utilities: Higher needs on average

Total refi needs for the value group average 2.5% of our forecast EPS, higher than 1.5% for the premium group – slightly more than half of this represents HoldCo needs. On the high end of exposure are **ETR** in 2024 at 4.2% of EPS, dampened by $1.1Bn cash on the balance sheet. **EIX, ES**, and **PNW** among more exposed as a percentage of EPS. **NI** typically issues debt at the HoldCo and injects debt/equity into its utilities, complicating OpCo/HoldCo breakdown; however, at 7%+ of '25 EPS headwind is one of the highest. Watch broadly for further converts to offset impact of higher coupon issuances.

SMID Utilities: BKH stands above the rest

BKH has a meaningful $600m HoldCo debt due in Aug 2024 at 1.0% coupon, a mark-to-market represents ~$0.40 EPS (~10%) and a likely ~$0.07 headwind vs guidance plan (+100bp in coupons) The other SMID utilities have comparably lower HoldCo exposures based on our analysis, with **ALE** screening somewhat elevated in 2024-26.

Gas LDCs: OGS and SR see elevated holdco needs

Our recent downgrade of **OGS** to Underperform included a recognition of ~40c of refi-related headwinds in 2024, the biggest need across the LDCs in the near term. **SR** has elevated needs in 2024 and 2026 as well, but with the 2024 impact at below 1.5% of EPS this appears far more manageable than OGS' refis: see details on OGS here.

31 October 2023

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Glossary
SMID: Small- and mid-capitalization
LDC: Local distribution company
HoldCo: Holding company
OpCo: Operating company

For a list of company names of tickers used in this report, please see page 9.

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Debt refi: Multi-faceted impacts for utilities

Refinancing risk has become the single biggest debate subject across the sector across many investors we speak to – and is the single biggest variable likely to be debated in the annual forward financial planning cycle this Fall/Winter across the space. **When asking questions of management, it will be critical to ask whether they embed the current trading yields of debt or if they reflect an assumption of interest rate moderation.**

Below we flag general first and second-order impacts of higher cost of financing for utilities. We see liability management and pro-active rolling of maturities in the current high interest rate environment as broadly representative of companies that have EPS latitude to absorb elevated interest costs sooner within their earnings plans. Conversely, we see a broad relationship between those with more challenging near-year EPS backdrops and having deferred a more pro-active refinancing plan for 2024 & 2025 maturities. If companies had the latitude many acted to reduce this refi risk. This highlights a growing gap in the sector between companies that have been challenged and those that have been able to achieve growth without relying as much on short duration debt at low interest rates.

Our methodology attempts to levelized assumptions across the sector

We caution the tables below attempt to simplify refinancing assumptions and should not be taken as specific expectations for term & precise level of interest rate delta, but rather as a way to 'levelize' these decisions applying a specific refinancing cost across all companies to contrast in a similar manner. We appreciate differing terms for refinancing, terming out debt, and differing credit quality/spreads may well impact each discrete financing activity.

Be careful on Opco vs Holdco issuances – and regulatory recovery.

Further our tables specifically breakdown both Total refinancing risk (across OpCos and HoldCos) as well as Holding company debt. We acknowledge that some of this holding company debt may well be captured within the rate constructs of utility subsidiaries. Timing of rate activity to recoup this elevated interest expense within operating companies remains a key further nuance to watch with likely implications to accelerate rate activity as well as potentially 'crowd out' further investments too.

What debt matters? We're focused mostly on refinancing maturities

While the interest rate debate last year in the run-up with rates initially focused on short-term debt, we see this as less of a relevant factor considering much of this has already been 'absorbed' into the earnings plans for companies. Incremental refinancing headwinds for longer-dated maturities appear the clear impediment, particularly where it appears the planning assumptions for at least some utilities from last 4Q23/EEI had assumed some reduction ('normalization') in rates. As for short-term debt, balances appear to be declining across the space in tandem with reductions in commodity balances/prices. On balance, less of an issue than in 2022 earnings reset cycle.

Variable rate debt is a further twist to the calculations we are *not* including.

Our methodology also does not account for the use of variable (rather than fixed price) debt, nor the existence of interest rate swaps. We note a multitude of utilities employ a range of fixed income instruments with variable rate reset components (DUK, D, EIX) for instance, that add to an outsized y/y impact still.

Converts could very well come back – in various flavors

As we already saw thru the year companies have assessed a variety of financing structures to mitigate the near-year EPS impacts of elevated coupons. Given the further step-up in EPS and still elevated volatility of the sector, we could see coupons re-appear in capital structures in various forms. We readily admit more equity appears a clear trend in EEI updates this Fall given capex acceleration backdrop. Net earnings accretion in

near-term is admittedly muted given valuations suggesting some reason to leveraging converts with equity-content (vs trend towards 0% equity content issuances earlier this year).

Value Utilities

We scrubbed our published forecasts and existing debt stacks for companies under our coverage. The exhibits below break out potential impacts in aggregate, by opco, and by HoldCo. Note that we assume refinancing to a spread of approximately 200 bps above the prevailing 10Y US Treasury for an effective rate of 6.7%, which tracks with recent levels seen in the Moody's Baa index.

Total downside peaks in 2025 at 10c on average

Below we estimate refi expense on a consolidated basis in terms of EPS and also % of our forecast estimates. On the high end of exposure are **ETR** in 2024 at 4.2% of EPS and **NI** at 7.4% in 2024. **EIX, ES**, and **PNW** also are among the more exposed names as a percentage of EPS. For Entergy the cash on the balance sheet pending natural gas utility asset sale significantly reduces exposure. Entergy: SERI Settlement and Natural Gas LDC Sales with a busy management team 30 October 2023. Dominion Energy (D) similarly benefits from its pending asset sales which will allow the company to significantly reduce leverage.

Exhibit 1: Tax adj Total Negative/(Positive) impact from refi at current yield
2025 is biggest EPS impact on average

	2023	2024	2025	2026	2027	2028
AEP	**0.05**	**0.07**	**0.17**	0.10	0.06	0.11
AGR	0.00	0.04	0.06	0.05	0.04	0.02
D	0.00	0.06	0.07	0.08	0.05	0.03
DUK	0.03	0.05	**0.10**	0.13	0.07	0.11
EIX	0.00	**0.17**	**0.10**	0.05	0.05	0.11
ES	**0.05**	**0.14**	**0.15**	0.12	0.18	0.06
ETR	**0.22**	**0.30**	**0.26**	0.31	0.13	0.28
EVRG	0.01	**0.12**	0.07	0.05	0.05	0.00
EXC	0.01	0.02	0.06	0.05	0.05	0.04
FE	0.00	0.03	0.08	0.11	0.08	0.09
SRE	0.00	0.02	0.03	0.06	0.07	0.07
PPL	0.02	0.02	0.02	0.04	0.01	0.05
NI	0.01	0.00	**0.14**	0.00	0.06	0.03
PNW	0.00	**0.11**	**0.26**	0.07	0.08	0.00
PCG	0.02	0.02	0.02	0.04	0.04	0.03
PEG	**0.07**	**0.09**	0.07	0.07	0.03	0.04
OGE	0.00	0.00	0.02	0.00	0.01	0.05
SO	0.01	0.05	0.06	0.10	0.03	0.04
Average	**0.03**	**0.07**	**0.10**	**0.08**	**0.06**	**0.06**

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 2: Tax adj Total Negative/(Positive) impact from refi at current yield - % of Consolidated EPS
2025 biggest % of EPS, 2024 still meaningful

	2023	2024	2025
AEP	**1.0%**	1.4%	**3.0%**
AGR	0.2%	**2.1%**	**2.8%**
D	0.0%	**2.0%**	2.0%
DUK	0.5%	0.8%	1.6%
EIX	0.0%	**3.4%**	2.0%
ES	**1.3%**	**3.1%**	**3.4%**
ETR	**3.3%**	**4.2%**	**3.4%**
EVRG	0.3%	**3.2%**	1.7%
EXC	0.5%	0.8%	2.0%
FE	0.0%	1.3%	**2.9%**
SRE	0.0%	0.5%	0.7%
PPL	**1.3%**	0.9%	1.1%
NI	0.7%	0.0%	**7.4%**
PNW	0.0%	**2.2%**	**5.2%**
PCG	**1.8%**	1.8%	1.5%
PEG	**2.0%**	**2.3%**	1.8%
OGE	0.0%	0.0%	0.7%
SO	0.2%	1.4%	1.5%
Average	**0.7%**	**1.7%**	**2.5%**

Source: BofA Global Research estimates

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Holdco impacts approximately half, NI an outlier

As with overall, the relative impacts of holdco debt peak in 2025 and taper thereafter on a notional and % basis. **NI** has the largest reported percentage at 7.4% in 2025, however the company issues debt at the parent and injects debt/equity down into the utilities, complicating the analysis. For utilities that issue opco debt separately, **AGR** is somewhat elevated in 2024-25, **EVRG** peaks in 2024 at 3.2% but is limited otherwise, and **PNW** is relatively high with 3.7% exposure in 2025.

Exhibit 3: Tax adj HoldCo Negative/(Positive) impact from refi at current yield
Holdco debt approximately half of overall impact

	2023	2024	2025	2026	2027	2028
AEP	0.05	0.06	0.11	0.00	0.03	0.04
AGR	0.00	0.04	0.05	0.00	0.00	0.00
D	0.00	0.05	0.03	0.04	0.01	0.01
DUK	0.01	0.04	0.07	0.11	0.04	0.05
EIX	0.00	0.03	0.03	0.00	0.01	0.05
ES	0.03	0.09	0.06	0.07	0.08	0.06
ETR	0.06	0.00	0.17	0.10	0.00	0.12
EVRG	0.00	0.12	0.00	0.00	0.00	0.00
EXC	0.00	0.00	0.02	0.02	0.04	0.01
FE	0.00	0.00	0.02	0.08	0.06	0.00
SRE	0.00	0.00	0.02	0.01	0.03	0.04
PPL	0.00	0.00	0.00	0.00	0.00	0.00
NI	0.01	0.00	0.14	0.00	0.00	0.03
PNW	0.00	0.05	0.19	0.00	0.00	0.00
PCG	0.00	0.00	0.00	0.00	0.00	0.01
PEG	0.07	0.05	0.05	0.00	0.01	0.01
OGE	0.00	0.00	0.00	0.00	0.00	0.00
SO	0.00	0.04	0.04	0.04	0.01	0.02
Average	0.01	0.03	0.06	0.03	0.02	0.02

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 4: Tax adj HoldCo Negative/(Positive) impact from refi at current yield - % of Consolidated EPS
AGR, EVRG, PNW stand out with elevated impact

	2023	2024	2025
AEP	0.9%	1.1%	1.9%
AGR	0.0%	2.0%	2.4%
D	0.0%	1.5%	0.9%
DUK	0.2%	0.7%	1.1%
EIX	0.0%	0.7%	0.6%
ES	0.6%	2.0%	1.5%
ETR	0.9%	0.0%	2.3%
EVRG	0.0%	3.2%	0.0%
EXC	0.0%	0.0%	0.6%
FE	0.0%	0.0%	0.7%
SRE	0.0%	0.0%	0.4%
PPL	0.0%	0.0%	0.0%
NI	0.7%	0.0%	7.4%
PNW	0.0%	1.0%	3.7%
PCG	0.0%	0.0%	0.0%
PEG	2.0%	1.2%	1.3%
OGE	0.0%	0.0%	0.1%
SO	0.0%	1.0%	0.9%
Average	0.3%	0.8%	1.4%

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 5: Tax adj OpCo Negative/(Positive) impact from refi at current yield
Opco needs tend to track with rate base growth, less risky

	2023	2024	2025	2026	2027	2028
AEP	0.01	0.02	0.06	0.10	0.03	0.07
AGR	0.00	0.00	0.01	0.05	0.04	0.02
D	0.00	0.02	0.04	0.04	0.04	0.02
DUK	0.02	0.01	0.03	0.02	0.04	0.06
EIX	0.00	0.13	0.07	0.05	0.04	0.06
ES	0.03	0.05	0.09	0.05	0.10	0.00
ETR	0.16	0.30	0.08	0.21	0.13	0.16
EVRG	0.01	0.00	0.07	0.05	0.05	0.00
EXC	0.01	0.02	0.04	0.03	0.01	0.03
FE	0.00	0.03	0.06	0.03	0.02	0.09
SRE	0.00	0.02	0.02	0.05	0.03	0.02
PPL	0.02	0.02	0.02	0.04	0.01	0.05
NI	0.00	0.00	0.00	0.00	0.06	0.00
PNW	0.00	0.06	0.07	0.07	0.08	0.00
PCG	0.02	0.02	0.02	0.04	0.04	0.03
PEG	0.00	0.04	0.02	0.07	0.02	0.03
OGE	0.00	0.00	0.01	0.00	0.01	0.05
SO	0.01	0.01	0.02	0.06	0.02	0.02
Average	0.02	0.04	0.04	0.05	0.04	0.04

Source: BofA Global Research estimates

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Exhibit 6: Tax adj OpCo Negative/(Positive) impact from refi at current yield - % of Consolidated EPS
More balanced across the years than holdco issuances

	2023	2024	2025
AEP	0.1%	0.3%	1.1%
AGR	0.2%	0.0%	0.4%
D	0.0%	0.5%	1.1%
DUK	0.3%	0.1%	0.5%
EIX	0.0%	2.7%	1.4%
ES	0.7%	1.1%	2.0%
ETR	2.3%	4.2%	1.1%
EVRG	0.3%	0.0%	1.7%
EXC	0.5%	0.8%	1.4%
FE	0.0%	1.3%	2.2%
SRE	0.0%	0.5%	0.3%
PPL	1.3%	0.9%	1.1%
NI	0.0%	0.0%	0.0%
PNW	0.0%	1.2%	1.5%
PCG	1.8%	1.8%	1.5%
PEG	0.0%	1.1%	0.5%
OGE	0.0%	0.0%	0.7%
SO	0.2%	0.4%	0.5%
Average	0.4%	0.9%	1.0%

Source: BofA Global Research estimates

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Premium Utilities

Below we screen Premium utility names by the same metrics. As with the other groups we assume refinancing to a spread of approximately 200 bps above the prevailing 10Y US Treasury for an effective rate of 6.7%, which tracks with recent levels seen in the Moody's Baa index.

Total needs more modest than Value utility peers

DTE screens as having the highest near-term burden in the near term, driven in part by an $800m refi at 1.05% in 2025 along with $1.3B at 4.22% in 2024 – we had previously reflected these pressures in our recent update: DTE Energy: EPS preview: Trending to bottom half of the range 10 October 2023. The other premium names that screen highly on EPS exposure are **WEC** with 3% in 2024 and **NEE** in 2025. We attribute these rate pressures in part to our recent downgrade of WEC.

While the use of meaningful interest rate swaps across utilities appears limited, we stress NEE & AES both appear to employ a meaningful quantum. NEE appears to have the most with ~$20 Bn notional for varying 5-10 year tenors. Overall, we see this as an eventual ~15c headwind avoided thru the full forecast period with a likely gradual reset to prevailing rates the time. By contrast the extent of such hedges has not been clearly disclosed but mgmt. has been outspoken in emphasizing its EPS guidance range is not impacted due to fluctuation in higher rates since its May Analyst Day.

Exhibit 7: Tax adjusted Total Negative/(Positive) impact from refinancing at current yield
Needs are relatively steady through the forecast period

	2023	2024	2025	2026	2027	2028
LNT	0.00	0.05	0.03	0.08	0.03	0.06
AEE	0.00	**0.09**	0.03	0.03	0.12	0.11
ED	**0.09**	0.02	0.00	0.02	0.03	0.06
CNP	0.00	0.04	0.01	0.09	0.01	0.04
CMS	0.00	0.05	0.03	0.03	0.07	0.12
DTE	0.01	**0.16**	**0.35**	0.11	0.05	0.19
NEE	0.00	0.06	**0.13**	0.01	0.10	0.05
WEC	0.00	**0.15**	**0.09**	0.06	0.09	0.15
XEL	**0.04**	0.03	0.04	0.02	0.04	0.04
AWK	0.00	0.05	0.07	0.16	0.09	0.08
WTRG	0.00	0.00	0.00	0.00	0.00	0.00
Average	**0.01**	**0.06**	**0.07**	**0.06**	**0.06**	**0.08**

Source: BofA Global Research estimates

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Exhibit 8: Tax adjusted Total Negative/(Positive) impact from refinancing at current yield - % of Consolidated EPS
WEC screens relatively high, DTE needs grow in 2025

	2023	2024	2025
LNT	0.0%	**1.8%**	0.8%
AEE	0.0%	**2.0%**	0.6%
ED	**1.8%**	0.4%	0.0%
CNP	0.1%	**2.4%**	0.9%
CMS	0.1%	1.4%	0.7%
DTE	0.1%	**2.5%**	**4.9%**
NEE	0.1%	**1.7%**	**3.6%**
WEC	0.0%	**3.0%**	**1.7%**
XEL	**1.3%**	0.7%	1.1%
AWK	0.0%	0.9%	1.3%
WTRG	0.0%	0.0%	0.0%
Average	**0.3%**	**1.5%**	**1.5%**

Source: BofA Global Research estimates

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Holdco needs: WEC and CNP in 2024, DTE and NEE in 2025 stand out

Parsing out holdco and opco needs below, **CNP** and **WEC** have the relatively biggest exposure from refinancing in 2024, while **DTE** and **NEE** see the highest needs in 2025.

Exhibit 9: Tax adjusted HoldCo Negative/(Positive) impact from refinancing at current yield
Roughly half at the opco level

	2023	2024	2025	2026	2027	2028
LNT	0.00	0.00	0.00	0.05	0.00	0.00
AEE	0.00	**0.06**	0.00	0.03	0.07	0.07
ED	0.00	0.00	0.00	0.00	0.00	0.01
CNP	0.00	0.04	0.00	0.07	0.00	0.00
CMS	0.00	0.02	0.02	0.03	0.07	0.07
DTE	0.00	**0.11**	**0.30**	0.09	0.02	0.16
NEE	0.00	0.00	**0.10**	0.00	0.05	0.00
WEC	0.00	**0.09**	0.03	0.06	0.08	0.08
XEL	**0.04**	0.00	0.03	0.02	0.04	0.02
AWK	0.00	0.00	0.00	0.00	0.00	0.00
WTRG	0.00	0.00	0.00	0.00	0.00	0.00
Average	**0.00**	**0.03**	**0.04**	**0.03**	**0.03**	**0.04**

Source: BofA Global Research estimates

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Exhibit 10: Tax adjusted HoldCo Negative/(Positive) impact from refinancing at current yield - % of Consolidated EPS
DTE, NEE highest as % of EPS

	2023	2024	2025
LNT	0.0%	0.0%	0.0%
AEE	0.0%	**1.2%**	0.0%
ED	0.0%	0.0%	0.0%
CNP	0.0%	**2.3%**	0.0%
CMS	0.0%	0.6%	0.6%
DTE	0.0%	**1.6%**	**4.2%**
NEE	0.1%	0.0%	**2.7%**
WEC	0.0%	**1.8%**	0.6%
XEL	**1.3%**	0.0%	0.7%
AWK	0.0%	0.0%	0.0%
WTRG	0.0%	0.0%	0.0%
Average	**0.1%**	**0.7%**	**0.8%**

Source: BofA Global Research estimates

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Exhibit 11: Tax adjusted OpCo Negative/(Positive) impact from refinancing at current yield
Opco needs relatively steady

	2023	2024	2025	2026	2027	2028
LNT	0.00	**0.05**	0.03	0.03	0.03	0.06
AEE	0.00	0.03	0.03	0.00	0.04	0.04
ED	**0.09**	0.02	0.00	0.02	0.03	0.05
CNP	0.00	0.00	0.01	0.02	0.01	0.04
CMS	0.00	0.03	0.01	0.00	0.00	0.05
DTE	0.01	**0.06**	**0.05**	0.02	0.03	0.03
NEE	0.00	**0.06**	0.03	0.01	0.05	0.05
WEC	0.00	**0.06**	**0.06**	0.00	0.01	0.07
XEL	0.00	0.03	0.01	0.00	0.00	0.02
AWK	0.00	**0.05**	**0.07**	0.16	0.09	0.07
WTRG	0.00	0.00	0.00	0.00	0.00	0.00
Average	**0.01**	**0.03**	**0.03**	**0.02**	**0.03**	**0.04**

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 12: Tax adjusted OpCo Negative/(Positive) impact from refinancing at current yield - % of Consolidated EPS
2024 biggest need as EPS percentage

	2023	2024	2025
LNT	0.0%	**1.7%**	**0.8%**
AEE	0.0%	0.7%	0.6%
ED	**1.8%**	0.4%	0.0%
CNP	0.1%	0.1%	**0.9%**
CMS	0.1%	**0.9%**	0.2%
DTE	0.1%	0.8%	**0.7%**
NEE	0.1%	**1.7%**	**0.9%**
WEC	0.0%	**1.2%**	**1.1%**
XEL	0.0%	0.7%	0.3%
AWK	0.0%	**0.9%**	**1.3%**
WTRG	0.0%	0.0%	0.0%
Average	**0.2%**	**0.8%**	**0.6%**

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

SMID Utilities

Refinancing impacts on SMID utilities are below. On balance the estimated impacts are modest across the coverage with the exception of **BKH** where we see up to 10% of EPS exposure in 2024 across both holdco and the opcos. Mgmt has already indicated its intent to accelerate rate activity for instance to help mitigate this outsized rate impact. Look for updated plans with EEI conf in November. **ALE** and **PNM** also screen relatively high with exposure ticking up in 2024 and 2025. PNM will have proceeds from securitizations that substantially dampen exposure. Note that for BKH a $600m maturity at 1.037% is the biggest driver of higher interest expense on our forecast – this is a holdco refi need as shown in ex. 15-16,

Exhibit 13: Tax adjusted Total Negative/(Positive) impact from refinancing at current yield
2024 biggest impact for SMID caps

	2023	2024	2025	2026	2027	2028
ALE	0.00	0.03	**0.10**	0.04	0.05	0.02
AVA	0.00	0.01	0.00	0.00	0.00	0.00
BKH	**0.15**	**0.40**	0.00	0.10	0.17	0.03
HE	0.02	0.00	0.02	0.03	0.01	0.04
IDA	0.00	**0.04**	0.00	0.09	0.00	0.00
MDU	0.00	0.00	0.00	0.01	0.00	0.00
MGEE	0.00	0.00	0.00	0.01	0.04	0.00
POR	0.00	0.02	0.00	0.00	0.06	0.04
PNM	0.00	0.04	**0.10**	0.08	0.02	0.04
Average	**0.02**	**0.06**	**0.02**	**0.04**	**0.04**	**0.02**

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 14: Tax adjusted Total Negative/(Positive) impact from refinancing at current yield - % of Consolidated EPS
BKH clear outlier with 2024 maturity

	2023	2024	2025
ALE	0.0%	0.9%	**2.3%**
AVA	0.0%	0.2%	0.0%
BKH	**4.0%**	**10.3%**	0.0%
HE	**0.9%**	0.0%	**0.8%**
IDA	0.0%	0.8%	0.0%
MDU	0.0%	0.0%	0.0%
MGEE	0.0%	0.0%	0.0%
POR	0.0%	0.6%	0.0%
PNM	0.0%	1.4%	**3.3%**
Average	**0.5%**	**1.6%**	**0.7%**

Source: BofA Global Research estimates

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Exhibit 15: Tax adjusted HoldCo Negative/(Positive) impact from refinancing at current yield
ALE and POR have holdco needs in 2025+

	2023	2024	2025	2026	2027	2028
ALE	0.00	0.02	**0.10**	0.04	0.05	0.02
AVA	0.00	0.01	0.00	0.00	0.00	0.00
BKH	**0.15**	**0.40**	0.00	0.10	0.17	0.03
HE	0.00	0.00	0.01	0.00	0.00	0.03
IDA	0.00	0.00	0.00	0.00	0.00	0.00
MDU	0.00	0.00	0.00	0.01	0.00	0.00
MGEE	0.00	0.00	0.00	0.00	0.00	0.00
POR	0.00	0.02	0.00	0.00	0.06	0.04
PNM	0.00	0.00	0.00	0.06	0.00	0.00
Average	**0.02**	**0.05**	**0.01**	**0.02**	**0.03**	**0.01**

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 16: Tax adjusted HoldCo Negative/(Positive) impact from refinancing at current yield - % of Consolidated EPS
EPS impact is most pronounced for BKH

	2023	2024	2025
ALE	0.0%	0.6%	**2.3%**
AVA	0.0%	0.2%	0.0%
BKH	**4.0%**	**10.3%**	0.0%
HE	0.0%	0.0%	0.3%
IDA	0.0%	0.0%	0.0%
MDU	0.0%	0.0%	0.0%
MGEE	0.0%	0.0%	0.0%
POR	0.0%	0.6%	0.0%
PNM	0.0%	0.0%	0.0%
Average	**0.4%**	**1.3%**	**0.3%**

Source: BofA Global Research estimates

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Exhibit 17: Tax adjusted OpCo Negative/(Positive) impact from refinancing at current yield
Opco needs more modest on average, IDA remains elevated

	2023	2024	2025	2026	2027	2028
ALE	0.00	0.01	0.00	0.00	0.00	0.01
AVA	0.00	0.00	0.00	0.00	0.00	0.00
BKH	0.00	0.00	0.00	0.00	0.00	0.00
HE	**0.02**	0.00	0.01	0.03	0.01	0.01
IDA	0.00	**0.04**	0.00	0.09	0.00	0.00
MDU	0.00	0.00	0.00	0.00	0.00	0.00
MGEE	0.00	0.00	0.00	0.01	0.04	0.00
POR	0.00	0.00	0.00	0.00	0.00	0.00
PNM	0.00	**0.04**	**0.10**	0.02	0.02	0.04
Average	**0.00**	**0.01**	**0.01**	**0.02**	**0.01**	**0.01**

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 18: Tax adjusted OpCo Negative/(Positive) impact from refinancing at current yield - % of Consolidated EPS
IDA and PNM have largest exposures

	2023	2024	2025
ALE	0.0%	0.2%	0.0%
AVA	0.0%	0.0%	0.0%
BKH	0.0%	0.0%	0.0%
HE	**0.9%**	0.0%	**0.5%**
IDA	0.0%	**0.8%**	0.0%
MDU	0.0%	0.0%	0.0%
MGEE	0.0%	0.0%	0.0%
POR	0.0%	0.0%	0.0%
PNM	0.0%	**1.4%**	**3.3%**
Average	**0.1%**	**0.3%**	**0.4%**

Source: BofA Global Research estimates

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Gas Utilities

On the gas LDC side, **OGS** has upwards of a 40c headwind coming in 2024 – see our recent downgrade note for detailed discussion: ONE Gas, Inc.: Refinancing Headwind Renders Long-Term EPS CAGR Even More Back-Loaded 25 October 2023. Our mark to market also suggests that **SR** has meaningful refinancing needs to come in 2024 and 2026. We have stressed our Underperform rating here previously as well.

By contrast our preferred call on ATO shows diligent management of maturity towers out to 2028, among the single best positioned gas LDCs. We perceive its premium valuation as merited, particularly with parallel renewed confidence as it gains a handle on outsized inflation in recent years too.

Exhibit 19: Tax adjusted Total Negative/(Positive) impact from refinancing at current yield
SR needs largest beyond 2026, OGS in 2024

	2023	2024	2025	2026	2027	2028
ATO	0.00	0.00	0.00	0.00	**0.08**	-0.01
NJR	0.00	0.04	0.01	0.02	0.02	0.03
NWN	0.00	0.02	-0.01	0.03	0.01	0.00
SWX	0.00	0.03	0.00	-0.02	0.00	0.10
SR	0.00	**0.07**	**0.02**	**0.20**	**0.03**	0.02
OGS	**0.02**	**0.44**	0.00	0.00	0.00	0.00
UGI	0.00	0.00	**0.02**	0.05	0.01	-0.06
Average	**0.00**	**0.09**	**0.01**	**0.04**	**0.02**	**0.01**

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 20: Tax adjusted Total Negative/(Positive) impact from refinancing at current yield - % of Consolidated EPS
OGS up to 10% exposure leads the group

	2023	2024	2025
ATO	0.0%	0.0%	0.0%
NJR	0.0%	1.3%	**0.5%**
NWN	0.2%	0.7%	-0.3%
SWX	0.0%	1.3%	0.0%
SR	0.0%	1.7%	**0.3%**
OGS	**0.5%**	**10.3%**	0.0%
UGI	0.0%	0.0%	**0.5%**
Average	**0.1%**	**2.2%**	**0.1%**

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 21: Tax adjusted HoldCo Negative/(Positive) impact from refinancing at current yield
OGS and SR needs are at holdco level

	2023	2024	2025	2026	2027	2028
ATO	0.00	0.00	0.00	0.00	**0.08**	-0.01
NJR	0.00	0.02	0.00	0.02	0.02	**0.02**
NWN	0.00	0.02	0.00	0.00	0.00	0.00
SWX	0.00	0.03	0.00	0.00	0.00	0.00
SR	0.00	0.06	0.00	**0.20**	**0.03**	0.00
OGS	**0.02**	**0.44**	0.00	0.00	0.00	0.00
UGI	0.00	0.00	0.00	0.00	0.00	0.00
Average	**0.00**	**0.08**	**0.00**	**0.03**	**0.02**	**0.00**

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 22: Tax adjusted HoldCo Negative/(Positive) impact from refinancing at current yield - % of Consolidated EPS
OGS 10% exposure

	2023	2024	2025
ATO	0.0%	0.0%	0.0%
NJR	0.0%	0.8%	0.0%
NWN	0.0%	0.7%	0.0%
SWX	0.0%	1.3%	0.0%
SR	0.0%	**1.4%**	0.0%
OGS	**0.5%**	**10.3%**	0.0%
UGI	0.0%	0.0%	0.0%
Average	**0.1%**	**2.1%**	**0.0%**

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 23: Tax adjusted OpCo Negative/(Positive) impact from refinancing at current yield
Opco refis generally manageable

	2023	2024	2025	2026	2027	2028
ATO	0.00	0.00	0.00	0.00	0.00	0.00
NJR	0.00	**0.01**	0.01	0.00	0.00	0.01
NWN	0.00	0.00	-0.01	**0.03**	0.01	0.00
SWX	0.00	0.00	0.00	-0.02	0.00	0.10
SR	0.00	**0.01**	**0.02**	0.00	0.00	0.02
OGS	0.00	0.00	0.00	0.00	0.00	0.00
UGI	0.00	0.00	**0.02**	**0.05**	0.01	-0.06
Average	**0.00**	**0.00**	**0.01**	**0.01**	**0.00**	**0.01**

Source: BofA Global Research estimates

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Exhibit 24: Tax adjusted OpCo Negative/(Positive) impact from refinancing at current yield - % of Consolidated EPS
Opco refis generally manageable

	2023	2024	2025
ATO	0.0%	0.0%	0.0%
NJR	0.0%	**0.5%**	**0.5%**
NWN	**0.2%**	0.0%	**-0.3%**
SWX	0.0%	0.0%	0.0%
SR	0.0%	**0.3%**	**0.3%**
OGS	0.0%	0.0%	0.0%
UGI	0.0%	0.0%	**0.5%**
Average	**0.0%**	**0.1%**	**0.1%**

Source: BofA Global Research estimates

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List of tickers used in this report

AEE	Ameren Corp
AEP	American Elec Power

AGR	Avangrid
ALE	Allete Inc
ATO	Atmos Energy
AVA	Avista Corp
AWK	American Water
BKH	Black Hills
CMS	CMS Energy
CNP	CenterPoint Energy
D	Dominion Energy
DTE	DTE Energy
DUK	Duke Energy
ED	Consolidated Edison
EIX	Edison Intl
ES	Eversource Energy
ETR	Entergy Corp.
EVRG	Evergy
EXC	Exelon Corp
FE	FirstEnergy
HE	Hawaiian Electric
IDA	Idacorp
LNT	Alliant Energy Corp
MDU	MDU Resources
MGEE	MGE Energy
NEE	NextEra Energy
NI	NiSource Inc
NJR	New Jersey Resources
NWN	Northwest Natural
OGE	OGE Energy Corp
OGS	ONE Gas, Inc.
PCG	PG&E Corp.
PEG	Public Service
PNM	PNM Resources Inc.
PNW	Pinnacle West Capit
POR	Portland General
PPL	PPL Corp.
SO	Southern Company
SR	Spire
SRE	Sempra Energy
SWX	Southwest Gas
UGI	UGI Corp.
WEC	WEC Energy Group Inc
WTRG	Essential Utilities
XEL	Xcel Energy

Exhibit 25: Stocks mentioned
Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
ATO	ATO US	Atmos Energy	US$ 106.44	A-1-7
OGS	OGS US	ONE Gas, Inc.	US$ 61.32	B-3-7
SR	SR US	Spire	US$ 54.99	B-3-7

Source: BofA Global Research

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Price objective basis & risk

Atmos Energy Corporation (ATO)

Our $120 PO is based on our 2025E sum-of-the-parts (SOTP) analysis, based on the gas LDC peer group multiple of 14.7x.
Our gas peer P/E multiple is grossed up to reflect the group's 5% CAGR (2021-26E) to reflect capital appreciation across the sector. We then apply a 2.0x 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 9.0x EV/EBITDA multiple as a base to our '25E 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.

ONE Gas, Inc. (OGS)
We use a sum-of-the-parts analysis to calculate our $60 price objective for OGS, applying a FY25E Gas LDC peer multiple of 14.4x (grossed up by 5% to reflect capital appreciation across the space). We use a 1x discount to the group to reflect below-average utility growth rates and inherent lag that limits actual returns relative to those authorized.

Upside and downside risks are: 1) political, regulatory, and legislative changes, 2) capital expenditures, 3) inflation and operating costs, 4) commodity prices, 5) pandemics, natural disasters, and weather, 6) policy changes for natural gas investments.

Spire (SR)
Our $66 PO for SR is based on a sum-of-the-parts analysis. Consistently across our coverage universe we apply the peer gas 2025 P/E multiple (16.8x) as a starting point and 'gross-up' by five percent to account for growth across the sector. We include a 3x discount for Missouri given a less-constructive regulatory environment and an in-line multiple for Mississippi/Gulf and AL assets given their location and de-risked nature. For the midstream assets, we use a base 9.5x EV/EBITDA multiple with a 4x discount for storage given uncertainty, and a 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, and 7) favorable unregulated performance.

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

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 exclusive financial advisor to Constellation Energy Corp in connection with its proposed acquisition of NRG Energy Inc's 44 percent ownership stake in the South Texas Project Electric Generating Station, which was announced on June 1, 2023.

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Array Technologies	ARRY	ARRY US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Alex Vrabel
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	ENLT	ENLT US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	XENLF	ENLT IT	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	Nextracker Inc	NXT	NXT US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG 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
	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
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	Dariusz Lozny, CFA
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Dariusz Lozny, CFA
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	New Fortress Energy	NFE	NFE US	Cameron Lochridge
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith

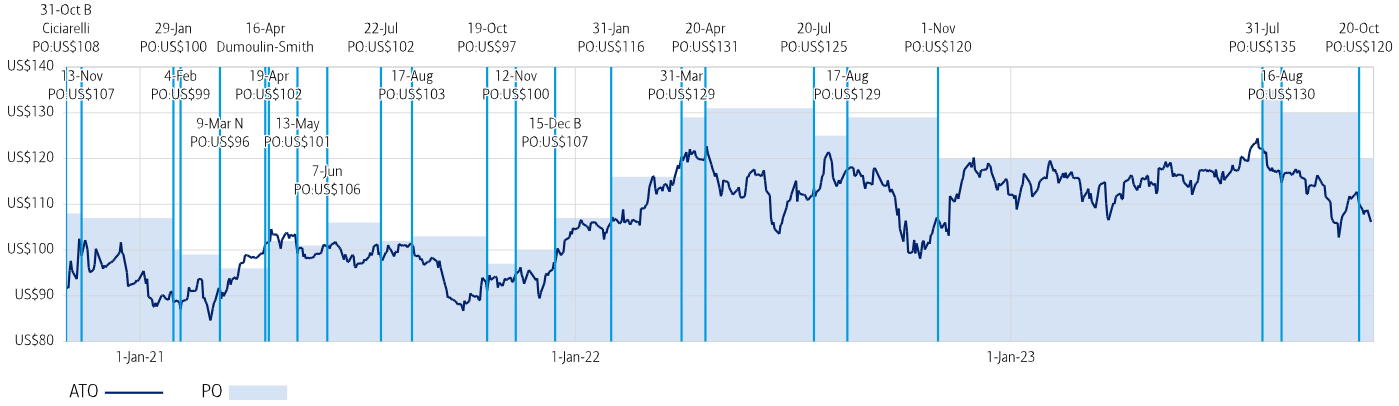
North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
UNDERPERFORM				
	Allete Inc	ALE	ALE 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
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	Generac Holdings Inc.	GNRC	GNRC 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
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

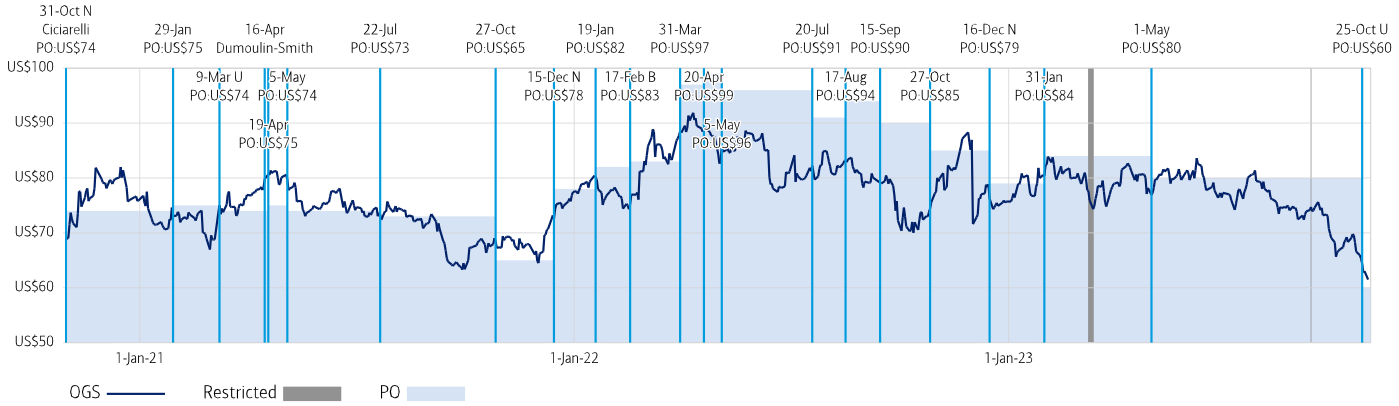
Atmos Energy (ATO) Price Chart



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.

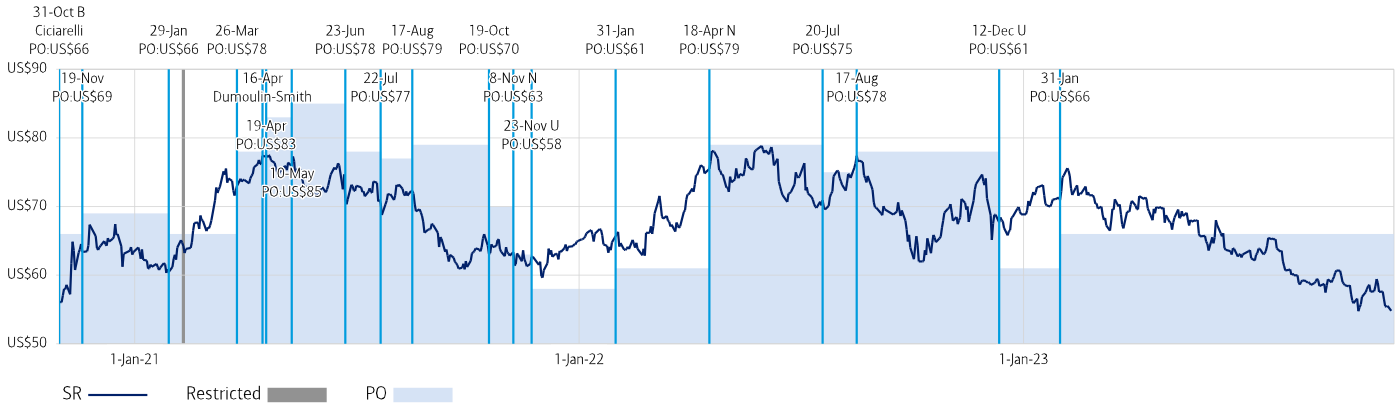
ONE Gas, Inc. (OGS) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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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: Utilities Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	80	51.28%	Buy	51	63.75%
Hold	42	26.92%	Hold	32	76.19%
Sell	34	21.79%	Sell	22	64.71%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1869	53.48%	Buy	1046	55.97%
Hold	828	23.69%	Hold	461	55.68%
Sell	798	22.83%	Sell	370	46.37%

[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). Our investment ratings are: 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. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. 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.

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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: Atmos Energy, ONE Gas, Inc.
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Other Important Disclosures

BofAS together with its affiliates beneficially owns a net short position of 0.5% or more of the total issued share capital of this issuer. Ownership positions speak as of a date no more than three trading days prior to the date of this report: Atmos Energy, ONE Gas, Inc.
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US Utilities & IPPs

Reviewing the Utility Macro Trends into EEI. Micro over macro? Debate rages on.

Industry Overview

We provide a picture of the latest Utilities macro

Are utilities cheap? Marginally on a long-term basis, but we see no major catalysts to unlock plus lots of micro headwinds. Utilities are largely following the same historical correlation to rates we have consistently seen. Thus we are not surprised by the underperformance and latest move higher either (see all our updated charts below). The latest tick back up actually brings the sector back to near 30-year averages relative to the market when adjusted for rates. In aggregate, with earnings headwinds and generally downside to consensus estimates, the backdrop is not particularly constructive. By contrast, clean energy has underperformed its historical correlation to rates and is a stand-out vs other tech sectors such as industrials and semis when looking at growth vs valuation. This has a much better chance of bottoming for companies that can show stabilization. The continued compression in premium valuations stands out – now at a 10-year low. What constitutes a 'premium' utility appears to be shifting; we see overall valuation discrepancies between these two groups as offering quality at compressed spread. See our questions for companies ahead of the Edison Electric Institute (EEI) Financial Conference: EEI 2023 Question Bank: Can Utilities Rise from The Ashes in Phoenix? What to Ask.

What have been the trends across 3Q for utilities?

There have really been a few key consistent trends: **1)** long-term load growth guidance – and accelerating medium term opportunities. We anticipate more updates to come on from this. In many respects, the key question could increasingly be: who are *without* this opportunity? Related, **2)** generation opportunities are re-accelerating clearly. Between an already tight reserve margin backdrop across much of the country we see a cogent set of arguments in favor of more rate base. Ownership is key as much of the accelerating industrial load growth as contributing only modestly to utility margins. We see enhanced competitiveness of utilities in ownership under IRA rules as well as for battery assets as offering a uniquely ripe backdrop. **3)** O&M cuts are coming in clearly across the sector as the antidote to interest rate headwinds. We are seeing a return to sizable cuts anew, with AEP's 4Q $100 Mn O&M one of the largest offsets recently. We are struck by the pace of AI opportunities to realize cost reductions; this may yet get verbalized in meetings. **4)** Are ROEs really going up? Not so fast. Muted improvements in ROE & equity capital structure in rate cases despite the decisively clear arguments in favor of such revisions. **5)** Pensions and Interest rate headwinds are the clearest macro challenges – but even utility recovery is an issue.

What are the 'stories' of EEI? Offense in '24 is key.

We see NI (see note), PPL, and XEL (see note) as likely the most intriguing Buy-rated equities going into the premier utility finance event of the year this weekend. We see PPL's latest success (see note) in Kentucky – and reaffirmation of its 6-8% as uniquely constructive in its timing heading into the weekend. XEL is one of the few companies with potential upside to guidance and a standout versus peers. Finally, we see new legislation in Michigan (see note) turning the tables potentially sharply for both CMS and DTE. We maintain Buys on the shares of NI, PPL, XEL, CMS, and DTE with attractive risk/reward profiles.

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O&M: Operating and maintenance
AI: Artificial intelligence
ROE: Return on equity

Tickers mentioned
NI: NiSource
PPL: PPL Corp
XEL: Xcel Energy
CMS: CMS Energy
DTE: DTE Energy

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Estimate Revisions vs Performance – Who Stands Out?

We see this as the greatest 'equalizer' for investors to square YTD performance against estimate revisions across forward years across Utilities. Overall, it's striking to see a further compression in premium company valuations (-15.5% YTD) vs value names (-13.5%) , where overall estimates have proven much more intact than the more vulnerable Value bucket to swings in interest rates (+0.2% on '24 EPS vs -1.9% for Value on '24 on average).

Among premium companies, most striking is the relative underperformance of NEE given still positive YTD estimate revisions across near-years. We see relative integrity of the outlook of late across 10Q and EPS release as enabling shares to recover, particularly given the challenging backdrop across clean energy.

We appreciate that DTE is among the worst performing large-cap utilities in '23 with both cautious revisions YTD and forward year implications. Between their own cost mgmt. efforts and latest legislation we see this name among premiums as most likely to pivot.

The best performer YTD, ConEd among premiums has seen the most substantive estimate revisions and sharpest acceleration in EPS of any peers out there. We anticipate a further step-up on '24 and sustained execution off '24 to both earn its premium as well as argues for a higher potential premium.

Finally, we see ability for XEL to argue its case for a EPS CAGR revision higher alongside framing of wildfire liabilities as helping boost prospects for shares which have been among the worst (on par with DTE) despite still positive EPS revisions.

Among value names, it is striking to see relative contraction in AGR and ES despite only nominal estimate revisions so far. We still see revision potentially as likely meaningfully cautious. Dominion is unique in having real estimate revisions substantively collapse among any large-cap equity. As such we see its relative underperformance as readily explained by its estimate swings.

Conversely, PNW is the best estimate revision story across estimates while seeing only modestly higher revisions. We perceive shares as 'topping out' of late.

IPPs remain unique outliers in this same screen as well with P/E multiple of AES and VST poised to converge. We flag the muted negative EPS revisions of AES against its sharp underperformance is likely to garner sizable attention if asset sales do not prove meaningfully dilutive to the outlook in the year ahead.

Exhibit 1: Utilities & IPPS: consensus estimate revisions YTD for 23/24/25
Comparison of Consensus revisions across equities and classes

	Market Cap $M	YTD performance	2-YR Fwd P/E	YTD Est Revisions - 2023E	YTD Est Revisions - 2024E	YTD Est Revisions - 2025E	EPS Growth 2024-2023	EPS Growth 2025-2024	Avg EPS Growth - 2017-2022	2017-2022 EPS CAGR	2022-2025 EPS CAGR
Premium											
AEE	19,995	-14%	16.3x	0.5%	0.4%	0.7%	7.0%	7.2%	8.1%	7.9%	6.6%
CMS	15,971	-14%	16.4x	-0.4%	-1.0%	-1.1%	7.8%	7.6%	6.0%	5.9%	7.6%
CNP	16,892	-11%	16.5x	0.8%	0.5%	0.3%	8.1%	7.1%	1.6%	0.1%	8.0%
DTE	20,317	-16%	14.9x	-6.1%	-1.5%	-1.6%	12.3%	7.8%	5.3%	5.1%	5.3%
ED	30,811	-6%	17.0x	3.3%	3.2%	4.9%	5.6%	5.4%	2.2%	2.1%	6.7%
LNT	12,404	-12%	15.8x	-0.3%	-0.1%	0.3%	6.5%	6.8%	7.8%	7.7%	5.4%
NEE	112,270	-35%	16.1x	1.1%	0.4%	-0.1%	8.6%	7.3%	11.6%	11.6%	8.0%
WEC	25,118	-15%	16.2x	0.1%	0.0%	0.1%	6.7%	6.8%	7.2%	7.2%	5.7%
XEL	32,392	-16%	16.4x	-0.6%	0.1%	0.2%	6.4%	7.1%	6.6%	6.6%	6.5%
Average		**-15.5%**	**16.2x**	**-0.2%**	**0.2%**	**0.4%**	**7.7%**	**7.0%**	**6.3%**	**6.0%**	**6.6%**
Value											
AEP	40,629	-19%	13.8x	-0.4%	-1.1%	-0.5%	6.0%	6.8%	6.7%	6.7%	5.5%
AGR	11,684	-30%	12.9x	-6.9%	-0.3%	-1.9%	10.1%	8.1%	1.3%	1.2%	2.7%
D	37,547	-27%	14.4x	-37.1%	-29.2%	-17.2%	14.9%	10.9%	3.2%	2.7%	-5.5%

Exhibit 1: Utilities & IPPS: consensus estimate revisions YTD for 23/24/25
Comparison of Consensus revisions across equities and classes

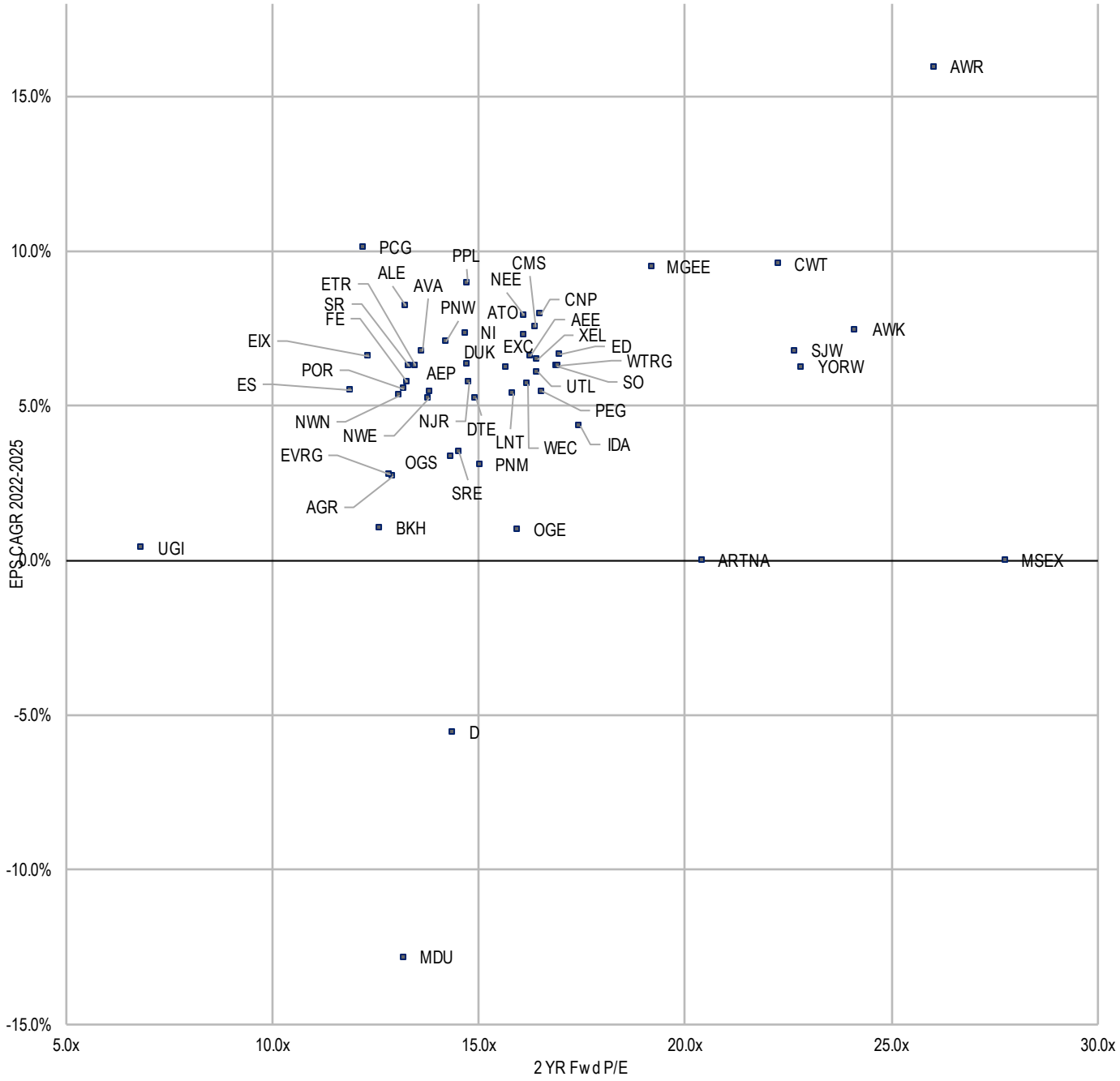
	Market Cap $M	YTD performance	2-YR Fwd P/E	YTD Est Revisions - 2023E	YTD Est Revisions - 2024E	YTD Est Revisions - 2025E	EPS Growth 2024-2023	EPS Growth 2025-2024	Avg EPS Growth - 2017-2022	2017-2022 EPS CAGR	2022-2025 EPS CAGR
DUK	67,792	-15%	14.7x	-1.5%	-0.9%	-0.5%	6.8%	6.1%	2.9%	2.9%	6.3%
EIX	24,230	-1%	12.3x	-1.6%	-0.1%	1.9%	8.6%	9.6%	0.8%	0.6%	6.6%
ES	18,947	-35%	11.9x	-1.0%	-3.1%	-5.9%	5.0%	5.6%	5.6%	5.6%	5.5%
ETR	20,477	-14%	13.5x	-0.2%	-0.8%	-0.3%	6.7%	7.3%	-1.4%	-2.3%	6.3%
EVRG	11,332	-22%	12.9x	-2.3%	-3.4%	-5.1%	6.6%	5.0%	10.4%	10.3%	2.8%
EXC	39,071	-9%	15.7x	0.0%	-0.3%	-0.4%	6.1%	8.7%	4.6%	4.1%	6.3%
FE	20,307	-16%	13.3x	1.9%	-0.6%	-1.3%	5.0%	6.8%	-4.4%	-4.7%	5.8%
NI	10,261	-9%	14.7x	2.8%	1.4%	2.0%	6.8%	7.5%	4.0%	4.0%	7.4%
OGE	6,798	-14%	15.9x	-0.6%	-2.5%	-2.9%	4.4%	5.9%	3.0%	2.7%	1.0%
PCG	35,182	1%	12.2x	-1.6%	-0.5%	-0.5%	11.7%	8.8%	-16.6%	-21.5%	10.1%
PNW	8,054	-7%	14.2x	1.0%	8.5%	8.9%	18.0%	4.6%	0.3%	-0.4%	7.1%
PPL	18,576	-14%	14.7x	-0.1%	0.4%	-0.2%	7.9%	6.7%	-3.1%	-8.9%	9.0%
PEG	30,412	0%	16.5x	-0.7%	-0.7%	-1.3%	6.6%	10.3%	3.5%	3.4%	5.5%
SO	74,206	-5%	16.9x	-4.0%	-1.5%	-1.1%	11.8%	7.3%	3.6%	3.6%	6.3%
SRE	43,782	-10%	14.5x	1.0%	-0.2%	1.1%	5.5%	6.6%	11.4%	11.2%	3.5%
Average		**-13.5%**	**14.2x**	**-2.9%**	**-1.9%**	**-1.4%**	**8.3%**	**7.4%**	**2.0%**	**1.2%**	**5.1%**
SMID											
ALE	3,104	-16%	13.2x	1.5%	1.8%	-3.8%	1.5%	5.0%	1.6%	1.2%	8.2%
AVA	2,600	-24%	13.6x	-1.8%	0.9%	2.4%	7.3%	4.9%	0.0%	-0.2%	6.8%
BKH	3,294	-31%	12.6x	-9.5%	-12.9%	-12.3%	1.8%	6.5%	3.4%	3.4%	1.0%
HE	1,536	-67%	6.5x	-11.8%	-12.5%	-11.5%	5.1%	9.0%	6.5%	5.9%	2.0%
IDA	4,790	-12%	17.5x	-1.3%	-0.3%	1.5%	6.2%	7.1%	4.0%	4.0%	4.4%
MDU	3,694	-13%	13.2x	-9.0%	-13.4%	-48.2%	3.6%	-38.1%	9.2%	8.7%	-12.8%
MGEE	2,590	2%	19.2x	-1.2%	-1.8%	-0.2%	9.4%	7.8%	6.7%	6.6%	9.5%
NWE	2,995	-18%	13.8x	-8.9%	-2.9%	-4.3%	10.9%	4.7%	-0.6%	-0.7%	5.3%
PNM	3,629	-13%	15.1x	4.9%	3.0%	0.8%	1.5%	5.0%	6.8%	6.8%	3.1%
POR	4,089	-17%	13.2x	-3.1%	1.4%	-0.7%	16.1%	5.0%	3.8%	3.7%	5.5%
UTL	774	-6%	16.4x	2.3%	1.4%	1.8%	5.0%	5.7%	4.9%	4.7%	6.1%
Average		**-19.7%**	**14.0x**	**-3.4%**	**-3.2%**	**-6.8%**	**6.2%**	**2.0%**	**4.2%**	**4.0%**	**3.6%**
Gas											
ATO	16,522	-1%	16.1x	1.8%	1.1%	1.0%	6.3%	6.6%	9.2%	9.2%	7.3%
SR	3,007	-17%	13.3x	1.2%	-1.2%	0.5%	2.7%	8.0%	2.8%	1.6%	6.3%
NJR	4,013	-17%	14.8x	8.6%	2.6%	2.5%	3.3%	6.2%	11.1%	7.6%	5.8%
NWN	1,328	-24%	13.1x	-1.7%	-1.7%	-0.7%	3.4%	7.5%	2.7%	2.5%	5.3%
OGS	3,338	-20%	14.3x	0.1%	-2.8%	0.0%	2.3%	6.5%	5.8%	5.8%	3.4%
UGI	4,378	-44%	6.8x	-9.5%	-9.2%	-17.6%	11.3%	-4.1%	5.8%	4.8%	0.4%
Average		**-20.5%**	**13.1x**	**0.1%**	**-1.9%**	**-2.4%**	**4.9%**	**5.1%**	**6.2%**	**5.3%**	**4.7%**
Water											
AWK	24,196	-18%	24.1x	1.0%	0.0%	-0.3%	6.9%	8.7%	8.3%	8.3%	7.5%
WTRG	9,252	-29%	17.0x	-1.4%	-1.8%	-2.6%	6.9%	6.4%	5.3%	5.3%	6.3%
SJW	1,983	-24%	22.7x	2.7%	-1.5%	1.9%	3.8%	8.5%	-1.3%	-3.2%	6.8%
ARTNA	420	-30%	20.4x	-20.9%	-8.7%	na	22.7%	5.0%	4.8%	4.7%	na
MSEX	1,124	-19%	27.8x	-22.8%	-12.6%	0.3%	12.9%	19.0%	12.7%	11.6%	na
CWT	2,852	-19%	22.3x	-5.8%	2.2%	0.4%	19.0%	5.1%	6.7%	4.8%	9.6%
YORW	527	-18%	22.8x	11.2%	8.8%	na	1.3%	4.3%	6.8%	6.7%	6.3%
AWR	2,886	-16%	26.1x	2.4%	1.2%	3.0%	7.4%	9.8%	3.6%	2.3%	16.0%
GWRS	256	-20%	36.0x	8.0%	7.3%	na	9.3%	na	32.8%	22.0%	na
Average		**-21.5%**	**24.4x**	**-2.8%**	**-0.6%**	**0.4%**	**10.0%**	**8.4%**	**8.9%**	**7.0%**	**8.7%**
IPPs											
AES	10,466	-46%	8.3x	-3.7%	-1.5%	0.8%	11.4%	10.8%	9.2%	9.1%	7.7%
NRG	10,175	42%	6.5x	17.4%	21.7%	23.4%	3.9%	0.2%	-3.8%	-5.9%	23.6%
VST	12,357	49%	8.1x	9.7%	19.5%	15.6%	8.8%	-1.9%	26.8%	16.4%	10.9%
Average		**15.0%**	**7.7x**								

Source: BofA Global Research, Company filings, Factset
* Estimate revisions reflect EBITDA for NRG/VST

Let's look at this on a scatter-plot now for Utility valuations...

Who stands out on EPS CAGR vs 2-Year Forward P/E across the sector: we see reiterate that both PCG and PPL are true stand-outs on a valuation basis across the wider sector considering the growth they offer vs their overall low P/Es. We believe PG&E's rate case could help allay fears and come off increasingly as a higher quality, derisked story thru EEI conference. Meanwhile, PPL's meaningfully derisked profile subsequent to the latest Kentucky decision is a further standout.

Exhibit 2: Scatter: 2 YR Fwd P/E vs EPS CAGR 2022-2025 (excl HE)
Scatter of Growth vs P/E



Source: BofA Global Research, Company filings, Factset

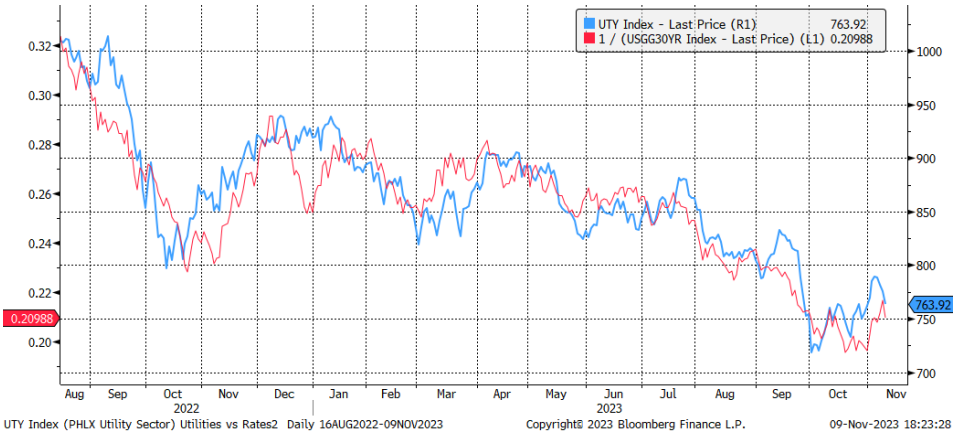
Exhibit 2: Scatter: 2 YR Fwd P/E vs EPS CAGR 2022-2025 (excl HE)
Scatter of Growth vs P/E

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Interest rates dominate everything

Utilities have had an ~0.8 inverse r^2 with daily 30Yr US Treasury interest rates from August 15th through November 9th. There have been more pockets of utility outperformance, notably September 2023 and late October into early November. The strong true impact of rates is far more important and nuances as the sector has a high degree of 'micro' relationships with unrecoverable interest expense at holding companies. With most utilities offering pre-tax dividend yields of 3.5-4.5%, below the 4.6%+ tax advantaged treasury yield. This has been a new phenomenon versus prior decades and is a significant detriment to attracting inflows.

Exhibit 3: Utilities (Blue) vs 30Yr Us Treasury Rates (Red)
Utilities have had a very high correlation with interest rates



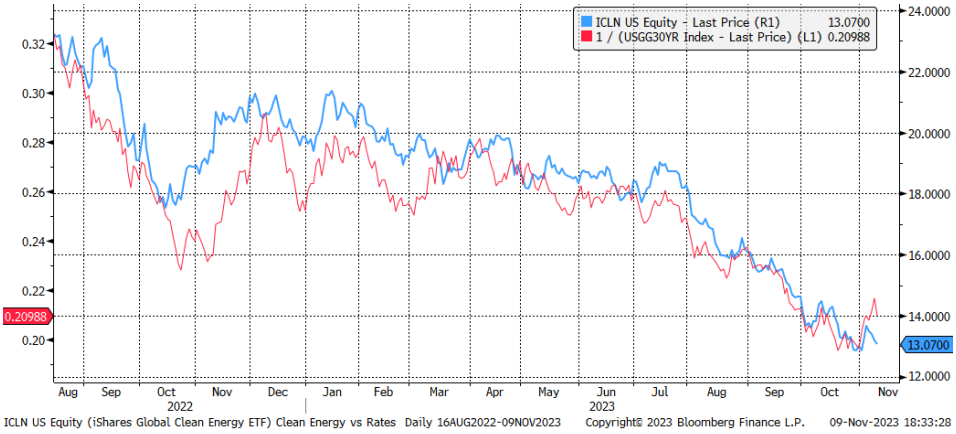
Source: Company Filings, Bloomberg, & BofA Global Research

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The real rate exposure is actually with clean energy shares…

Clean energy companies have had an even higher relationship with treasury rates at ~0.9 r^2. Interestingly for the first time all year, clean energy has underperformed what the interest rate correlation would dictate. Rather than sending a 'buying signal', we attribute this relative weakness to significant negative idiosyncratic events during earnings season for companies including Maxeon, SolarEdge, Enphase, Array, SunPower, and Orsted. We perceive the sector as presenting value amidst what has been among the worst earning seasons on record for the sector. We continue to see real reasons to remain cautious even coming out of 3Q as results have yet to realize the full extent of sector challenges – this all being despite the full release of treasury relates benefits.

Exhibit 4: Clean Energy (Blue) vs 30Yr Us Treasury Rates (Red)
Clean energy companies have had an even stronger relationship with treasuries than utilities have



Source: Company Filings, Bloomberg, & BofA Global Research

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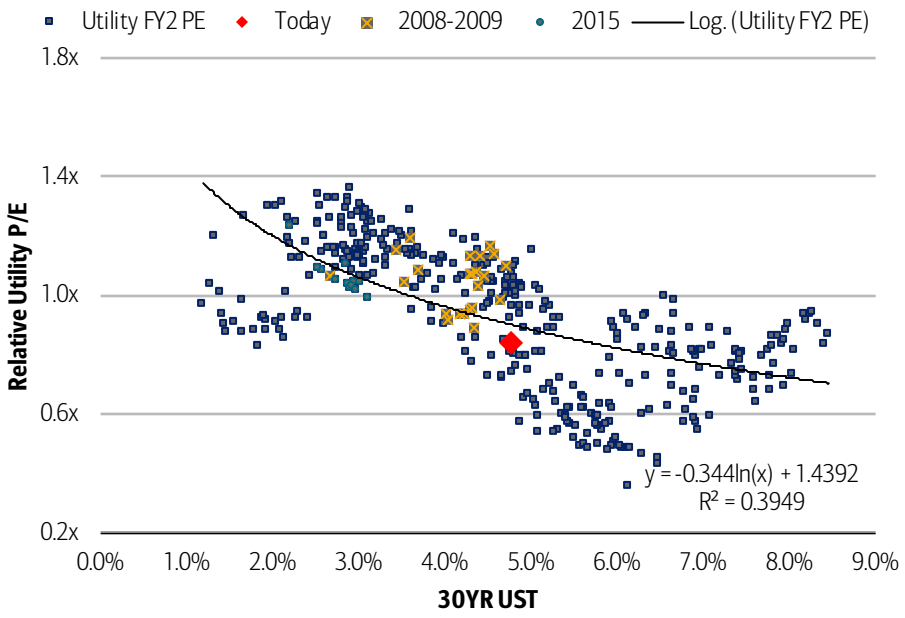
Utilities remain attractively valued on a long-term basis

After an inauspicious start to October with a single-day 5.3% decline, utility performance steadily rebounded, ending the month up 1.4%, within a half-percentage point of where they currently are now as of November 9. In our last update, we had remarked that after a significant late summer correction, the sector had begun to appear attractively valued relative to historical relationships between credit and equity benchmarks. After modest improvement in October, this mostly continues to be the case, although there are early indications that utility sector valuations have potentially bottomed.

Still cheap against rates, but less cheap than last month

The sector's late summer correction brought utility sector shares to discounted levels versus that of their historical relationship to rates. Our latest refresh indicates shares are still cheap, albeit less so than as of the end of September.

Exhibit 5: Relative PE vs 30Y UST
Utilities continue to screen as cheap based on nonlinear relationship vs rates



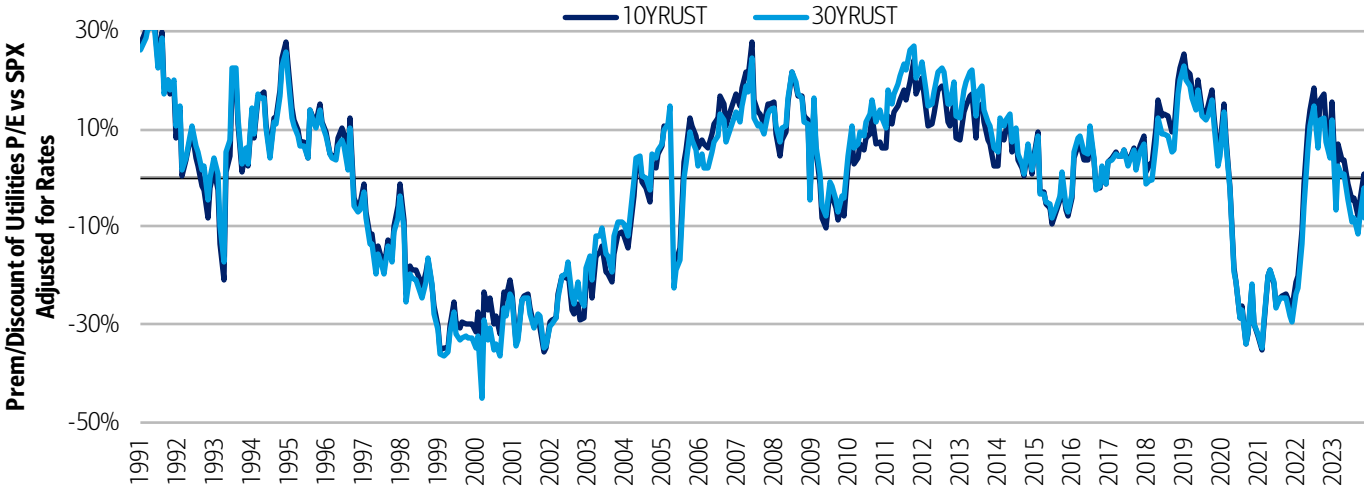
Source: BofA Global Research, Bloomberg

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Valuations tick upward after bottoming this past month

We highlight the time series for the nonlinear data shown above, showing deviations from the long-term average as a time-series: after bottoming at near-decade lows (excluding COVID) last month's update, utility sector valuations relative to rates begun to tick upward as the end of October. The relative P/E to the U.S. 10-year treasury for the sector even momentarily crossed into positive territory on October 31.

Exhibit 6: 10Y and 30Y relative value over time – nascent signs of a potential rebound from 2009 and 2015 valuation lows
Ex-COVID utility discount showing early signs of improvement



Source: BofA Global Research, Bloomberg

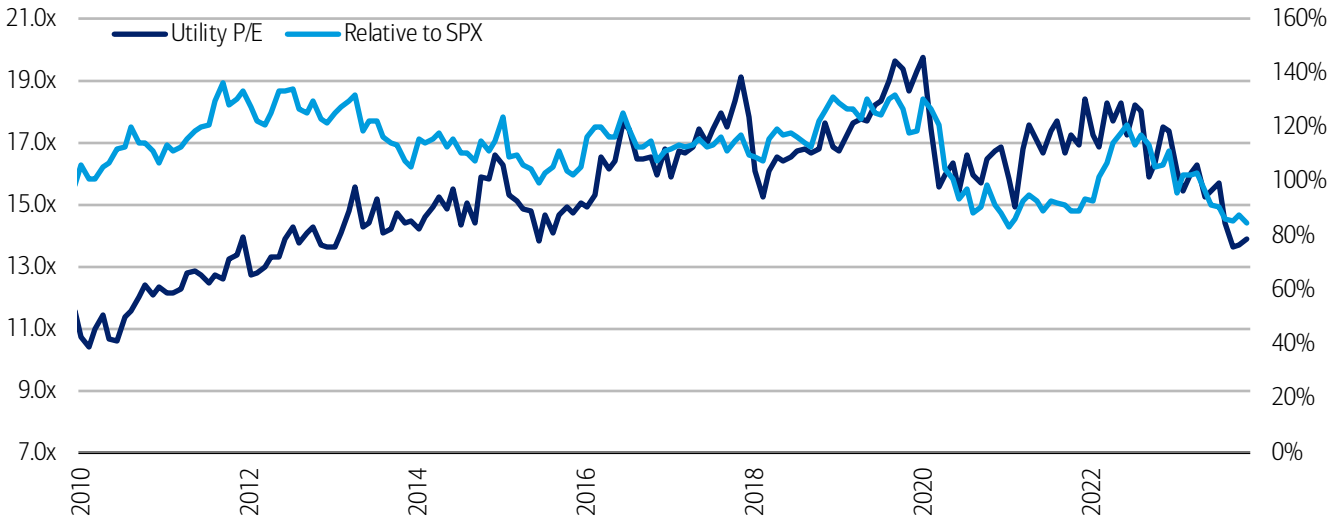
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Utilities still cheap relative to broader equity markets

Despite the recent foray upward for utility valuations relative to rates, they continue to trade at a 20% discount relative to the S&P 500 on a forward PE basis. This discount relative to the broader market has persisted through much of 2023, generally worsening

as the year progresses. The most recent month-end valuation in which utilities traded at a relative premium to the S&P 500 was April 30, 2023.

Exhibit 7: Utilities relative PE vs S&P 500
Valuation vs rest of market still screens attractive (P/E on LHS and Relative % to SPX on RHS)



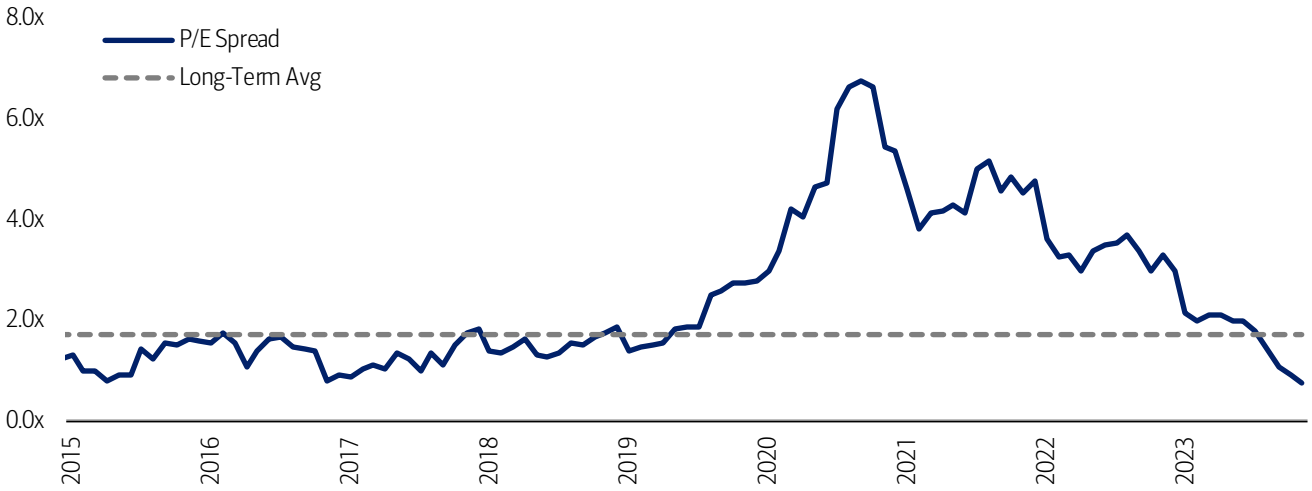
Source: BofA Global Research, Bloomberg

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"Premium" Utility valuations continue to contract

The significant bifurcation between a small number of premium utility stocks that first emerged in late 2019 and accelerated in 2020 has largely reversed in 2023. This has only intensified throughout the year. We have previously pointed out NEE's outsized effect on this assessment, which continues to suggest that the sector has sold off largely due to elevated macro/interest concerns.

Exhibit 8: Premium-value spread: back to multi-year lows; we think this is the time to buy premiums
Spread between premium utilities and the rest of the group continues to decline, implying there may be a latent opportunity for quality names. We also appreciate that what is defined as premium vs value today may well be evolving and impacting this chart.



Source: BofA Global Research, Bloomberg

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Exhibit 9: Primary stocks mentioned in this report
Prices and ratings for primary stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
NI	NI US	NiSource Inc	US$ 24.82	B-1-7
PPL	PPL US	PPL Corp.	US$ 25.2	B-1-7
XEL	XEL US	Xcel Energy	US$ 58.7	B-1-7
CMS	CMS US	CMS Energy	US$ 54.74	B-1-7
DTE	DTE US	DTE Energy	US$ 98.5	A-1-7

Source: BofA Global Research

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Price objective basis & risk

CMS Energy (CMS)

Our PO of $60 is based on a SotP relying on 2025E forward P/E multiples for the utility business and a 2025E forward EV/EBITDA multiple for CMS' IPP assets. For the utility seg we apply a 3.0x prem to the average 2025E regulated multiple P/E of 14.3x for the electric segment and of 13.5x for the gas segment, with the 10-yr capex update providing clear sight on ratebase growth and further upside, as well as continued 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 +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 through 2030 given the plant is no longer expected to be sold to Consumers.

Downside 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.

DTE Energy (DTE)

We value DTE Energy at $104 using a sum-of-the-parts (SOTP) approach. We value the utility segment on a 2025E forward P/E multiple basis and the non-utility segment on a 2024E forward EV/EBITDA multiple basis. For the utility segment we apply an in line premium to both our regulated electric and gas utility peer multiples (of 14.4x and 13.3x, respectively). Both electric and gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We value the DTE Vantage segment on a multiple of 2025 EPS - the grossed-up electric multiple of 14.6x to account for the renewable natural gas (RNG) business. We assign an equity value based on a -7x discount 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 14.5x multiple to both the interest expense and corporate overhead expenses at the parent. Risks are: 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.

NiSource Inc (NI)

The NiSource $29 PO is based on a 2025 sum of the parts valuation. We value each gas and electric utility separately using 2025 forward P/E multiples that are marked-to-market to the latest peer utility multiples of 13.9x for gas and 14.4x for electric. Consistent across our coverage universe, the base electric & gas peer P/E multiples are grossed up by +5% to reflect capital appreciation across the sector. We utilize a +1x premium for NIPSCO Gas/Electric due to generally constructive regulatory outcomes. We subtract the value of excess holding company debt at the parent not supporting the

utility subsidiaries.

Upside and downside risks to our Price Objective are changes in 1) regulatory, political, and legislative outcomes, 2) ability to execute on capital expenditure plan, 3) inflation, operating expense, and interest rates as they influence earned rates of return, 4) customer count and load growth, 5) commodities, 6) natural disasters, 7) pension plan returns, 8) equity and asset sale needs.

PPL Corporation (PPL)
Our $32 price objective is based on a sum of the parts methodology applying respective premium/discounts to the 2025E peer group multiple of 16.0x. Electric peer P/E multiple is grossed up by 5% to reflect capital appreciation across the sector, a consistent methodology across our coverage universe. We value all of the utility subsidiaries at +0.5x premium to the sector to reflect the lack of regulatory activity, above-average credit metrics, transmission earnings mix, and reasonable jurisdictions.

Risks to the achievement of our Price Objective are: 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 and execution, 7) natural disasters/weather, 8) equity issuance/repurchase plans, 9) corporate taxes, 10) pension returns, and 11) litigation.

Xcel Energy Inc (XEL)
Our PO is $68. 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 2025E forward P/E multiple of 14.0x 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 make an additional adjustment to reflect the difference in interest rate forecasts between BofA and Street as well as historical valuation sensitivity to rates.

We apply a 2x premium to XEL subsidiaries in MN and 3x for CO, 3x for NM/TX, and 3x for 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 net back 50% of the parent interest expense and instead subtract out 50% of parent debt to more accurately reflect HoldCo leverage.

Risks to achievement of the price objective are 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.

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Array Technologies	ARRY	ARRY US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Alex Vrabel
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	ENLT	ENLT US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	XENLF	ENLT IT	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC US	Julien Dumoulin-Smith
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	Nextracker Inc	NXT	NXT US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG 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
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	Dariusz Lozny, CFA
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Dariusz Lozny, CFA
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	New Fortress Energy	NFE	NFE US	Cameron Lochridge
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA

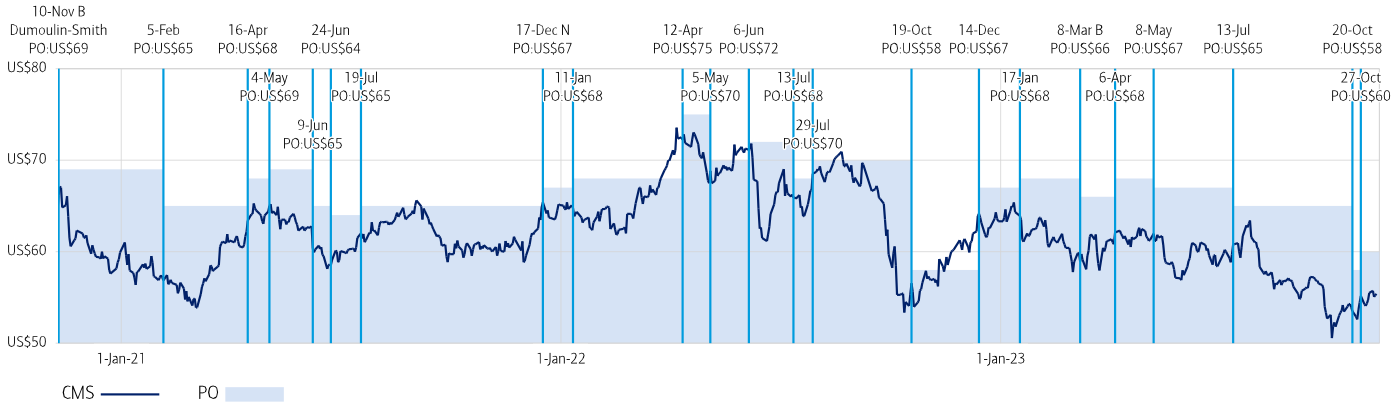
North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
UNDERPERFORM				
	Allete Inc	ALE	ALE 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
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	FirstEnergy	FE	FE 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
	Generac Holdings Inc.	GNRC	GNRC 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
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
RVW				
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

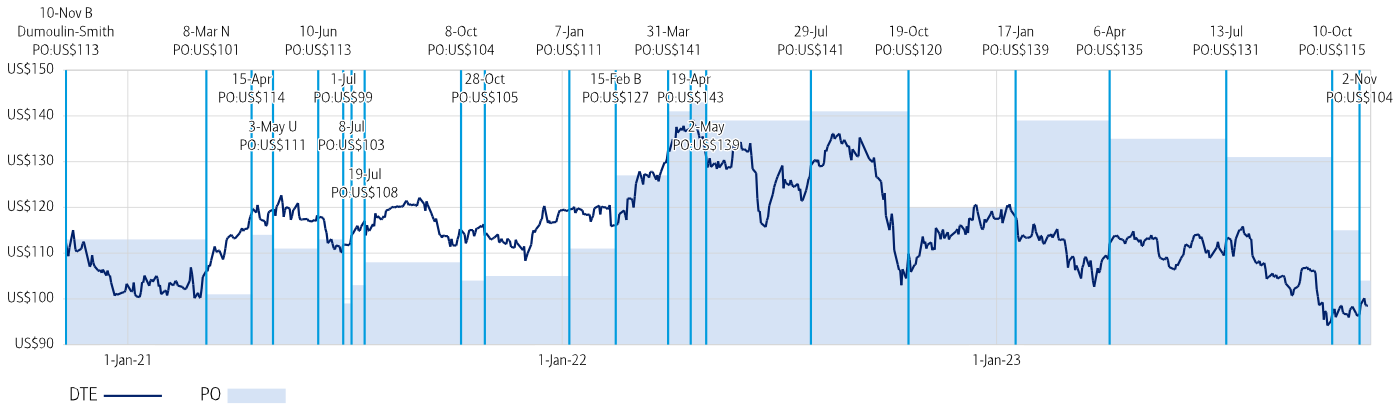
CMS Energy (CMS) Price Chart



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.

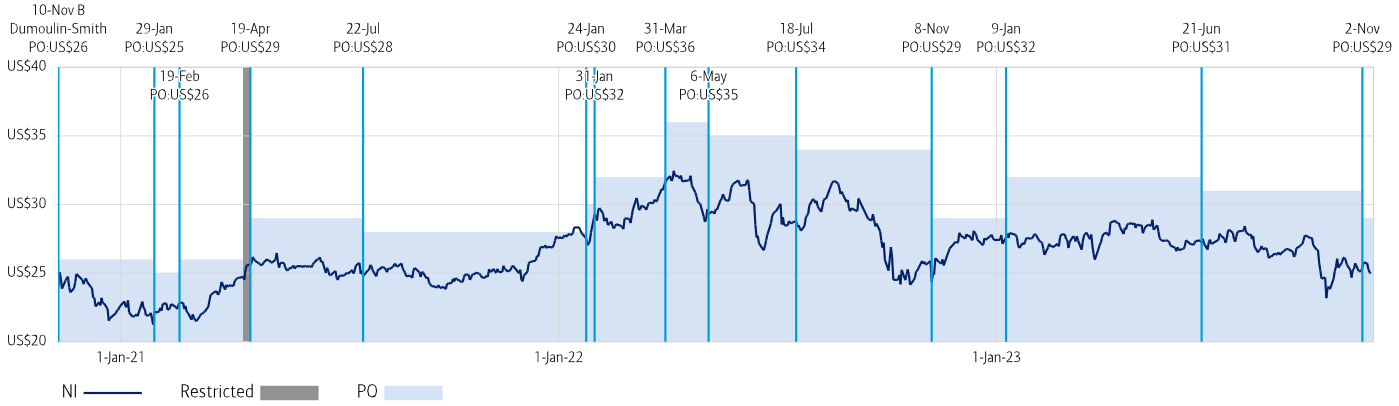
DTE Energy (DTE) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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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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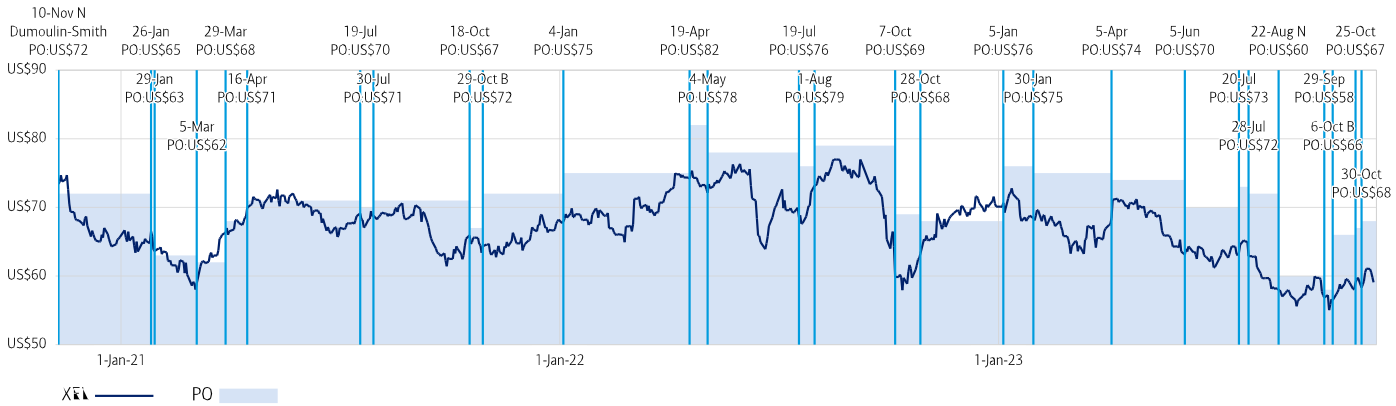
PPL Corp. (PPL) Price Chart



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Xcel Energy (XEL) Price Chart



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Equity Investment Rating Distribution: Energy Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	78	58.21%	Buy	59	75.64%
Hold	33	24.63%	Hold	25	75.76%
Sell	23	17.16%	Sell	14	60.87%

Equity Investment Rating Distribution: Utilities Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	80	51.28%	Buy	51	63.75%
Hold	42	26.92%	Hold	32	76.19%
Sell	34	21.79%	Sell	22	64.71%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1869	53.48%	Buy	1046	55.97%
Hold	828	23.69%	Hold	461	55.68%
Sell	798	22.83%	Sell	370	46.37%

[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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US Utilities & IPPs

Emerging from the Desert – Day 3 of EEI

Industry Overview

So what resonated on the third day in Utility paradise?

Write-ups for our meetings with AES, AGR, AVA, AY, CMS, EVRG, IDA, NI, PCG, PNW, PPL, and WTRG are below. We saw CMS and PPL as among our best meetings of the conference. Ability to monetize CMS' DIG power plant at pricing well above historical levels in '26+ leaves real sizzle to story (see 4%+ EPS upside thru 5-6 yr roll-forward). PPL was among the other most constructive meetings on Day 3 with mgmt. confident not just on back of latest KY CPCN resolution for new generation but newfound focus on transmission alongside yet further gen opportunities beyond 5-yr view as gas needs identified by KY too. Reit Buys on both CMS and PPL. Flagging an inflection in shares, AY should see div growth return in '24 after 5-years of deceleration. Pivot from asset acquisition to organic development entity appears near complete. Reit Buy on shares here too. Saw emphatic meeting with AES on '23 & '24 execution as notable against backdrop of still numerous delay risks in renewable landscape. Finally, see PCG poised to rally with potential div announcement as soon as late Nov. Reit our confidence for shares to see bounce with opportunities beyond rate case vote on this Thursday, 11/16. Look for update on NI remarketing thru week – don't see real impacts to plan either either. Still among best stories across utilities.

Equity needs (still) the focus too & equity credit too

Our third and final day of hosting meetings at the 2023 EEI conference was again filled with several notable takeaways which we outline in this report. Among the many topics discussed, equity needs for the utility sector in 2024 was a common thread connecting several meetings. Moody's forecast for ~$25Bn in projected equity requirements & asset sales for the sector in 2024 is higher than our own rough estimate of ~$15Bn in equity (although would appear potentially half of equity is in form of asset sales). On that note, our meeting with AES Corp (AES) was particularly constructive on this front, with mgmt. indicating high confidence in its ability to execute on the $3.5Bn divestment target through 2027. Avangrid (AGR) too signaled asset sales as an option, citing a strong track record of successful divestments. In addition to asset sales, we see hybrid issuances as increasingly on the table for utilities needing equity, with Moody's signaling favorable 50% equity treatment for certain securities in this category up from 25%. This would be a sector-wide tailwind and could shift preference towards these instruments.

Tax credit transfers, physical risk reads to credit metrics

We met with the utility ratings teams at Moody's Corp (MCO) and Fitch (Private) to discuss current trends in the sector and outlooks for a variety of companies. Tax credit recognition was discussed by Moody's as a key consideration for the agency, specifically as it relates to credit transfers. The agency indicated large, lump sum cash inflows related to ITC transfers would not be credited to companies' FFO. Physical risk with a focus on fire was also discussed in both meetings, and while both agencies are studying the potential impacts to ratings metrics, Fitch appears more willing to consider a change in target metrics at this time. See risk to rating thresholds on offshore risks too.

15 November 2023

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Summarizing ~ 50 minutes in 2 minutes

Quick takes from our meetings are summarized in the following bullets.

AES: High confidence from mgmt. in $3.5Bn asset sale target through 2027

AGR: No new clarity on the long-term earnings profile

AVA: Not expecting to earn authorized ROE until at least 2026

AY: California storage market remains robust as mgmt. returns to growth mode in '24

CMS: 'No sugar high' but best in class visibility to ~8% EPS plus a strengthening B/S

ETR: Higher rate base growth without equity leads to stronger EPS in 6-8% CAGR

DTE: Poised to recovery from FY23/3Q23 hiccups w/ reasonable rate case + legislation

NI: Credit metrics should remain intact through plan regardless of remarketing outcome

PCG: Improved GRC alt proposed decisions shows improvement in regulatory backdrop

PPL: Premium growth + premium valuation = premium valuation. Great KY gen. outcome

WTRG: PA gas rate case to support 5-7% EPS CAGR with $1.9Bn incremental rate base

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
US Electric Utilities & IPPs: The Desert Event Continues at EEI – Day 2. More Dessert than Desert So Far	Julien Dumoulin-Smith	14 November 2023
US Utilities & IPPs: EEI 2023: Day One Takeaways. Credit Quality and Transmission Big Topics	Julien Dumoulin-Smith	13 November 2023
US Utilities & Clean Tech: EEI 2023 Question Bank: Can Utilities Rise from The Ashes in Phoenix? What to Ask.	Julien Dumoulin-Smith	10 November 2023

AES Corp (AES)

We met with CEO Andres Gluski, CFO Steve Coughlin, SVP Joel Abramson, VP IR Susan Harcourt, Director IR Amy Ackerman, and Senior Manager IR Max Trask. Maintain Neutral on shares of AES which trade at an attractive risk-reward in our view.

CEO Andres exceptionally confident on delivery – he is adamant he is going to remain at the company to 'see this through' to its full pivot. This could drive relative investment back into shares but still see execution on divestments as key. They brought their head of M&A to help derisk perceptions as well as saying they hit their asset sale targets for the last dozen years. Hard to verify the latter point.

Mgmt. highly confident on strategic positioning

Our impression of mgmt. was one of notable confidence in AES's current positioning and outlook. Mgmt. highlighted 100% growth in construction levels for 2023, with 3.5GW of renewables slated to reach COD this year. Mgmt. also discussed ~3.6GW of projects that are currently not included in the 13.1GW backlog but are in late-stage discussions, including 1GW related to the Bellefield 2, 1.2GW related to the NYSERDA agreement, and 1.4GW related to the Air Products green hydrogen JV. In terms of future backlog additions, mgmt. indicated current market conditions are highly conducive to late-stage renewable project acquisitions where returns are comparable to greenfield developments in the low-to-mid teens.

Well positioned to deliver on asset sales targets

Mgmt. sees a clear path to executing against asset sales targets through 2027 and highlighted that in twelve years, AES has never missed an asset sales target. As part of the 3Q23 update, mgmt. increased targeted proceeds from divestments to $3.5Bn through 2027. The new target represents a $650 increase compared to the midpoint of the previous range which was introduced at the May Analyst Day. This year, AES has already executed several divestments to reach mgmt.'s target range of $400-600Mn. Looking ahead, we see amply opportunities for mgmt. to reach its targets, including potential sell-downs for AES Next, renewables, and fossil assets. See this as critical to restoring shares to previous levels from recent lows.

Construction schedule on track, supporting growth

AES continues to target aggressive growth in renewables, with a goal of tripling capacity by 2027. Mgmt. stressed AES is well positioned to navigate issues plaguing others in the space, including permitting and supply chain bottlenecks. Specifically for 2024, mgmt. appears confident in prospects for delivering another year of growth in deployments. Considering funding appears derisked for now, we believe growth is largely within reach barring externalities beyond mgmt.'s control.

Avangrid (AGR)

Our meeting with management focused primarily on the long-term utility investment opportunities rather than some of the more near-term elements. The update on wind repowering has been pushed to 2024 from late 2023 originally. In the near-term we will be watching for asset sale announcements as the next catalyst. We maintain Underperform on shares which are relatively expense with below average financial visibility.

Remain committed to PNM acquisition

Avangrid sounded highly committed to its pending PNM acquisition while it waits for the New Mexico Supreme Court decision on the pending merger appeal. Avangrid did not discuss 'hypothetical scenarios' on the asset economics but stated it looks at the long-term earnings power rather than just upfront accretion when evaluating the deal. We continue to believe that the timeline for full resolution will be beyond March 2024 in even an expedited schedule. In terms of funding, management still points to the flexibility in its financing program where it could utilize various forms of asset sales as an alternative to the $1.9Bn equity guided.

Asset sales: 'always an option'

The company emphasized that it would not do a bad transaction simply to rotate assets and there is a track record of successful sales. The priorities appear to still be renewables as well as some smaller non-core utility properties. Minority stakes in larger utilities remain an option but do not appear to be a preference. On the 3Q23 earnings call, management described the potential for a "massive amount of cash" but no additional details were provided at EEI. Management still expects its asset sales contemplated in FY23 guidance to close by YE23 but would not comment on the timing for an announcement.

Repowering update is delayed into 2024

The timing for the repowering update has been shifted backwards to the yet to be determined Avangrid Capital Market Day from December 2023 originally. The company stated that the unquantified returns are highly attractive. The company is still evaluating the returns on a project-by-project basis and having productive conversations with counterparties. The 400MW already repowered was cited as evidence of the track record.

2024 EPS building blocks are rate cases

Management does not yet have 2024 guidance and did not comment on the linearity of the growth rate. The company stated that the known drivers for growth into 2024 are the rate cases (Maine, Connecticut, and New York), New England Clean Energy Connect (NECEC) allowance for funds used during construction (AFUDC), Vineyard Wind 1 tax credits, and other new renewable assets that are under construction. We estimate 2023 EPS below the implied $2.64 FY24 assuming the 6.5% midpoint of the long-term growth outlook ($2.33 2022 actual adjusted base) which was reaffirmed with earnings.

Discipline is the name of the game new offshore wind

Avangrid restated that it has the opportunity to rebid its offshore wind development projects into future requests for proposals (RFPs) after it terminated two of its contracts recently. Management stated the future bids will be disciplined but did not comment whether its target return expectation has changed versus the earlier bids.

NECEC: continuing to pursue ratepayer compensation

The timeline for the large Maine transmission project is firming up as December 2025-January 2026 for commercial operations date (COD). On the 3Q23 call, management stated it was important to finish the project on time and on budget. The 10Q stated that the company is evaluating the project cost, commercial operations date, disputes with vendors, and a decrease in expected returns.

At the Investor Day, management guided to $25Mn 2025 project level earnings, fully offset by parent financing costs. Based upon the increase in capital and financing costs, we believe there is a net loss upon commercial operations that should decline in the future as the contract escalates. Based on NECEC financial statements, we estimate a ~15% accounting equity AFUDC rate. This creates an earnings step-down for 2026 (per management's timeline). As a result, we do not put a multiple on AFUDC earnings.

Avangrid expects higher compensation to offset compensate for the company's forecasted increase in the project's cost. Avangrid is in discussion with the electric distribution companies and pursuing legislation/budget efforts. With 2Q23 earnings, Avangrid stated that it positive legislation passed the Massachusetts House and Senate, which was "expected to be considered by the Senate in the coming days"

Avista Corp. (AVA)

We met with Avista Corp. Chief Financial Officer Kevin Christie, President and Chief Operating Officer Heather Rosentrater, and Director of Finance Jason Lang. Our conversations touched upon Avista's upcoming multi-year rate case filing in Washington and outlook for earning its authorized ROE either in 2025 or 2026, as well as the company's recently increased capital expenditures forecast through the planning period. We maintain underperform on unfavorable risk/reward profile with below-average growth and regulatory uncertainty.

Might not earn authorized ROE until 2026

On the 3Q23 earnings conference call, AVA stated that it would not formally reiterate its long-term 4-6% EPS CAGR through the planning period until it began earning its authorized ROE, which could occur in 2025 following the Washington multi-year plan rate case (MYRP). Definitionally, AVA considers earning its authorized ROE to be net of approximately 70 basis points of structural lag from use of a historic test year in Washington. In addition to this structural 70 bp reduction, AVA expects 80 bps of timing lag in 2023. The rationale is that through the WA MYRP, in addition to filings in ID and OR as well, this timing lag can be reduced to zero at some point during 2025. If timing lag leaks into 2025, this implies that AVA could not be earning its authorized ROE (net of the 70 bps of structural lag) until 2026. This would represent a further extension of underearning on a below-average EPS CAGR to begin with.

Upcoming rate case to assess ERM

2024 is largely expected to be a transition year, with the year-over-year rise in EPS expected to be muted by continued underearning. In its WA MYRP, AVA expects to request an assessment of the existing ERM mechanism, which could complicate the otherwise straightforward general rate case proceeding. While a settlement is possible and represented in past precedent, the deliberation of the ERM could ultimately result in a fully litigated proceeding. We look to late summer as a timeline for possible indications of a settlement.

Capex forecast raised to reflect rate base growth

With 3Q23 earnings, AVA announced an increase in forecasted capex at Avista Utilities from 2024 to 2026, raising expectations from $475Mn on an annual basis to $500Mn for 2024, $525Mn for 2025, and $550Mn. This newly reflected linear growth mirrors that of Avista's projected 5% rate base growth from 2023 to 2026, though new generation spend is not expected to begin in earnest until 2025. Similar to what other utilities are seeing, their generation projects are becoming comparatively more competitive with renewable developers versus the last several years.

Atlantica Sustainable Infrastructure (AY)

We met with CEO Santiago Seage and Director of IR Leire Perez. AY continues to operate in normal course while the strategic review remains ongoing. Consistent with policy, mgmt. provided no color on the strategic review or potential timing of resolution. That said, commentary from mgmt. on overall renewable market dynamics and investment opportunities were notably constructive. Mgmt. sees little impact from interest rate pressures on renewable returns, which remain squarely in the low-double-digits as PPA pricing trends remain strong. At the same time, mgmt. stressed the returns above 20% are hard to imagine in any market or technology. Specific to AY's operations, California storage was a notable positive in our discussion. Mgmt. indicated strong returns on two storage projects in development which are expected to reach COD in 2024 under 15-year agreements. Mgmt. stopped short of offering specific pricing or return data points related to these projects. However, our discussion supported our view that pricing in the high-teens per kw-month for shorter-term RA contracts is reasonable. Maintain Buy on shares of AY as growth accelerates in 2024.

Between elevated RA payments and outsized return on Coso expansion as well as clear confidence in div growth returning in '24, we see shares as likely to find some support amidst an investor backdrop still concerned on Yieldco outlook. If anything 2024 will cement the pivot from acquisition vehicle to pipeline and organic growth vehicle. This both explains the hiatus from div growth and also offers reason for support of future growth beyond.

CMS Energy (CMS)

We met with CFO Rejji Hayes, and Director of Investor Relations Travis Uphaus. Recent legislative data points, capacity upside from MISO in the unregulated North Star segment, and distribution spending opportunities were the key topics discussed. Maintain Buy on CMS given valuation and the premium growth trajectory bolstered by the latest clean energy legislation.

We see latitude on bilateral energy and capacity pricing as among the most promising aspects to the story and when coupled with legislation that affirms compensation on both contracted & owned renewables into the future see one of the most derisked backdrops across the utility space. Clearly the single best meeting of EEI.

Recent legislation puts MI in decarb lead

Michigan's clean energy legislation across a range of bills is aligned with the company's decarbonization goals and considered a net positive. While investors have rightly fixated on the earnings elements embedded in the legislation, management was adamant that its "no sugar highs" mantra remains in place - we expect messaging around a more confident tone in achieving the upper end of the long-run 6-8% guidance range on a sustained basis. Key main elements embedded include a Clean Energy Standard (CES) targeting 80% clean electricity by 2035 and 100% by 2040 - included in the definition are nuclear and gas with carbon capture and storage (CCS). There is also a provision for a renewable energy standard (RES) to get to 50% renewables by 2030 and 60% by 2035. The bills also include a revised financial compensation mechanism (FCM) as discussed in more detail below.

FCM net positive, 20c EPS upside by mid 2030s

The FCM mechanism is not new as it was first introduced in CMS' 2016 IRP. Under the previous iteration the FCM was an agenda item in every IRP filing, with the pending legislation codifying the mechanism and taking it out of scope of the IRP. The law only applies to prospective PPAs and reopening of existing agreements is not under consideration. The grossed up pre-tax ROE for CMS is 13.3% implied by the pre-tax WACC of 9% on permanent (non-reg) capital structure. CMS is not bound to contract with generators in Michigan, making it possible to contract with higher capacity solar and wind elsewhere in MISO.

North Star capacity upside could kick in mid-decade

CMS' biggest non-regulated generation asset is the Dearborn Industrial Generation (DIG) plant. Historically the company tended to sell down capacity ratably, several years forward. Currently DIG's open margins on capacity begin in 2026 and energy around the same time. Historical practice is to not take speculative positions, but to be formulaic in selling forward. Capacity prices have averaged around $3.5/kw-month; in recent years, which roughly translates to $35m of pretax income at DIG or approximately 2/3 of Northstar earnings. Cost of new entry (CONE) pricing of late has indicated around $7 per kw-month or higher, indicating potentially $35m upside on the capacity portion. Energy reverse solicitations also indicate directionally higher on margins. Capacity agreements on average have historically had a ~4 yea tenor but as these are bilateral contracts, terms are subject to individual negotiation. At present the 25% capacity open position in 2026 creates the first tangible opportunity for upside with the position increasing to around 50% in 2027.

Capital refresh to come, hybrid treatment set to improve

With CMS flagging higher distribution investment needs, expect the Feb capital roll forward to include a meaningfully higher level of capex, though not necessarily dollar for dollar with the $3B increase in the 5-year filing earlier this year due to affordability guardrails. One underappreciated balance sheet consideration looking ahead is Moody's potentially improving equity treatment of hybrids from 25% to 50%, a meaningful delta for CMS with ~$1.6B on the balance sheet currently - the estimate provided by mgmt. is for a 30-50 bps improvement in the FFO to debt metric all else held equal.

Evergy (EVRG)

We met with CEO David Campbell, CFO Kirk Andrews, and Director of Investor Relations Pete Flynn. Topics discussed include drivers of the recent EPS reset, O&M capacity, the path forward in Kansas, future capital upside. Maintain Neutral on EVRG given balanced valuation at present levels.

Yes, we think we've seen the lows in shares for now, hence our Neutral but patience needed for recovery. Watch Missouri-West rate case next year to illustrate confidence in regulator compact as next meaningful reaffirmation. Capex backstop to 6% ratebase growth is consistent with expectations.

Reset outlook provides basis for sustainable growth

Following the Q3 update and guidance cut, the single most received question has been reconciling formal capex guidance to come in 4Q within the reduced 4-6% outlook. Evergy's tone was not as favorable on incremental capital opportunities and a more favorable pivot in the regulatory outlooks on the earnings call. We see a shift of capital from Kansas to Missouri/federally as the more likely path for the February roll-forward rather than a meaningful increase across all jurisdictions. This is not a surprise given the reduction in the overall growth target by 200 bps but we note investors are seeking clarity on the path forward and potential opportunities as the stock continues to trade at a discount to peers. Mgmt. sees upside to the capital plan in Kansas which could conceivably help to inflect rate base growth. The current growth rate reflects assumptions around constructive rate case outcomes under the current ratemaking backdrop, with no assumptions about new riders or other mechanisms.

O&M savings largely front loaded during stayout

O&M performance is on track for savings to $960 by 2025, indicating that the runway of additional savings is getting shorter following top-quartile execution following the merger. Mgmt. framed cost savings as among the key levers used by the company in recent years to keep customer increases manageable in the last series of rate cases. Given success realized to date and reflected in the interim 2025 target, additional savings appear limited in the scope of the current plan.

Kansas capital structure resolution is key variable

Management has been vocal about seeking clarity on treatment of authorized capital structure prospectively in Kansas, noting the recent black box settlement did not transparently address the issue. Specific avenues to resolving the open question are not obvious at this relatively early juncture - note that staff of the Kansas commission were adamant in their views that the post-merger stayout period was unique and that their imputation of holdco debt in the most recent case was consistent with longstanding practice. This remains an open question and yet to be resolved - expect additional clarity once the Kansas settlement is fully approved.

Capital upside mostly T&D, less generation

Both the MO and KS jurisdictions are in favor of renewable generation contingent on making the economics work, as opposed to being driven by specific policy goals. Electrification remain a relatively distant driver with no meaningful EV penetration reflected in the current plan. The Southwest Power Pool (SPP) plans to develop a long-term planning process akin to that currently under way at the Midcontinent Independent System Operator (MISO) starting in 2024 - this is likely to be a multi-year planning effort and should provide long-term investment runway but is unlikely to materialize in the immediate term. For the upcoming roll forward of capex, we expect that EVRG will remain at its current 6% consolidated rate base growth trajectory.

KS Central and MO West tend to run with most lag

Metro is residential and commercial heavy, tend to be close to authorized. MO West has lagged historically due to Sibley and also has a Uri securitization coming. It has a good growth profile. Kansas Central also lags from earned ROE trajectory. Abbreviated rate

case filing in Kansas will be filed in 2024, will be more narrowly focused and will not address capital structure or ROE.

Idacorp (IDA)

We met with IDACORP Inc. President and Chief Executive Officer Lisa Grow, SVP & Chief Financial Officer Brian Buckham, and Director of IR, Compliance, and Risk Amy Shaw during EEI. Our upbeat discussions focused on Idaho Power's upcoming expenditures and financing forecast exiting a highly positive rate case outcome, the regulatory outlook through the end of the planning period considering an active rate case cadence will be required to facilitate timely return of elevated investment, and how ADIT credits establish support to the low-end of IDA's ongoing EPS guidance in the near-term. We maintain Neutral on shares of IDA which trade at a justified premium to peers for the track record of execution and the robust sales and capital outlook.

Recent mid-cycle capex increase shifts theme to growth

IDA provided few updates following its off-cycle capital refresh with 3Q23 earnings after the announcement of its constructive rate case settlement in Idaho (Docket C-IPC-e-23-11). Typically, IDA issues its refreshed capital outlook following fourth quarter earnings, and expects to provide a comprehensive update yet again in February, but felt with the rate case settlement announced that they could provide more info on expected spend through the period. IDA expects $3.25Mn of capex between 2023 and 2027, driving greater than 11% rate base CAGR throughout the planning period. There still remains some modest upside to the rate base CAGR in the outer years – RFPs for both 2026 and 2027 are still pending, with more details anticipated to be finalized in the first quarter of 2024. Generally speaking, utility-owned generation is beginning to become more competitive in the higher interest rate environment alongside IRA advantages, and IDA expects to be able to file more competitive bids for solar projects with their relatively fixed cost of capital relative to those of the developers they compete against.

Recent equity issuance a surprise; future ones expected

On November 7, IDA issued 2.8Mn shares of common stock forward at $92.80 for proceeds of approximately $260Mn, with an option for up to 420K additional shares or approximately $40-45Mn at current levels. IDA cited two reasons for the equity raise: first, announcement of their rate case settlement had generated significant interest in the story; second, the forward component limits near-term dilution, which is expected to occur in earnest in 2024 at approximately 5%-6% dilution. The November issuance should cover equity needs for the next year, with annual equity issuances through the planning period expected to be similarly sized, perhaps $200-$250Mn per year, or annual dilution of 4-5%. While significant, the equity is tied to supporting double-digit rate base growth, as IDA maintains a strong balance sheet relative to peer average. In order to keep its desired capital structure, IDA expects to issue 1.5x of debt for every 1.0 unit of equity through the planning period. Current FFO/debt below their 15-18% target range reflects first quarter negative operating cash flow in conjunction with the PCAM; IDA is eligible to collect the PCAM impact over the next two years (rather than one), which negatively impacts current year FFO/debt. IDA's lower end of its 15-18% target FFO/debt is 200 basis points higher than its downgrade threshold with credit agencies.

Regular rate cases absent interim recovery mechanism

Given its extensive capex forecast, IDA expects to file for more regular rate recovery through the planning period, likely on an annual cadence unless there Is implementation of an interim capital tracker. IDA's investments are rank and file utility investments supporting significant population and load growth, so their filings are unlikely to be contentious from a merit standpoint. 2024 is expected to feature modest lag that can be compensated by ADIT credits, with lag accelerating in 2025 before there being a catch-up in 2026.

NiSource (NI)

We met with CEO Lloyd Yates, CFO Shawn Anderson, CCO Michael Luhrs, Director of IR Chris Turnure, and Lead Financial Analyst - IR Michael Weisenburger. Maintain Buy on shares of NI given an above average annual EPS growth rate target of 6-8% and improving balance sheet.

Efficient capex funding the key focus area for mgmt.

Mgmt. appears singularly focused on identifying the most efficient funding mechanism for the ~$16Bn capital plan for 2024-2028. Additionally, mgmt. has identified ~$2Bn in investment opportunities spanning generation, advanced metering, and other avenues which present attractive optionality. The current plan assumes successful remarketing of ~$862.5Mn Series C Mandatory Convertible Preferreds. Still, even if unsuccessful, mgmt. remains confident in its ability to efficiently fund the capital program while remaining squarely within the 14-16% target FFO/debt range through 2026. Further, mgmt. noted that time is on its side as any decision on funding is not needed until late 2024. Additionally, mgmt. noted the NIPSCO minority sale remains on track to close by YE23 for proceeds of $2.15Bn.

On Nov. 14th, 2023, NI announced the commencement final remarketing efforts of the 862,500 Series C Preferreds mentioned above. NI subsequently postponed the remarketing on Nov. 15th, 2023, while indicating a recommencement of efforts could take place through Nov. 17th, 2023, which is the last day of the remarketing period. The NI postponement press release signaled that another press release would be issued "on or prior to the day on which [NI] recommences the final remarketing." As we stated above, mgmt. remains confident in its ability to maintain credit metrics through the current capital plan with or without a successful remarketing.

Look for final decision on plans later this week given expiration of remarketing window. Either way really a timing issue on impact to earnings. Could see a variety of avenues pursued.

Renewables support confidence in 6-8% EPS growth

The 6-8% annual EPS growth target through 2028 was reemphasized by mgmt. as a top priority. Looking to 2024, NI anticipates bringing online two BTA solar + storage projects, Calvary and Dunns Bridge II, both of which are still awaiting full IURC approval expected in January 2024. By that time, mgmt. expects to have another two solar analyses done for future investments. For the 2024 expected CODs, NI intends to utilize the ITC for battery investments and PTC for solar investments. We would highlight NI has a number of PPA renewable projects in development as well, with the majority expected to reach COD in 2025. On balance, mgmt. expects earnings impact from tax credits to be back half loaded in the current plan which spans 2023-2028.

Comfortable with balance sheet positioning

Mgmt. expressed confidence that the $1.25Bn maturity in 2025 was more than manageable and is expected to get full recovery through rates. As of the end of 3Q23, NI had $11Bn in long-term debt with a weighted average maturity of 12 years and weighted average interest rate of 3.93%. Mgmt. remains committed to maintaining investment grade credit ratings and is confident its ability to hit credit metrics while pursuing attractive upside opportunities to the current capex plan.

PG&E Corp (PCG)

Our EEI meeting was constructive although there was minimal new information aside from the after-hours November 13th general rate case update. Management remains very committed to its long-term EPS growth outlook and sounded highly confident in achievement due to its embedded conservatism. Assuming the California Public Utilities Commission (CPUC) approves a proposed decision at the November 16th meeting, we would expect management to host a call early in the week of November 27th (after Thanksgiving). We expect the long-term financial metrics to be reaffirmed with a refreshed capital expenditure cadence build-up from the general rate case through the energization and undergrounding paths. We maintain Buy on shares of PCG which offer the highest regulated EPS growth at an overly large discount to utility peers. The attractive risk/reward profile is solidified with an underlying 2-4% customer bill CAGR due to the operating cost reduction targets. Favorably, the topic of wildfires did not materially come up in our very well attended management meeting – a key sign of the improved investor comfort in the area.

GRC: All systems go for a vote this week? Seems like yes.

On November 13th there was a second revised alternative proposed decision (APD) filed in PG&E's pending rate case application (A.21-06-021). The second revised APD increases the requested adjustment to the inflation element to 50% of the requested levels, up from 25% in the original alternative proposed decision. Under the second revised APD, PG&E would no longer be able to request a substitution for consumer price index (CPI-U) for the adopted index factors for post-test year periods. This builds upon the first revised APD which increased the miles of undergrounding to 1,230 from 973 and favorably reduced the amortization period to 24-months from 36-months which would enhance credit in 2024-2025.

Management described the two revised alternative proposed decisions as offering improvements towards the company's positions and supporting the layers of financial protection that the company strives to offer shareholders.

Undergrounding execution creates a track record for 2025

PCG noted that it recently completed the construction of its 350-mile of undergrounding this year and is on track to finish the electrification and documentation by YE23. This will be on-time and on-budget, despite the approximate three months of lost time due to storms that prevented full construction earlier in the year. Management is optimistic that if it executes on its undergrounding plan there will be increased regulatory and broad stakeholder receptivity to an acceleration of the program. The revised alternative proposed decision undergrounding miles were described as adequate to keep the momentum ongoing with the workforce and suppliers as PG&E strives to lower the cost profile per mile. The parallel Senate Bill 884 (SB884) regulatory overlap/parallel path of a ten-year plan can support an increase of miles for late 2025+ assuming approval in mid 2025.

SB410 'Powers Up' the outlook

The electrification proceeding with more timely rate recovery is a critical offset to the reduced capital expenditures in the base rate case. PG&E's filings have triangulated around a ~$1.5Bn annual capex level that would effectively replace (hopefully temporarily) forgone undergrounding capital expenditures. A proposed decision could come as soon as April 2024 and again enhance the capital visibility.

Cost of capital not needed for the financial plan

Management did not stated whether it expects the California cost of capital (COC) mechanism trigger to be enforced but emphasized that the financial plan is not dependent on a higher allowed rate of return. PG&E described the CoC as well designed and the company will vigorously defend the mechanism. PG&E does not expect the Energy Division Staff to take the full requested 'up to' 120 days but stated more precise timing is difficult to predict.

Dividend: Coming back soon. Slow and steady to win race

The messaging around the reinstatement of the dividend was very consistent with prior statements. The announcement is expected soon with a low nominal dividend that is expected to grow at least in-line with earnings – more likely faster than EPS. The company has met the eligibility requirements as stated with 3Q23 earnings and we believe the dividend declaration will come out of the historical mid-December 2023 Board of Directors meeting for January 2024 payment. It remains possible for a slightly faster cadence with a dividend update on the late November 2023 business update call. The timing of the cost of capital proceeding was described as not having a bearing on the dividend declaration.

Throughout 2023 management has not waived on its expectations for a strong Pacific Generation (PacGen) minority interest asset sale, despite the more challenging macro backdrop for infrastructure assets we have observed. The EEI tone was no different with PG&E still expecting a strong premium valuation due to its unique asset. The proposed decision from the CPUC is expected in January 2024 (within ninety days of October 5, 2023 – A.22-09-018) and the marketing process has been running in parallel since mid-2023. The company said it is "really happy" with the process and sees a high degree of competition for the assets.

PPL Corp (PPL)

We maintain Buy on shares of PPL where we had one of the most constructive meetings of the conference. We expect the 6-8% EPS growth rate to be extended to 2024-2027 with the 16-18% funds from operations (FFO) / debt intact and supporting the incrementally faster rate base growth that we forecast. Operating cost cuts are still expected to be an element of the plan but rate base growth should accelerate to 6%+ from ~5.5% in the current period as slower growth periods roll-off to be replaced with 7%+ roll-forward.

Kentucky generation approval benefits hard to overstate

PPL recently reaffirmed its financial plan after the successful Kentucky generation certificate of public convenience and necessity regulatory approval (CPCN). The outcome was described as very constructive due to the amount of capital dollars approved as well as the qualitative messaging from the Public Service Commission (PSC). The visibility into the subsequent combined cycle gas turbine (CCGT) with 2030 commercial operations is an underappreciated positive that provides more confidence in the rate base growth. We had less confidence in the energy storage element of the plan after Senate Bill 4 enactment so approval and the justification was a *further positive*. PPL feels very confident in the company's ability to execute on its owned generation construction, despite historical setbacks for third party developers in the state. In the intermediate term, PPL believes there is an opportunity for more utility owned generation with more of a 50/50 split.

Transmission, transmission, and more transmission

To frame the materiality, PPL has been investing $750Mn annually in Pennsylvania for thee last 6-7 years versus less than $200Mn annually in Kentucky. PPL stated that it has had constructive stakeholder conversations in Kentucky about a need to replace aging transmission infrastructure. Due to the long 55-60 year depreciable lives and low operating costs, a more robust transmission build out will have a substantially lower customer bill impact than a similarly size generation capital program. In Pennsylvania, PPL is engaged with four discrete large load customers ranging from 250-1,000MW which would require additional transmission spending requitements as well. PPL has also seen improvements in its competitive transmission development team and believes it is as well positioned as ever to win more solicitations in PJM in the future.

Rate cases are opportunistic to improve EPS further

Management is evaluating rate cases in Kentucky and Pennsylvania that are accretive to the current outlook. The Kentucky rate case would be designed to recover additional

operating costs from coal life extensions and incremental transmission build out. Unlike Pennsylvania and Rhode Island transmission which has formula rates, Kentucky is recoverable in base rates. Management is engaged with stakeholders about regulatory modernization efforts in Kentucky that could reduce regulatory lag; however, PPL is comfortable with periodic rate cases if necessary to recovery its investments - consistent with the long-standing practice. PPL is watching American Electric Power's (AEP) efforts for more programmatic recovery to see if there is a regulatory blueprint.

PA a 'read & react' filing, not necessary for guidance

A Pennsylvania rate case would be strategic and opportunistic to (1) reset the distribution system improvement charge [DSIC] mechanism which is approaching the 5% of revenue cap; (2) enhance the storm recovery rider which is linked to customer outages [ie disadvantages PPL as its reliability has improved]; and (3) explore alternative rate making principals potentially. Since PPL does not require a rate case in the near-term, the company has the luxury of watching major rate cases for FirstEnergy (FE) and Essential Utilities (WTRG) in 2024 before making a decision on rate case for 2025+. The Pennsylvania rate case would have a relatively modest revenue requirement increase due to the company's cost control efforts. A shorter depreciable life information technology system would be a larger element of the case.

Essential Utilities (WTRG)

We met with CEO Chris Franklin, CFO Dan Schuller, and VP Investor Relations & Treasurer Brian Dingerdissen. Maintain Neutral on shares of WTRG which trade at a somewhat balanced risk-reward, in our view.

Counting on rate base growth in PA rate case

Our conversation with WTRG mgmt. focused largely on the PA gas rate case. The upcoming case represents the first such endeavor for the business in five years. Mgmt. intends to file for a cumulative rate base increase of $1.9Bn, which includes $1.3Bn from investments and $300Bn from layering in Peoples Gas. Consistent with peers, we look for mgmt. to file for a 53-54% equity layer and 10.15% ROE (in line with current DISC levels). Additionally, mgmt. intends to incorporate repairs tax benefits into rates, while still investing in repairs tax-eligible opportunities. Overall, mgmt. anticipates the higher rate base will help drive earnings growth consistent with expectations even as repairs-tax benefits accrue increasingly to customers instead of shareholders following the rate case. Mgmt. targets 5-7% annual EPS growth through 2025 from a 2022 base. Look for a guidance roll-forward on the 4Q23 call early next year.

PFAS mitigation appears manageable going forward

Mgmt. expects to budget $450Mn towards PFAS mitigation over the next few years. We expect mgmt. will remain party to certain lawsuits against PFAS manufacturers to help offset some of these expenditures. Further, mgmt. highlighted a concerted effort over past few years to identify PFAS issues, which gives WTRG a leg-up in addressing these issues. We would not expect any material increases to the current $450Mn budgeted expenditures.

Future of Fair Market Value Muni Acquisitions Debate

We see an ongoing debate across the space on exactly how to define the customer benefits for municipal acquisitions. It would appear WTRG is keen to move towards a more formalized approach to help streamline acquisitions after a spate of difficulties in closing such deals. Meanwhile we sense AWK would prefer to stay with a more market oriented approach in which each deal continues to be evaluated on its own individual merits. Their perspective on addressing the backdrop remains firmly tied to justifying the premiums rather than having a 'set' premium that is recoverable in future transactions (the WTRG example). Payments above this level would presumably not be recoverable, but at least prospects for processing deals in a steady way would improve.

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$ 16.98	B-2-7
AGR	AGR US	Avangrid	US$ 31.24	A-3-7
AVA	AVA US	Avista Corp	US$ 34.85	B-3-7
AY	AY US	Atlantica Sustain	US$ 18.95	B-1-7
CMS	CMS US	CMS Energy	US$ 56.99	B-1-7
EVRG	EVRG US	Evergy	US$ 50.16	B-2-7
IDA	IDA US	Idacorp	US$ 98.05	B-2-7
NI	NI US	NiSource Inc	US$ 25.75	B-1-7
PCG	PCG US	PG&E Corp.	US$ 17.50	C-1-9
PNW	PNW US	Pinnacle West Capit	US$ 72.18	B-2-7
PPL	PPL US	PPL Corp.	US$ 25.70	B-1-7
WTRG	WTRG US	Essential Utilities	US$ 35.33	B-2-7

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

AES (AES)

Our price objective is $17 and is based on a sum of the parts analysis applying a blended valuation approach which is the summation of: 1) EV/EBITDA approach for US Renewable Generation using a 9.5x 2025E base for US peers 2.) NPV approach for DevCo using a 15% discount on 5.0GW+ of annual renewables beyond '25, 3.) EV/EBITDA approach for Legacy Southland (US), 4.) NPV for Warrior Run (US) 5.) P/E approach for US Utilities using a 14.5x 2025E base for US peers plus a premium/discount, 6.) EV/EBITDA approach for LATAM non-public subsidiaries, 7.) MTM value of publicly listed LATAM subsidiaries, 8.) Asia Generation is marked to carrying value while the Asian LNG import facility is valued on EPS accretion relative to total build cost. We also credit the company with its investment in Uplight and Fluence.

Risks are: 1) regulatory, legislative, and political changes, 2) international currencies devaluing against the US dollar, 3) changes in value of Fluence (FLNC) subsidiary stock, 4) overall inability to execute on the renewables plan, 5) ability to control costs, 6) financing needs, and 7) tax policies. Upside risk from declining rates & improved commodity backdrop enabling robust divestment values on infra biz. Downside risk principally tied to timely execution of renewable execution ramp.

Atlantica Sustainable Infrastructure (AY)

Our $22/sh PO is based on a 75% DDM valuation and 25% DCF valuation. Our Growth value is $21 (weighted 75%). Our DCF value is $23 (weighted 25%). We continue to reflect disproportionate focus on core asset cash flows, and perceived growth remains interesting but less compelling, given the current interest rate and operating environment across the market.

Assumptions in our DCF valuation are:
- A 10.38% discount rate calculated using CAPM methodology, along with country risk (125bps) and company-specific (100bps) premiums.
- 2.5% annual escalator in corporate expenses

Main assumptions in our DDM valuation are:
- Run-rate CAFD generated by the current portfolio of $240 Mn
- 3% annual distribution per share growth, which is based on 3-yr historic average for the portfolio

Downside risks are 1) the company may not be able to access capital markets at favorable terms, 2) the company may not be able to make accretive acquisition

opportunities to fuel growth, 3) the company may not be able to grow DPS at the targeted growth rate, 4) the company may not be able to sustain its current dividend levels, and dividend yield could increase, 5) PCG related counterparty exposure is among the nearest exposures to watch.

Avangrid (AGR)
Our $34 PO is based on a sum of the parts analysis. The core utilities are valued on by applying discounts to the base sector P/E of 15.5x/15.5x 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 10x 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 estimates are 1) earned ROEs at the utilities, 2) utility capital expenditure forecasts, 3) regulatory/political/legislative outcomes, particularly regarding the pending acquisition of PNM Resources, 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 $33 PO is based on our 2025E sum-of-the-parts (SOTP) analysis, based on the electric group multiple of 14.7x for electric and 14.4x for gas. 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 approximately 75% and 25%, respectively, for AVA's WA and ID jurisdictions given the composition of its rate base. We apply a -2x discounts to WA, ID, and OR to capture below average-growth, inconsistent execution, and regulatory uncertainty. We apply the gas multiple to its OR jurisdiction as it is entirely comprised of natural gas distribution assets. We apply an electric multiple to its Alaska subsidiary, AEL&P, as it is a vertically integrated electric utility, with a -1x discount. The Corporate & Other segment is valued with (1) a utility P/E multiple on the HoldCo expenses, (2) nearly offset by the disclosed fair market value of other assets & investments.

Upside/downside risks to achievement of the price objective are changes in: 1) regulatory, political, and legislative, 2) interest rates and commodities, 3) wildfires and natural disasters, 4) phase-out of natural gas, 5) capital expenditures, 6) debt and equity needs, 7) credit ratings, 8) clinical trials, and 9) other investments.

CMS Energy (CMS)
Our PO of $60 is based on a SotP relying on 2025E forward P/E multiples for the utility business and a 2025E forward EV/EBITDA multiple for CMS' IPP assets. For the utility seg we apply a 3.0x prem to the average 2025E regulated multiple P/E of 14.3x for the electric segment and of 13.5x for the gas segment, with the 10-yr capex update providing clear sight on ratebase growth and further upside, as well as continued 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 +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 through 2030 given the plant is no longer expected to be sold to Consumers.

Downside 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.

Essential Utilities (WTRG)
Our Price Objective of $44 is based on a 2025 P/E sum-of-the-parts methodology. The base natural gas (15.8x) and water (24.9x) 2025 P/Es are used and grossed up +5% and +7%, respectively, to reflect capital appreciation opportunities across the subsectors. The water utilities are valued at a -2x P/E discount for below average growth. The natural gas utilities are valued at a -1x P/E due to regulatory uncertainty and historically earnings above allowed levels. The parent & other costs are valued at a blended water/natural gas multiple.

Positive and negative risks to achievement of the Price Objective are: 1) regulatory, legislative, judicial, and political outcomes, 2) ability to close pending and future acquisitions, 3) repairs tax guidance, 4) weather, natural disasters, and gas accidents, 5) change in interest/discount rates and pension returns, 6) ability to control costs and earn the allowed rate of return, 7) water contamination and standards, 8) bad debts and macroeconomics factors,

Evergy, Inc (EVRG)
Our $50 price objective for Evergy (EVRG) is based on sum of the parts valuation, applying an in-line utility peer 2025E P/E of 14.0x. The electric peer P/E multiple is grossed up for one year by 5% to reflect capital appreciation across the sector. We further apply a -2.0x turn discount across Missouri and -3x for the Kansas Central subsidiaries based on our perception of a challenging regulatory setup that will pressure future capital spend and Evergy's ability to sustain a consistent EPS growth rate in light of intense regulator scrutiny of customer bill pressures. Downside risks to our price objective are adverse regulatory outcomes, inability to deploy capital expenditures consistent with guidance, operational performance issues including at the nuclear facility, and earning below the authorized rate of return. Upside risks to our price objective are favorable regulatory outcomes in important proceedings, accretively deploying additional capital expenditures above guidance, higher than anticipated O&M benefits and merger synergies leading to a higher earned return on equity, and the ability to recover capital invested in retired coal assets

Idacorp (IDA)
Our $113 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 2025E large cap P/E multiple of 16.7x 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 a 2.0x P/E premium to the base peer multiple to reflect the positive attributes including constructive regulation, execution track record, strong balance sheet, and ESG attributes. Due to the magnitude of the rate base & earnings step-up in 2026, we believe it is appropriate to incorporate 2026 at a discounted level. Example of investments here are Boardman-to-Hemmingway transmission project (over $500Mn rate base, or 9%) that is not reflected in EPS through 2025. Hypothetically giving full credit for 2026 EPS benefit (i.e. no discount) would be worth an incremental $1/sh.

Positive and negative risks to our Price Objective are: 1) political, regulatory, or legislative changes, 2) execution of capital projects, including major investments, 3) workforce attrition and operating cost inflation, 4) changes in interest rates, 5) capital markets access and pricing for debt/equity, 6) ability to earn the regulatory allowed rate of return, 7) crypto mining, memory chip, data center, & large customer load patterns, 8) permitting, 9) natural disasters, precipitation, and weather patterns.

NiSource Inc (NI)

The NiSource $29 PO is based on a 2025 sum of the parts valuation. We value each gas and electric utility separately using 2025 forward P/E multiples that are marked-to-market to the latest peer utility multiples of 13.9x for gas and 14.4x for electric. Consistent across our coverage universe, the base electric & gas peer P/E multiples are grossed up by +5% to reflect capital appreciation across the sector. We utilize a +1x premium for NIPSCO Gas/Electric due to generally constructive regulatory outcomes. We subtract the value of excess holding company debt at the parent not supporting the utility subsidiaries.

Upside and downside risks to our Price Objective are changes in 1) regulatory, political, and legislative outcomes, 2) ability to execute on capital expenditure plan, 3) inflation, operating expense, and interest rates as they influence earned rates of return, 4) customer count and load growth, 5) commodities, 6) natural disasters, 7) pension plan returns, 8) equity and asset sale needs.

PG&E Corporation (PCG)
Our PO of $19 reflects an in-line P/E versus the respective electric (16.1x) and gas (16.0x) peer P/E groups with both grossed-up by 5% to reflect capital appreciation across the sector) based on 2025E. The acute wildfire risk is incorporated separately via a scenario probability weighted at 100% assuming PCG hits the cap in 3-year increments. Lastly, we net out 50% weighting of HoldCo debt and add back 50% weighting of interest expense to derive our Price Objective.

Risks to achievement to estimates and Price Objective are: 1) Wildfire and other natural disasters/catastrophic events, 2) regulatory outcomes, 3) interest rates, 4) equity needs, 5) earned returns and operating costs, 6) Fire Victim Trust monetizations, 7) ability to deploy capital, 8) asset sales, 9) management changes, and 10) environmental, social, & governance [ESG] profile.

Pinnacle West (PNW)
Our price objective of $73 is based on a peer utility P/E multiple of 13.9x, grossed up for a year by 5% to reflect capital appreciation across the sector.

For Arizona Corporation Commission (ACC) regulated assets we apply a -1x discount to reflect the relative quality of the jurisdiction and ongoing earned ROE lag.

For Federal Energy Regulatory Commission (FERC) regulated assets we apply a +3x premium to reflect a premium ROE and rider recovery of invested capital.

Upside and downside risks to the Price Objective are changes in 1) regulatory, political, and legislative relationships/outcomes, 2) load growth in territory versus expectations, 3) riders and capital trackers implementation 4) weather, nuclear, and natural disasters, 5) interest rates, 6) pension liabilities and asset returns, 7) equity needs relative to forecasts, 8) capital expenditures, and 9) ability to control costs to earn a return on equity.

PPL Corporation (PPL)
Our $32 price objective is based on a sum of the parts methodology applying respective premium/discounts to the 2025E peer group multiple of 16.0x. Electric peer P/E multiple is grossed up by 5% to reflect capital appreciation across the sector, a consistent methodology across our coverage universe. We value all of the utility subsidiaries at +0.5x premium to the sector to reflect the lack of regulatory activity, above-average credit metrics, transmission earnings mix, and reasonable jurisdictions.

Risks to the achievement of our Price Objective are: 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 and execution, 7) natural disasters/weather, 8) equity issuance/repurchase plans, 9) corporate taxes, 10) pension returns, and 11) litigation.

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				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Array Technologies	ARRY	ARRY US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Alex Vrabel
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	ENLT	ENLT US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	XENLF	ENLT IT	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	Nextracker Inc	NXT	NXT US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG 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
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	Dariusz Lozny, CFA
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Dariusz Lozny, CFA
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	New Fortress Energy	NFE	NFE US	Cameron Lochridge
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
UNDERPERFORM				
	Allete Inc	ALE	ALE 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
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI 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
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
RVW				
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Energy Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	78	58.21%	Buy	59	75.64%
Hold	33	24.63%	Hold	25	75.76%
Sell	23	17.16%	Sell	14	60.87%

Equity Investment Rating Distribution: Utilities Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	80	51.28%	Buy	51	63.75%
Hold	42	26.92%	Hold	32	76.19%
Sell	34	21.79%	Sell	22	64.71%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1869	53.48%	Buy	1046	55.97%
Hold	828	23.69%	Hold	461	55.68%
Sell	798	22.83%	Sell	370	46.37%

[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). Our investment ratings are: 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. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. 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: AES Corp, Atlantica Sustain, Avangrid, Avista Corp, CMS Energy, Essential Utilities, Evergy, Idacorp, NiSource Inc, PG&E Corp., Pinnacle West Capit, PPL Corp.
BofAS or an affiliate was a manager of a public offering of securities of this issuer within the last 12 months: AES Corporation, CMS Energy, Idacorp, 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: AES Corporation, Avangrid, Avista, CMS Energy, Essential Utilities, Evergy, Idacorp, NiSource Inc, PG&E Corp., Pinnacle West Capita, PPL Corp.
BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: AES Corporation, Atlantica Sustain, Avangrid, Avista, CMS Energy, Essential Utilities, Evergy, Idacorp, NiSource Inc, PG&E Corp., Pinnacle West Capita, PPL Corp.
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: AES Corporation, Atlantica Sustain, Avangrid, Avista, CMS Energy, Essential Utilities, Evergy, Idacorp, NiSource Inc, PG&E Corp., Pinnacle West Capita, PPL Corp.
BofAS or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: AES Corporation, Avangrid, Avista, CMS Energy, Essential Utilities, Evergy, Idacorp, NiSource Inc, PG&E Corp., Pinnacle West Capita, PPL Corp.
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: AES Corporation, Avangrid, Avista, CMS Energy, Evergy, NiSource Inc, PG&E Corp., Pinnacle West Capita, PPL Corp.
BofAS together with its affiliates beneficially owns one percent or more of the common stock of this issuer. If this report was issued on or after the 9th day of the month, it reflects the ownership position on the last day of the previous month. Reports issued before the 9th day of a month reflect the ownership position at the end of the second month preceding the date of the report: CMS Energy, NiSource Inc.
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VIEWPOINT

20 Nov 2023 07:48:49 ET | 26 pages

US Electric Utilities

Top EEI Conference Takeaways - If Have Money, Will Grow

Ryan Levine [AC]

Xinru Yin

CITI'S TAKE

From the conference, the tale of two cities continues to emerge between the haves and the have nots as companies in a position of strength look to capitalize on their position while the other group plays defense. The bifurcation may drive outcomes for regulatory negotiations, capital raises, and changes to capital programs and longer-term growth, in our view. We hosted small group and dinner management meetings with AEP, AES, AGR, CMS, DTE, DUK, ED, EIX, ETR, PNM, MDU, NI, PCG, SRE, and more. We walked away more positive on ED, DTE, CMS, DUK, and SRE.

Strong to Get Stronger — The overarching theme was that companies with strong balance sheets can accelerate growth with upside to capital programs with projects such as new transmission projects (SRE, EIX, ED), servicing datacenters (i.e., MDU), building new gas power plants (PPL, etc.), and move more into mid-stream energy transition (DTE – new carbon pipes/storage, SRE – e-methane to Japan). This group is in a stronger position with regulators and capital market orientation which temporarily provide strategic opportunities to look at M&A (stock deals?) or new organic commercial expansion.

Capital Markets to Drive Outcomes for Other Utilities — The group that has real balance sheet constraints has started to slow their capex budgets such as AEP and DUK and reprioritize their capital allocation. This group has delayed any block equity and focused on asset sales and ATM programs as formal guidance but indicate they are ready to issue blocks if capital market conditions change. Companies in this group include NiSource (sub notes and ATMs), AES (70-person corporate development team working on structuring asset sales), PNM (asset sale w/ AEP almost finalized), AEP (slowing capex as waits for outcome of asset sale process), Entergy (LDC sale announced, closely managing FCF, ATM planned), PCG (regulated renewable sale process underway), and EIX (small telecom sale targeted, ATM program). No company in this group changed their longer-term EPS growth outlook but their plans have new contingencies around asset sales and ability to raise fresh equity or equity like securities. In our coverage, AES, NFE, ES, PNM, NI and AEP (in order) have the most exposure to capital markets.

Legislative/Regulatory Drives Outcomes — From the conference, there was a lot of excitement around Michigan legislative win for CMS + DTE, PCG's GRC outcome, PPL's CPCN in Kentucky, and ETR's settlement of ~2/3rd of SERI claims. With this in the rearview mirror, we walked away more positive on Duke's opportunity in South Carolina via the ad hoc committee on clean energy, Sempra's outcome on the CAISO transmission awards in April 2024, future regulatory outcomes in Kentucky for PPL, and Entergy's negotiating leverage for SERI in New Orleans. On the flip side, we are more concerned about NiSource's PA regulatory strategy, revisions for EIX's legacy liability claims in February, and timeline for approval of ED's $1.2B Queens project.

Conference Sentiment — Overall, sentiment at the conference was cautious as the industry hasn't faced a period of less open capital markets in recent years. The most common comment we received in the halls was the utility space feels like early innings of the YieldCo and MLP space restructurings of the last decade. We think this industry is more mature and better positioned than others, so are less concerned.

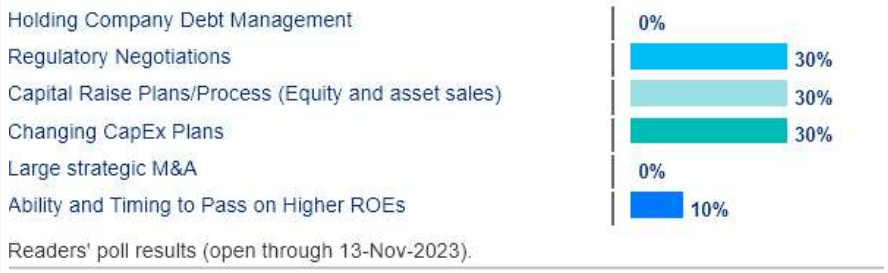
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As we entered EEI conference, we surveyed investors to see what issues were top of mind. The focus was on regulatory negotiations, capital plans, and changing capex outlooks.

Figure 1. Top Issues into the EEI Conference

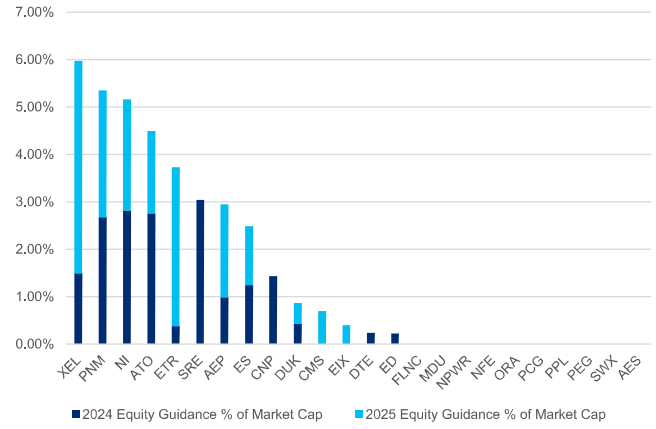


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In the below charts, we look at the exposure of companies to the capital and M&A markets. The stocks to the left are more exposed and the stocks to the right are less exposed. In our view, the macro environment drives the outcome for many of the capital market transactions and in turn the stocks on the left of these charts. The most exposed names include AES, NFE, ES and PNM in order. An execution of the asset sales could go a long way in derisking these four stocks.

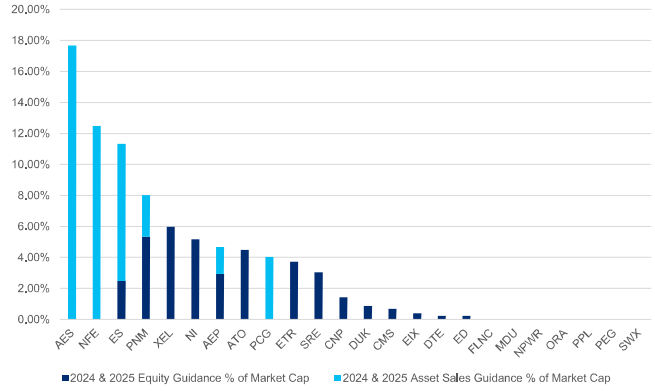
Figure 2. Equity Need as % of Market Cap



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Figure 3. Asset Sale + Equity Need as % of Market Cap



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As financing pressure mounts for several companies, several management teams responded with adjusting their capital budgets. The companies that have the largest changes vs what they would do in unconstrained capital market were Eversource, Duke and AEP. On the other hand, CMS, DTE, ED, MDU, PPL, and SRE were leveraging their positions of strength to find new investment opportunities that they can credibly execute on at least from a balance sheet perspective. ETR also

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highlighted material potential growth, but balance sheet may imply some limitations. The middle group has incremental growth potential but some more meaningful constraints that limit any growth–CNP, EIX, NI, PCG, PEG, PNM, and XEL.

Figure 4. Capex changes

Ticker	Commentary
AEP	Transmission delay
CMS	Favorable Michigan legislation
CNP	Capex increase, capital constraints
DTE	Favorable Michigan legislation
DUK	Capital constraints
ED	Propel NY upside, Idlewild project may be delayed but matter of timing
EIX	Battery and transmission delay; chance to win transmission bid
ETR	LA, NO and TX resiliency spending
ES	Offshore wind in limbo
MDU	Possilble capex increase post board meeting
NI	Capex increase, capital constraints
PCG	GRC approved, capital constraints
PEG	Energy efficiency potential upside
PNM	Capex increase
PPL	Replacement generation in Kentucky
SRE	Texas capex expansion; chance to win CAISO transmission bid
XEL	Accelerating capex but has balance sheet needs

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We color coded the companies into three camps: companies in the green camp have announced or anticipated capex increase; those in the yellow camp have minimal changes to current plan or have capital constraints on capex upsides; those in the orange camp have capex delays.

Beyond the above drivers, regulatory outcomes will move the needle in the next few quarters for this group.

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Figure 5. Regulatory Developments Summary by Company

Ticker	Commentary
AEP	West Viginia purchase gas adjustment outcome around disallowance, Virginia triennual review, Texas moving against renewables & eletric case filing coming in 1H, grant project rider at Indiana Michigan Power challenged in eletric case (FD pending), Kentukcy rate case FD expected in Q1.
CMS	New Michigan legislation is very favorable, new regulated renewable investments, new earnings on PPAs, and more. Upcoming election to make quiet until 2025. Electric rate case PD expected Q4.
CNP	Houston Electric rate case filing coming in late Q1 / early Q2. The ask is a rate reduction which is giving people hope for favorable outcome. Indiana electric rate case coming in Q4.
DTE	Same as CMS. IRA enabling ~$100M of investment in carbon dedicated pipelines, storage, and compression tied to an ethylene project. Gas case filing and eletric case FD expected in Q4.
DUK	Opportunity in South Carolina to work with Ad Hoc Committe and 2 peer utilities to push clean energy policy reform to create new Duke investment to attract industrial growth. DEC North Carolina electric case FD expected Q4.
EIX	CAISO transmission process for 2 potental EIX project to be awarded in April '24. Feb 2024 to get update on legacy liability claim. CoC 70bps trigger moving forward. Limited SB410 opportunity. GRC track 4 decision due by late Q4/early Q1.
ETR	potential from $0.9B to $15B depending on LA filing in Jan, and Texas in 2H24. Arkansas FD expected Q4.
MDU	North Dakota - 30% sharing on datacenter growth is positive, Washington GRC filing in 1Q 2024 but take 11 months to settle. May file 2-3 gas cases in 2H.
NI	PA rate case in 2024, challenge will be to get regulatory support to replace pre-1970 plastic in PA given the long engagement to get support to replace steel with plastic.
PCG	SB 410 in Californa creating investment opportunities. Post GRC, regulatory approvals for PacGen sale key to story, PD expected Jan 5th. CoC 70bps trigger moving forward but unlikely to impact EPS.
PEG	Waiting for new rate case filing in December in New Jersey
PNM	Waiting on New Mexico Supreme Court decision to remand or reject the pending merger, NM rate case to be decided by Jan 3 (new hearings added in December).
PPL	KY Governor election made CPCN harder, should be easier for next gas plant support in a few years. In PA, looking for storm rider adjustments (rate case likely in 2025).
SRE	CAISO to award 3 new transmission projects in April 2024 which Sempra is well positioned to win. Electric and gas case PD expected Q2. CoC 70bps trigger moving forward.
XEL	Waiting for Colorado and Minnesota generation upside to play out.

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See takeaways for each company below.

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Company Takeaways

AEP

- **Capital Constrained, Slowing Growth:** 5 Year Capex Plan Changed from $40 to $43B On Kentucky Inclusion. AEP increased their 5-year plan largely by including Kentucky capex in the forecast (it was previously removed given potential asset sale). Normalizing for this event, the capex budget didn't move much. Management indicated that it delayed capex associated with transmission to make room for some of the generation as there isn't enough money for both.

- **Renewables over Transmission?** ~53% of the company's earnings is from transmission which has historically traded at a growth premium. In addition, ~$9.4B of the $43B plan is from renewables. As a result, the outlook for renewables and connecting these resources to the grid are important. Of the $9.4B of renewables, $6B already received regulatory support. The politics around renewables is changing with states such as Texas not wanting renewables but Louisiana still supportive.

- **Balance Sheet, Less Than Ideal:** AEP targets to get to 13+% FFO metrics by YE23 and 14-15% for the next few years. This dependent on several asset sales being executed well – including NMRD, non-core transmission JVs, Transource, and more. This plan also assumes no disallowance for the West Virginia deferred fuel balance. Before modeling in the asset sales, there is $3.4B of equity needs. AEP also indicated that may look at mandatory converts or other hybrids are part of its capital stack in place of senior notes.

- **Supply Chain:** AEP indicated that they are still committed to ESG and diverse ownership for their supply chain. This is different than some other companies which are starting to back off from this trend.

Figure 6. AEP Transmission Guidance

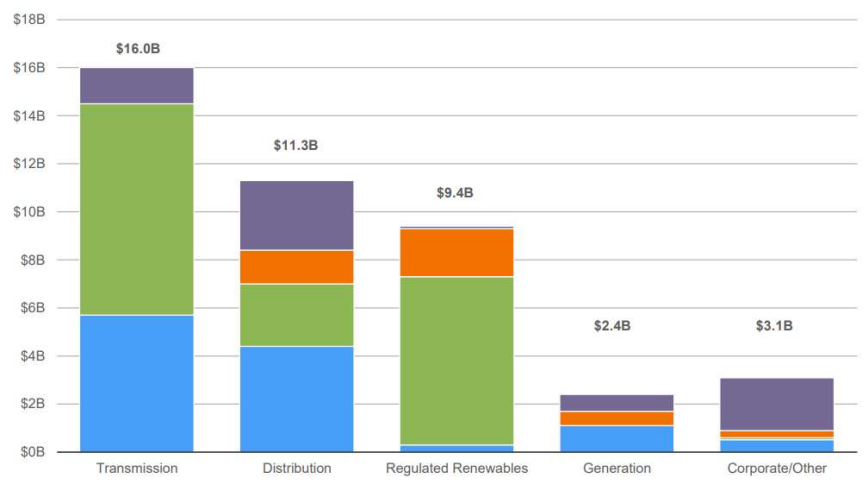


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Source: Citi Research, Company Reports

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Figure 7. AEP Capex Guidance



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Source: Citi Research, Company Reports

AES Corp

- **Big Corporate Development Effort, Big Team at Work:** AES has 70 people working on corporate development on the ground in the various regions. The team is up to the challenge.
- **Renewable Portfolio Sale:** AES is planning to sell equity in a batch of renewable projects about once a year. The idea is that post COD of projects, AES can raise a few hundred million of bond deals and then sell equity to reduce AES's equity portion down to ~7-10% in the projects. The company locks in the interest rate at the time of the PPA so no floating rate or interest rate risk for these deals.
- **May Sell Renewable Development Company (DevCo) Stake:** AES already sold ~25% and is considering selling additional stake in the near future, but would want to keep control.
- **Strong Getting Stronger:** On the unregulated power side, AES is gaining market share given their scale and ability to execute compared to smaller players in the power development business. AES is responding by high grading projects.
- **FLNC Corporate Structure:** AES may sell its stake, but it has flexibility in timeline to address this issue given timing of capital needs. We note that if AES sells its stake, the other parties have an option to exit on a prorated basis.
- **Waiting on ¼ of the Permits for Hydrogen:** AES and Air Product already have permits for ~75% of the wind construction, but the last 25% has room to grow.

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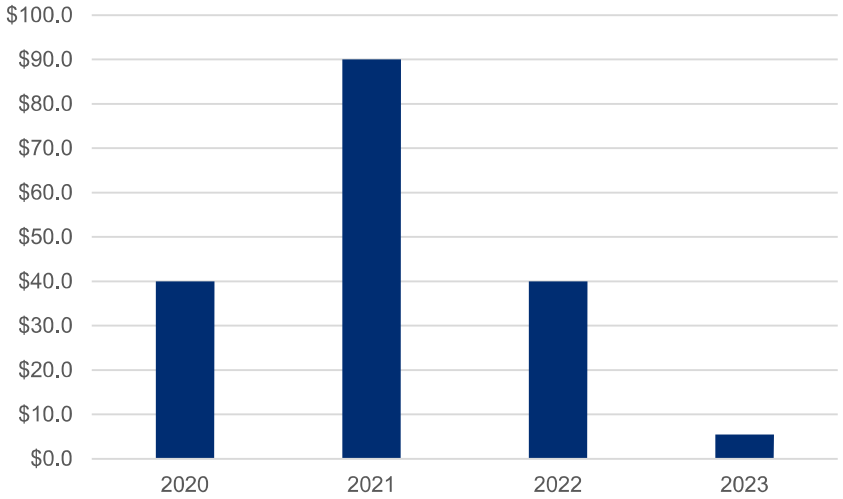
CMS

- **North Star Has Meaningful Upside:** Capacity and energy prices in MISO Zone 7 have improved which adds ~$12/MWh of upside. Given the hedges, there is ~50% open exposure in 2026, ~75% open in 2027 which could add $12M per year of growth in earnings for the company.
- **Favorable Michigan Legislation:** Michigan passed favorable legislation that includes new clean energy standards, renewable portfolio standard, financial incentives of PPAs, new EE program, and 2.5GW state battery target. Based on these events, CMS is likely to have a 4-8GW opportunity above the 8GW in the IRP. On batteries, CMS could develop 800MW of batteries which are outside of plan.
- **Structural O&M Cost Cuts:** There is a step down in 2024 due to $30M of coal retirements, stepdown in 2025 of $60M from MCB and another material amount related to Campbell. These structural declines help but some of the other short-term cuts from 2023 will likely come back in future years.
- **SAP Shop, Some Opportunities:** CMS can geotag LDC lines which would help reduce costs in the future and there are similar opportunities on the electric side. Tree trimming already started to mobilize some of this data.

ConEd

- **O&R EPS Growth Upside:** In 2024, the company's plan assumes the current ROE for O&R, but the market-to-market ROE formula suggests ~9.5% which would be additive to the guidance EPS in 2024.
- **Incentives Typically Come in Q4:** ConEd's regulatory mechanism incentivizes certain behaviors around energy efficiency and other items. The company has only recorded $5.5M YTD, but that is likely to accelerate in the fourth quarter 2023. There is also some conservatism to the outlook for future years.

Figure 8. Performance Incentives (EAM)



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- **Steam Moving Away from Weather Exposure:** The new weather normalization provision covers 80% of the year.
- **New Equity Guidance Next Quarter:** ConEd is likely to roll out 2024 and 2025+2026 equity issuance plans with the next earnings call. In addition, there is a $70M DRIP plan that continues that the company couldn't turnoff.
- **$1.2B Idlewood Project May Be Delayed but a Matter of Timing:** ConEd continues to pursue the $1.2 B project ($592M for Eastern Queens, $380M for Idlewild, and $242M for Jamaica). This project approval process was delayed modestly, but it is a matter of timing given the structural need for power in this region towards the end of the 2020s. The slowing pace of EV adoption and some local load patterns may suggest a year or so delay is possible, but if the delay is too long, there is a potential for brownouts in the Jamaica Queens areas near JFK in 2028.

Figure 9. Queens / Idlewild Project

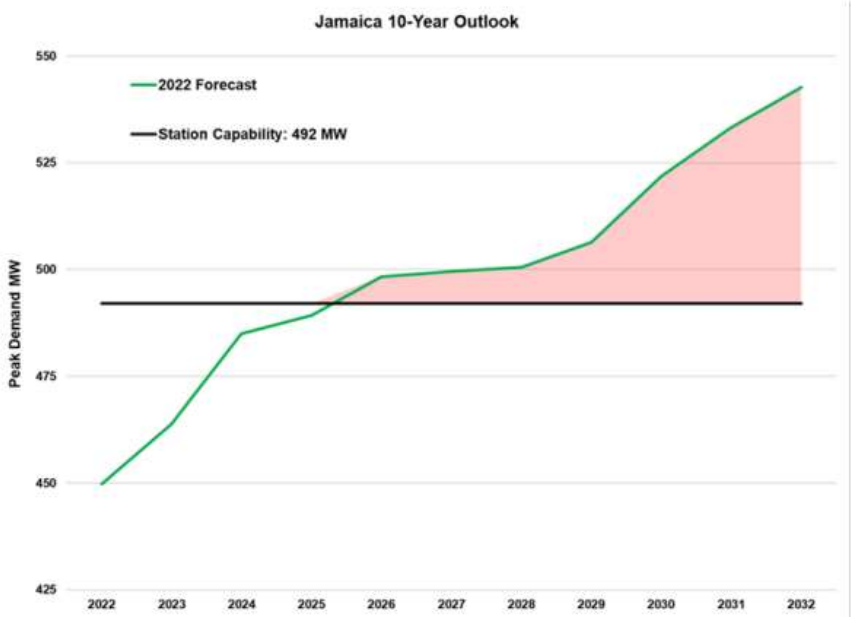
Capital Request by Scope:

Scope	2023	2024	2025	2026	2027	2028
Eastern Queens Switching Station	$8,848	$70,538	$136,409	$172,310	$129,000	$75,000
Idlewild Area Station	$10,204	$56,373	$80,950	$117,600	$77,000	$38,000
Jamaica Network Split (Springfield)	$0	$22,423	$82,786	$79,073	$47,493	$10,291
Total	**$19,052**	**$149,334**	**$300,145**	**$368,983**	**$253,493**	**$123,291**

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Source: Citi Research, Regulatory Filings

Figure 10. Jamaica Load Forecast



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- **NYISO Likely to Push Back Enforcement:** NYISO has a mandate to ensure reliability in the state. We assume NYISO will delay the enforcement regarding the gas peaker policy.

- **Propel NY:** Propel New York is a $3.3B capex project targeting 2030 COD that ConEd has its capex in plan but not EPS given timeline. This project could enable another **$5-10B** of incremental capex by 2033 beyond the initial $3.3B that targets 2030. These projects should get a 1.2% adder on top of the CECONY ROE.

- **Longer Term Growth:** In the 2030, ConEd estimate load growth of 6-7% which should correspond with incremental T&D in its jurisdiction and some acceleration of capital plan. In the 2040s, more generation will likely be needed.

DTE

- **New Legislation in Michigan is Positive:** The new legislation memorializes the IRP and creates a FCM to allow the companies to receive a 9.1% pre-tax return on PPA and create more company owned / rate-based generation investment opportunity. The PPA mechanism is positive as a $50/MWh PPA that DTE signs would yield an additional ~$5/MWh earnings for DTE above the pass through on the power pricing.

- **New Carbon Dedicated Midstream Business:** DTE has almost finalized a ~$100-$200M investment opportunity to build dedicated carbon pipes, compression, and storage to service an ethylene project. The project would have low teens IRR and postage rate terms for customers. We think the new project would likely be connected to one of two Midwest chemical plants in Illinois or Iowa.

- **Future Legislation:** There isn't much hope for new legislation as the political calendar makes it more difficult in the future. Items on the docket when conditions present themselves include a performance-based rate (PBR). To get this done, both DTE and CMS would likely need to make a meaningful push. Given the House reelection in 2024, the earliest this could be addressed is in 2025.

- **Grant for Microgrid:** UM Dearborn and EPRI are funding a $50M microgrid with solar and other resources.

Duke Energy

- **Approach to Management:** Duke indicated that it is managing its capex based on balance sheet constraints and bill affordability. The company has a material amount of capex opportunity that is limiting its spending because of the balance sheet.

- **Equity Issuance Coming:** Given the incremental capex needs, Duke is indicating that it will use ATM and DRIP financing for the 30-50% of spending that it typically utilizes for equity. Duke will get nuclear PTC benefits which ramps from 2024 to 2027 before reversing in 2032. The nuclear PTC adds a few

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hundred million of cash flow to the company's plan. The IRS targets a decision on nuclear PTC in early 2024. In our view, Duke will do a block equity sale if the market becomes available to them which will help derisk the stock for public investors.

- **Legislative Priority in South Carolina:** Duke sees an opportunity in working with two large utilities to push for clean energy. There is an ad hoc committee already formed and there is an opportunity for the utilities working with BMW and others to push for lower carbon power to attract industry and growth in the State. The opportunity for Duke is new investment in the power and distribution of resources. This is an item to follow in 2024.

- **Operational Improvements Underway:** Duke has a few initiatives including: 1) power plant management – working with a power generation company and McKinsey, Duke is studying how the asset would be managed if it was an IPP and use that framework to drive out costs, 2) sees an opportunity in working to reduce taxes, 3) eliminating work and optimizing staffing levels. This includes less consultants.

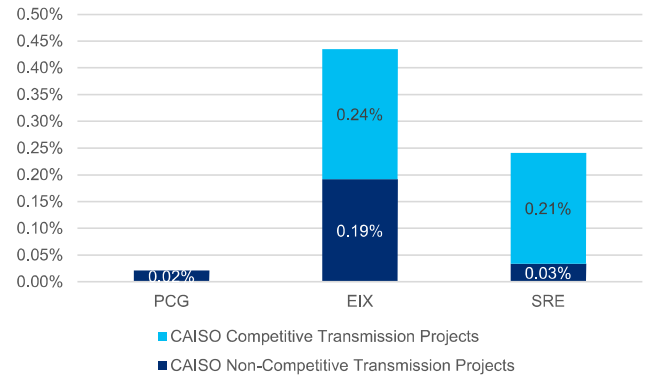
Edison International (EIX)

- **New Large Transmission Projects in California:** EIX is still in the running for 2 or 3 of the competitive projects; we should learn the outcome by April. The financial impact would be more in the out years and should support an extension of the EPS growth into the end of the decade.

- **TKM Update:** The interveners including TURN and CalPA filed comments, but CPUC haven't issued a scoping memo yet. There is a slight delay as TURN is calling for their own financial expert to weigh in on the process. The process is likely to take about 18 months.

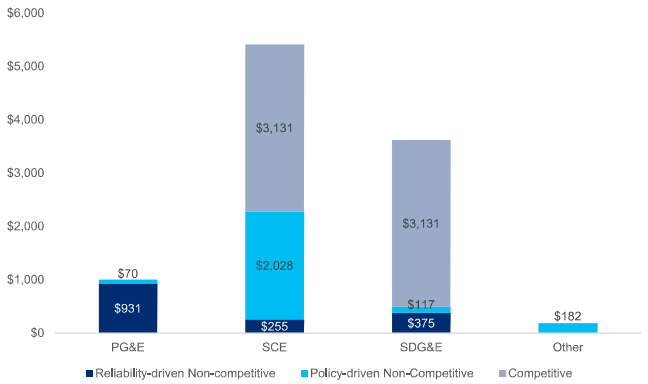
- **No New Legacy Claims but More Info to Come by Feb 2024:** There is more information that is forthcoming which could increase the liability again between now and February, but hard to gauge from the outside.

Figure 11. EPS Growth Rates Upside Potential from CAISO Transmission Projects (per Yr through 2030)



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Figure 12. Max. Potential Project Capex



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If lines come online in 2030.	Both SCE and SDG&E can compete in $3,131M worth of projects where SCE and/or SDG&E has permission to operate.
Source: Citi Research	Source: Citi Research, CAISO

Figure 13. Competitive Projects

Line	Service Territory	Cost ($M)
Imperial Valley-North of SONGS	SDG&E	2288
North of SONGS-Serrano	SDG&E/SCE	503
North Gila-Imperial Valley	SDG&E	340
Total		3131

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Source: Citi Research, CAISO

Entergy

- **Financing Plan Update:** ETR provided more granular update on its financing plan with ~$450M proceeds coming from the LDC sale in 2025, and $500M uplift from the pension underfunding coming down. ETR should also receive a cash flow uptick from nuclear PTC in 2024 through 2032. As a result, ETR has $1.4B of equity needs for 2025 and 2026 which can be satisfied with forward sales or ATM.

- **Capex Biased toward the Upside:** There is meaningful upside to the $900M resilience spending plan in place from Texas and Louisiana. The next hearing is in January from Louisiana and then Texas filing is likely in the 2H 2024 (post rules clarity in March). This is $15B over the next 10 years that could materialize with $2.3B already pending and the remainder to come. Texas capex could be $4B over the next 10 years with a bias towards the back half. We note that the $15B includes a material amount of poles which are trending to cost more than prior plans. There is a potential to replace the wooden poles with more fortified pole which cost ~50% more (composite & steel more attractive are relative cost differences narrow).

- **Securitization To Be Used for Storms:** Securitization costs are starting to reach a high percentage of the bills. ETR still has some capacity on these facilities at the current ratings, but it is willing to keep on using this financing market even if rating were to fall.

- **SERI – Litigation Fee Sharing May Influence NO:** While the outcome is uncertain for the remaining ~1/3 of the SERI claim, ETR highlight that New Orleans is sharing 2/3 of the remaining litigation costs. This put more pressure on NO to settle something given the outsized costs to their stakeholders. At this point there is no concrete timeline and the remaining issue could drag on for years.

- **New Gas Power Plants:** ETR is looking at more standardized designs for gas plant with hydrogen flex and may look to capturing carbon in the future. ETR has historically worked with Mitsubishi on these projects.

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MDU Resources

- **CSG Structuring:** To execute on the CSG spin in 2024, there is no remaining debt to refi or retire given the Knife River sale proceeds were above the plan as the stock rallied post spin.
- **CSG Timeline:** MDU is starting a process for the CSG spin which should take about the same amount of time as the Knife River Spin (work stream started for Knife prior to the formal company announcement). MDU targets a spin in late 2024 for the construction service group (CSG) transaction.
- **Analyst Day Expectations:** The analyst day will likely have two sections – one on the utility and one on CSG. The Form 10 will not be complete but investors in each go forward entity are likely to require more detailed disclosure to value them properly.
- **Capex Increase Typically Comes Post Board Meeting:** MDU has a board meeting in the next two weeks and that is the venue for them to review their capex plan. We think there will be a meaningful capex increase at this point. This may be incremental transmission, related to datacenters, and supportive of 6-7% EPS growth.
- **Datacenters:** MDU is likely to see $2M upside from datacenters in 2023 and more meaningful in 2024 under the sharing mechanism. For added revenue above the 10% ROE, there is a regulatory mechanism to split the upside between customers and MDU shareholders with 30% going to MDU and 70% going to customers as savings on bills. Datacenters can be located in North Dakota given the small data processing latency with Dallas, TX – they are seeing similar growth.
- **Rate Case Coming Up:** MDU has South Dakota gas and electric cases (just filed), North Dakota gas (just filed), and Washington multiyear (to be filed next quarter). The Washington case will take 11 months with an outcome expected in 2025.
- **Spin Dyssynergies:** MDU already shed about 20% of corporate workforce to KNF so there isn't as much to move to CSG. As a result, MDU may need to hire people to support the new public company.
- **Board Refresh Likely:** MDU board is light on people now and will likely be refreshed once it becomes a pure play utility with midstream.

NiSource

We connected with the CFO post the Wednesday announcement (in addition to our EEI meeting).

- **Funding Plan to Depend on Equity Capital Market Health Next Year:** The likely financing plan for NiSource is to raise subordinate notes (given agency treatment) in addition to an ATM program to be executed on by the end of 2024.

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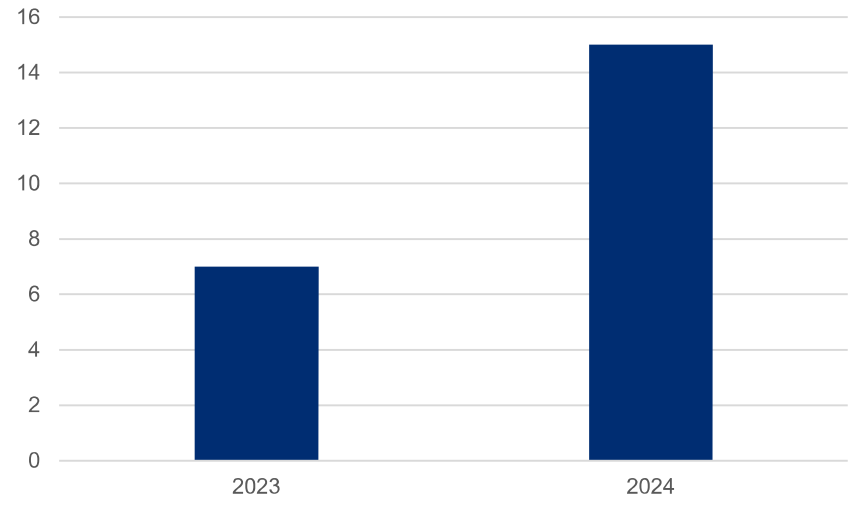
Given the flexibility on time, NiSource may pivot back to the block equity issuance if the markets become more favorable.

- **PA Rate Case in 2024:** NiSource plans to move forward with this case and the focus is going to be trying to get support to replace pre-1970 1st generation plastic pipeline, given that NiSource had convinced the commission that plastic pipelines is needed to replace steel. NiSource is scheduled to be a relatively first mover in the state.

- **Renewable Plan:** There are 2 projects in 2024 and 2 in 2025 and ownership structure for 2025 projects is to be determined.

- **Project Apollo Going Well:** There are 7 process owners working on larger organizational initiatives for cost cutting. This is expected to ramp to 15 or 16 next year. The teams meet every Wednesday and people are being rotated into these roles from other places in the organization. After 2024, NiSource is likely to move its people back into the organization which should help move the organization to a continuous improvement mentality. The organization has six sigma green belts on staff, and they will likely become black belts soon.

Figure 14. Project Apollo Workforce Leaders to Peak in 2024



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Source: Citi Research

- **Technology is Horrible Today, Platform for Growth Tomorrow:** Management was quick to point out how bad the NiSource technology product offering is today and the company is spending $1B to improve. The company will know how the technology investment is doing by Q2 2024 for electric and Q2 2025 for gas. Once the new technology is up and running, NiSource can leverage platform to drive mobile technology in truck, new work management systems, demand response for both gas and electric, customer bill management (two-way communication), and rate structure.

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PG&E

- **GRC Decision on Undergrounding**: CPUC unanimously approved Revision 2 of the APD by Commissioner John Reynolds in the voting meeting on Nov 16th. PG&E was granted 1,230 miles of undergrounding and 778 miles of covered conductor at ~$4.7B, which was revised up from the 973 miles of undergrounding in the original APD: 1) approved 2 extra tranches of undergrounding considering economies of scale, 2) restored PSPS & EPSS fundings, and 3) aligned with WMP timeline and targets and provided a bridge for PG&E's undergrounding planning before it files a longer-term plan under SB884.

- **Inflation Adjustment & Customer Bill Impact**: Revision 2 of the APD applied 50% of PG&E's proposed CPI-indexed escalator for 2023-2026, which would result in a 12.8% increase in typical electric and gas monthly bills in 2024. This was revised after the CPUC voting meeting on November 2nd and PG&E's earnings call and ex parte which both pointed out that its credit rating may be impacted without an appropriate inflation escalator. The previous revision of APD applied 25% of PG&E's proposed escalator to 2023 but allowed CPI-indexed escalator in 2024-2026, which would result in a 11.8% monthly customer bill increase.

- **2023 Test Year Revenue Amortization**: PG&E could collect its 2023 test year revenue over 24 months, which is a compromise between PG&E's proposed 12 months and the original APD's proposed 36 months.

- **Victim Trust Exit Expected by YE23**: The Fire Victim Trust currently owns 3% of PG&E stock. We expect an exit by the end of 2023.

- **Financing Levers**: PG&E did a $200M unique transmission financing and changed company purchasing timelines (including the Oakland office). The company reiterated timeline for the Pac Gen sale. Parties already went through phase 1, site visit, management meetings, and are preparing for PD in Jan.

- **SB410**: PG&E can recover energization costs outside of GRC up to $1.5B per year. There is a phase 2 of the GRC that will focus on the cost recovery in detail.

- **Dixie Accrual**: The accrual balance for the Dixie Fire is $1.6B.

PNM / AGR

We met with the management teams of both PNM and Avangrid.

- **Merger Agreement Extension Likely Soon:** In our view, both the buyer and sellers are likely to negotiate merger agreement extensions in the next 2-3 weeks which would be signed about 2-4 weeks before the contract expires. The extension is likely to be another 3 months.

- **Rate Case:** The rate case is to be decided by shortly after New Year's Day due to regulatory requirements (Jan 3). The commission is behind on their work so recently added a few meetings to the calendar for December. The two key issues are the Four Corners and the Palo Verde lease improvement treatment. Four Corners has a wide range of outcomes, but PNM assumes the most favorable outcome in their formal earnings guidance (project currently only receiving debt

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GAS-ROR-010
Attachment D
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like returns). PNM didn't disclose their assumption on the other outcome. The guidance assumes no change to ROE. Recent decisions for SPS and El Paso were slightly lower than current PNM ROE.

- **Court Decision – Unclear on Timeline but early 2024 is more likely.** In our view, the Court isn't likely to decide on an outcome until 2024. Both the buyer and the seller management team are focusing on the legal argument that the Court will remand to the commission because of the mistake to include both PNM and AGR in the Maine penalty conversation. They argue that the Court will remain on this basis, but language of Court's instructions to the Commission is not clear.

- **Beach Head Argument:** The buyer made it clear that they wanted the asset to expand regionally. If the deal were to break, there was a possibility for the parties to partner but any ownership transfer in New Mexico would require commission approval.

- **If Court Says No:** Avangrid indicated they have little interest in continue to pursue the deal if Court does not remand the case back to the commission.

- **If Court Remands:** The two new hearing examiners could allow new testimony and introduction of new information. There is hope that the new commissioners would vote in favor of the deal, but the instructions should matter. PNM is likely to prioritize the global stipulation and get it into record (was two days late last time so wasn't part of the record).

- **Earnings Growth Vs Rate Base Growth:** The 3.6% near-term EPS growth guidance is low because of the delay in the $300M 2023 equity issuance, the $100M go forward equity needs, the holding company leverage, and some regulatory lag in the spending plan. We note that PNM has had a strong track record compared to other utilities of beating estimates for EPS.

- **Buyer Financing:** The transaction, if executed, would be funded with fresh debt raised externally and sponsor affiliate loans.

- **Asset Sale Almost Done:** We were worried about the transaction with AEP for its regulated renewables. Both AEP and PNM senior management indicated that the deal should be finalized by next few months and close in early 2024. There is an offer in hand at this point.

- **What Else to Watch?** In the next few months, the NM commission is likely to opine on the gas company's storage facility, which is logical to execute on, but it is unclear how the new commissioners will opinion on gas in the state.

PPL Corp

- **CPCN Outcome:** Post the recent CPCN outcome in Kentucky with incremental gas plant generation with some batteries and solar (PPL Corp (PPL.N) - Kentucky Regulatory Catalyst Plays Out to the Positive), PPL walked through the outlook from here.

- **Constructing Gas Plant – Plans to Emerge:** PPL's commercial team is working to finalize terms with the supplier and is prepared to disclose the pricing with the next quarter earnings call. The company is deciding between a Class H or Class J 645MW plant with ~6,000 heat rate.

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- **New Gas Plant – Should be Easier to Get Support Next Time:** PPL faced a challenging political environment in which they were trying to retire coal and replace it with gas mostly at the cost of jobs in the community. As there isn't expected to be a governor's election in late 2020s, PPL is better positioned to gain political support for a new gas power plant in that future period. The company is likely to discuss the next plant with the same suppliers for best pricing but might not get any advantages of discounts in constructing two plants at the same time. The new plant will likely want to comply with federal "good neighbor" rules that go into effect in early 2030s.

- **PA Rate Case Likely in 2025:** PPL can wait for other utilities such as NiSource to be first movers in the state. Outside of the rate case, PPL may look at storm riders and a clean out of the DER (distributed energy resources) at a 9.75% formulaic rate which can be addressed.

- **Wildfire Risk:** PPL has very low risk in Rhode Island, some risk in Pennsylvania, and more risk in Kentucky (on the eastern side). The company is planning on building a plan to enhance its risk management in Kentucky.

- **Still Real Opportunities in O&M Management:** PPL still sees meaningful opportunity to get towards a top quartile management. The technology investments create a platform to leverage on.

- **Looking at New Transmission Opportunities in Kentucky:** Beyond the formal plan, PPL is considering additional transmission project in KY over the coming decade.

Sempra (SRE)

- **New Equity Derisks the Financing Plan:** Sempra raised $1.38B of equity with the green shoe and the deal was ~3.5x oversubscribed and transacted at 1.96% discount equity. This is enough money to fund the $44-48B capex plan including the likely increase in Texas. The total capex range is up 10-20%. For Texas, ~70% of its capex is tied to growth (datacenters, chip manufacturers, and Permian E&P). The SRE equity preserves the ability of the company to raise SI debt or equity in the future to fund growth.

- **New Capex Coming Above Plan:** Sempra bid on 3 CAISO competitive transmission and argued that they are the most strategic as the SDG&E service territory has collectively $2B capex given the Sunrise Power project. Sempra has several right of ways. The outcome is expected by April 2024. The projects are between 2030 and 2032 so outside of the company's guidance forecast.

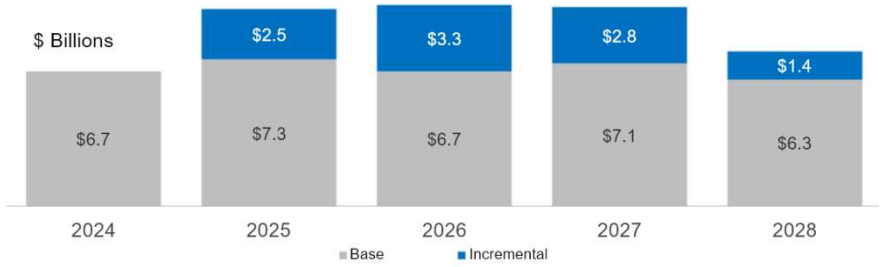
- **E-methane Opportunity Emerging:** Sempra has made some progress on developing an e-methane business related to Cameron LNG with sales back to Japan. METI and the regulators in Japan are supportive of this initiative and SRE recently took a trip to Japan with its partners and customers to explore this opportunity.

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Xcel Energy (XEL)

- **Tax Credit Transferability**: Xcel guided $2.6B of tax credit transferability over the next 5 years. A major buyer is a local Minnesota company. Xcel highlights its ability to do bilateral tax credit transactions vs. peers who require a mediator.
- **Accelerating Capex Plan & Equity Needs**: Xcel accelerated its capex plan by adding $10B upside over the next 5 years, which requires 40% equity funding, i.e., up to $4B equity need in addition to $2.5B equity in plan.
- **Marshall Fire Update**: Xcel provided minute-by-minute disclosures to show that the first fire has spread before the second fire started (Xcel could be held negligent for the second fire). Deadline to file claims is the end of December and there is a~$2B insurance claim over property damage. The company expects the trial to start in late 2024 to 2025, although there is no clear statutory timeline yet.

Figure 15. XEL Capex Upside



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Companies Mentioned:

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Nov 23; 16:00) | Fluence Energy Inc (FLNC.O; US$19.15; 1H; 17 Nov 23; 16:00) | NET Power, Inc. (NPWR.N; US$11.02; 2H; 17 Nov 23; 16:00)

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Appendix A-1

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Ticker	Price	Rating
AEP	74.74	Buy
CMS	53.64	Neutral
D	40.35	Buy
DTE	97.70	Buy
NI	25.23	Buy
NWE	47.45	Sell
SRE	69.78	Buy

Power & Utilities

October 25, 2023

The Guggenheim Daily Transmission: NWE, SRE, CMS, DTE, NI, AEP, D/VA, NY

Our EEI schedule has been posted, see below for full schedule including 1on1s, corporate dinners and cocktail event.

For details on our Guggenheim-hosted client Utility events including our FE CFO lunch, WEC NDR, LNT NDR, PCG NDR, and other events, scroll down...

'23 LCOE Analysis – Inflation Now Embedded, But IRA Keeps Solar/Wind Competitive; Renewables Not Dead Despite Higher Interest Rates; NEE Positive Lateral (see our note HERE)

Utility and IPP 3Q23: Valuation and Estimate Adjustments (see our note HERE)

Utilities: Perfect Storm of Rates, Tax-Loss Selling, and Macro Concerns Weigh on Sector Valuation: We Remain Cautious and Selective Despite Sell-Off (see our note HERE)

NWE – Montana PSC to take up very long-awaited decision on NWE's rate case today at 11:30am Eastern

SRE – SRE utilities and intervenors file partial settlement agreements in the 2024 General Rate Case for SCG

CMS – MPSC issues a show cause order for CMS on gas meter issues

CMS/DTE – MPSC issues date for reply comments on distribution plans

NI – Staff report due today in SAVE Rider proceeding

AEP – ALJ schedules evidentiary hearing to reconvene on November 3

D/VA – Several filings in ongoing Biennial docket

D/VA – Post hearing briefs filed in IRP docket

NY – New York awards 3 offshore wind projects, 22 onshore projects totaling 6.2GWs

SRE – SRE utilities and intervenors file partial settlement agreements in the 2024 General Rate Case for SCG

- SDGE and SCG along with several intervenors filed partial settlement agreements on specific issues within the 2024 GRC.
- SoCalGas, SDG&E, Cal Advocates, SBUA, and TURN agree that SoCalGas's CSIN O&M forecast of $25.445 million for TY 2024 is reasonable.
- SDG&E, SoCalGas, Cal Advocates, SBUA and TURN agree to support SDG&E's CSIN O&M forecast of $22.691 million for TY 2024.
- Separately SDGE/SCG and Cal Advocates filed settlements on a variety of issues including compressor stations, control center upgrades, information system upgrades, gas integrity programs, wildfire mitigation spend, lower depreciation rates vs. proposed and others.
- The settled issues are generally close to SDGE/SCG requests.
- CPUC previously adjusted the filing schedules, moving other procedural items further by around 2 weeks, but the target PD date remains in 2Q24.
- Dockets: A2205015 / A2205016

Guggenheim takeaway: *FYI. The settlements are very piecemeal in addressing the rate cases holistically, but individual issue settlement is a constructive step to simplify the*

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litigation going further. While certain settlements are not unanimous, they present a good foundation for resolution and SRE mgmt. has previously commented on the willingness to negotiate partially settled issues. As a reminder, SDG&E is seeking an increase in rates of $286 million for the 2024 test year and also seeking incremental, post-test year combined electric and gas rate increases of $363.2 million in 2025, $338.1 million in 2026 and $306.9 million in 2027; and SoCalGas is seeking a $767 million increase in gas rates for the 2024 test year and also seeking incremental, post-test year gas rate increases of $292 million in 2025, $267 million in 2026 and $413 million in 2027.

NWE ─ Montana PSC to take up very long-awaited decision on NWE's rate case today at 11:30am Eastern

- Agenda HERE
- Livestream HERE (beginning at 11:30am Eastern, 9:30am Mountain time).
- Docket 2022.07.078

Guggenheim takeaway: ***Important heads-up for today!****While we of course do not expect an immediate guidance update following a final outcome in this case (should one come today), we remind investors that a decision from the MPSC on whether to accept the Settlement Agreement has long been the primary gating item preventing NWE from issuing annual guidance, rolling forward its capital plan, and potentially (in our view) constructively reassessing its current EPS growth rate of 3%–6%. Additionally, we remind investors that NWE is holding its earnings call this Friday afternoon.*

CMS – MPSC issues a show cause order for CMS on gas meter issues

- MPSC issued a show cause order after the investigation of faulty meters in CMS service.
- The meter issues were investigated over the summer and CMS found issues with the manufacturer that were subsequently resolved.
- CMS now has to file justification for why it should not be held liable for commission rule violations.
- More here: Case No. U-21502

Guggenheim takeaway: *FYI. The meter issue was widely publicized in July of this year and CMS worked expeditiously to get to root cause and remedy. The issues were on the manufacturer side, so it is hard for us to see significant liability for CMS in this investigation.*

CMS/DTE – MPSC issues date for reply comments on distribution plans

- MPSC announced reply comment dates for distribution grid plans in Michigan including CMS and DTE.
- The reply comments will run sequentially through May 24, 2024.
- DTE plan calls for $9B in capex investments over the next 5 years (in line with prior capex plans).
- CMS also filed the company's distribution grid plan with $7B in proposed grid investments.
- Docket: U-20147.

Guggenheim takeaway: *FYI. The overall plan aligns in magnitude with the prior DTE capex plans but lays out some detail expectations to address stakeholder concerns with reliability. For CMS, the DGP is a slight step up from the $1.1B/yr in distribution capex in the prior announced plan. We anticipate further updates as part of 3Q and EEI disclosures in October/ November.*

NI ─ Staff report due today in SAVE Rider proceeding

- Columbia Gas of Virginia is seeking approval for Phase 5 of the program (covering 2024-2026).
- The utility proposing that it be granted authorization to spend up to $69m '24, $67m in '25, and $73m in 2026, for an aggregate amount of $209m, albeit with leeway to raise spending by up to 10% annually, as well as 10% on a cumulative basis, which would result in a total maximum Phase 5 program size of $229.9m.
- Staff's is expected to file its report today in its this standard SAVE Rider docket.
- Docket PUR-2023-00119

Guggenheim takeaway: *Heads-up for today and flagging for your calendar.*

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AEP – ALJ schedules evidentiary hearing to reconvene on November 3

- Ohio Power Company / AEP Ohio filed its fifth Electric Security Plan (ESP) earlier this year.
- The utility is requesting that the ESP run from June 1, 2024, through May 31, 2030.
- Following AEP's recent rebuttal testimony in response to local intervenors, the Attorney Examiner has decided to reconvene the proceeding's hearings next week on Nov 3rd in Columbus, Ohio.
- Docket 23-0023-EL-SSO

Guggenheim takeaway: *Minor FYI.*

D/VA – Several filings in ongoing Biennial docket

- Customer comments have been filed, alongside staff pre-filed testimony regarding
- "Staffs earnings test analysis indicates that the Company earned a 9.04% return on equity ("ROE") for the combined 2021 and 2022 test periods, as explained further by Staff witness Clayton" – filing
- "For the 2024 rate year, Staff recommends a revenue decrease of $72.4 million in total, consisting of a reduction to generation revenue of $94.6 million offset by an increase to distribution revenue of $22.2 million, as explained further by Staff witness Long" – filing
- "Staffs recommended revenue reductions are based on the 9.70% ROE applicable to this proceeding and the Company's actual end-of-test period 2022 capital structure, as explained further by Staff witness Gereaux" - filing
- More HERE

Guggenheim takeaway: *Heads up on the filings, which we continue to parse. As a reminder, intervenors filed testimony earlier this month that was largely straightforward in our view, with plain regulatory topics teed up for debate in the coming months (certain expenses, EV policies, low income and shutoff policies, etc.). As a reminder, this year's energy legislation set guardrails on the first and second biennial reviews, including the ROEs and cap structure, alongside incremental tweaks from the first to second review (see page 16 HERE). Rebuttal testimony is due 11/06 ahead of hearings 11/20 and 11/28, and a final order in the March timeframe.*

D/VA – Post hearing briefs filed in IRP docket

- Multiple intervenors have filed post hearing briefs in DEV's ongoing IRP process, ranging from general commentary to pointed responses to specific parts of hearings/testimony
- "For the reasons stated above. Consumer Counsel has no objection to approval of the 2023 IRP as a planning document that fulfills the filing requirements of the IRP Statute but asks the Commission to consider the Company's bill impact analysis in its full context as discussed above." – AG filing
- "The State Corporation Commission (the "Commission") should reject the punitive time-of-use rate proposals advanced by Appalachian Voices ("APV") because even if the rates contemplated by APV's proposals were conceptually reasonable, which they are not, this is an integrated resource plan ("IRP") case, not a ratemaking case" - Virginia Committee for Fair Utility Rates
- "Although DCC takes no position on whether Dominion's 2023 IRP is reasonable and is in the public interest, DCC respectfully requests that the Commission, in making its determination under Virginia Code § 56-599, consider the data center industry's leadership in energy efficiency and clean energy as well as the significant economic benefits the industry brings to the Commonwealth." -Data Center Coalition
- More HERE

Guggenheim takeaway: *More voluminous filings in VA for your awareness, with the post hearing filings appearing to generally adhere to earlier stakeholder points, depending on their positions (e.g., Clean Virginia's opposition to the plan's gas, etc.). We also flag that the Data Center Coalition filing may be of interest given the prominence of the industry's load in the state recently – we continue to see Virginia's strong underlying growth and decarbonization trajectory as long-term positives for DEV.*

NY – New York awards 3 offshore wind projects, 22 onshore projects totaling 6.2GWs

- "The conditional awards include three offshore wind and 22 land-based renewable energy projects totaling 6.4 gigawatts of clean energy, enough to power 2.6 million

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New York homes and deliver approximately 12 percent of New York's electricity needs once completed. When coupled with two marquee offshore wind blade and nacelle manufacturing facilities, this portfolio of newly announced projects is expected to create approximately 8,300 family-sustaining jobs and spur $20 billion in economic development investments statewide" – release

- More HERE

Guggenheim takeaway: *The latest award cycle from the state represents a substantial portion of the 2030 goal, however we remain cautious on the total pace and scale of the ongoing transition given the most recent pressures on both offshore and onshore renewables in the region.*

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Save the Date: 58th EEI Financial Conference

Dates
November 12 - 14, 2023

Location
JW Marriott Desert Ridge
Phoenix, AZ

Company Dinners (Hosted by Guggenheim)

Sunday, November 12, 2023

5:30 p.m. | Cocktail Reception with full Guggenheim Securities Team & corporate utility clients
Bar Twenty6 at the JW Marriott
5350 E Marriott Dr, Phoenix, AZ 85054

6:30 p.m. | Dinner with **Duke Energy Corp (DUK)** CEO, CFO, and others
Spiga — 7500 E Pinnacle Peak Rd, Scottsdale, AZ 85255

Monday, November 13, 2023

6:30 p.m. | Dinner with **Entergy (ETR)** CEO, CFO, and others
Spiga — 7500 E Pinnacle Peak Rd, Scottsdale, AZ 85255

Tuesday, November 14, 2023

6:00 p.m. | Dinner with **WEC Energy Group (WEC)** CEO, CFO, and others
Ocean Prime — 5455 E High St, Phoenix, AZ 85054

Company Meetings

More Utilities may be added and we will update the schedule accordingly.

Sunday, November 12th	
Time	*Co.*
9:00AM	SRE
10:00AM	WEC
11:00AM	LNT
12:00PM	POR
1:00PM	ED
2:00PM	NI
3:00PM	CNP
4:00PM	AWK
5:00PM	AEP

Monday, November 13th	
Time	*Co.*
8:00AM	PCG
9:00AM	PEG
9:00AM	ALE
10:00AM	PNW
11:00AM	DTE
12:00PM	CMS
1:00PM	PPL
2:00PM	FE
3:00PM	AVA
4:00PM	D
5:00PM	ES

Tuesday, November 14th	
Time	*Co.*
8:00AM	EVRG
9:00AM	EIX
11:00AM	EXC
12:00PM	OGE
1:00PM	SO
2:00PM	NWE
3:00PM	NEE
4:00PM	AEE

Participating Guggenheim Analyst
Shar Pourreza, *Senior Managing Director, Senior Equity Research Analyst – Power & Utilities*

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Equity Research | Corporate Access

FirstEnergy Corp. (FE)

Jon Taylor, *Chief Financial Officer*

Date & Time

Wednesday, December 6, 2023
12:00PM

Location

Guggenheim Office
330 Madison Ave, 32nd Floor
New York, NY

Company Information

Market Cap: $20.9bn

FirstEnergy Corp. (FE) engages in the generation, transmission, and distribution of electricity as well as energy management and other energy-related services through its subsidiaries. It operates through the following business segments: Regulated Distribution, Regulated Transmission, and Corporate or Other. The Regulated Distribution segment distributes electricity through FirstEnergy's utility operating companies, serving various customers. The Regulated Transmission segment transmits electricity through transmission facilities owned and operated by FirstEnergy's utilities. The Corporate or Other segment reflects corporate support and other costs not charged or attributable to the utilities or transmission companies. The company was founded in 1996 and is headquartered in Akron, OH. (Source: FactSet)

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Guggenheim 2023 Client and Corporate Access Utility Events

Ticker	Dates	Regions
EIX	*1/10 & 1/11*	Boston & New York
Commissioner Roundtable Event	*1/20*	In Person at Guggenheim
2023 Utilities Conference Call	*1/23*	Dial-In
Virginia Policy Call	*2/7*	Dial-In
Wisconsin Regulatory Call (Chair Valcq)	*2/9*	Virtual
WEC	*2/14–2/16*	West Coast
Wisconsin Regulatory Call (Commissioner Huebner)	*2/17*	Virtual
Arizona Regulatory Call (Commissioners Myers and Thompson)	*2/27*	Virtual
DUK	*3/7-3/8*	NYC
NEE	*3/14-3/16*	West Coast
AEE	*3/22*	Virtual
ERCOT Policy Call	*3/31*	Virtual
PPL	*4/3–4/4*	Boston
EXC	*5/15–5/16*	NYC
AEP	*5/17*	In Person at Guggenheim
CNP C-Suite Dinner	*5/22*	Fort Lauderdale, FL
AGA Conference Meetings	*5/20–5/23*	Fort Lauderdale, FL
ETR	*6/1–6/2*	West Coast
DTE	*6/7–6/8*	NYC
PCG	*6/12*	NYC
ES	*6/22*	NYC
SMR	*6/27*	NYC
SRE	*6/28–6/30*	NYC
SO Meeting, Porsche racing, & Georgia PSC	*7/11–7/12*	Atlanta
LNT	*7/17–7/18*	Boston
PNW	*7/19–7/20*	NYC & Boston
Georgia Regulatory Call (Commissioner Shaw)	*7/24*	Virtual
AWK	*8/9–8/10*	West Coast
Arizona Regulatory Call (Commissioners Myers and Thompson)	*8/16*	Virtual
CMS	*8/30*	NYC
SO	*9/13–9/15*	West Coast
POR	*9/18*	NYC
NY Roundtable	*9/25*	NYC
NJ Roundtable	*9/26*	NJ
CEG	*10/2–10/3*	West Coast
NRG	*10/4–10/5*	West Coast
PEG	*10/10–10/11*	West Coast
NI	*10/17–10/19*	West Coast
EEI Conference	11/12–11/14	Arizona
FE CFO Lunch	12/6	In Person at Guggenheim

Ticker	Dates	Regions
WEC	2/19–2/21/24	Boston
LNT	4/10–4/11/24	Boston
PCG	4/30–5/1/24	Boston & MidAtlantic

MORE TO BE ADDED…

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Guggenheim Comp Sheet

10/24/2023		Market	Guggenheim EPS Ests					Consensus					Δ vs Consensus (>$0.02)					Implied P/E Multiple					Prem/(Disc) vs Mid/Lg Cap Utes					'22–'27	NTM	Payout	Guggenheim		NTM Total	Consensus		NTM Total
	Price	Cap ($m)	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	EPS	Yield	Ratio	Rating	Target	Return	Rating	Target	Return
Small Cap Electric																																			
ALE	$53.25	3,056	3.70	4.17	4.56	4.87	5.07	3.70	4.11	4.35	4.65	5.05	–	0.06	0.21	0.22	–	14.4x	13.0x	12.2x	11.4x	10.6x	-10%	-13%	-12%	-13%	-15%	8.4%	5.3%	70%	Sell	$41	-18%	Neutral	$61	19%
AVA	$31.41	2,404	2.28	2.49	2.61	2.67	2.73	2.29	2.47	2.58	2.64	2.71	–	–	0.03	0.03	–	13.7x	12.7x	12.2x	11.9x	11.6x	-15%	-15%	-13%	-9%	-7%	5.2%	6.1%	78%	Sell	$26	-11%	Sell	$37	22%
NWE	$47.45	2,849	3.42	3.55	3.75	3.91	4.08	3.41	3.58	3.76	3.86	3.98	–	(0.03)	–	0.05	0.10	13.9x	13.2x	12.6x	12.3x	11.9x	-13%	-11%	-10%	-6%	-4%	5.1%	5.5%	73%	Sell	$41	-8%	Neutral	$54	20%
POR	$39.79	4,023	2.66	3.05	3.21	3.38	3.55	2.63	3.04	3.22	3.33	3.49	0.03	–	–	0.05	0.06	15.1x	13.1x	12.4x	11.9x	11.4x	-6%	-12%	-11%	-9%	-8%	5.3%	4.9%	66%	Buy	$45	18%	Buy	$48	25%
		12,332																**14.3x**	**13.0x**	**12.4x**	**11.9x**	**11.4x**	**-11%**	**-13%**	**-11%**	**-9%**	**-8%**	**6.0%**	**5.5%**	**72%**						
Mid/Large Cap Electric																																			
AEE	$76.36	20,043	4.35	4.67	5.05	5.40	5.68	4.37	4.69	5.02	5.36	5.66	–	–	–	0.04	–	17.5x	16.3x	15.2x	14.3x	13.5x	9%	9%	9%	9%	9%	6.6%	3.5%	57%	Neutral	$75	2%	Buy	$85	14%
AEP	$74.74	38,504	5.30	5.64	6.00	6.39	6.81	5.27	5.58	5.97	6.31	6.72	0.04	0.06	0.03	0.08	0.09	14.2x	13.4x	12.5x	11.9x	11.1x	-12%	-10%	-10%	-10%	-10%	6.0%	4.7%	64%	Buy	$85	18%	Buy	$89	24%
CMS	$53.64	15,648	3.12	3.41	3.65	3.91	4.26	3.10	3.35	3.61	3.86	4.12	–	0.06	0.04	0.05	0.14	17.3x	16.0x	14.9x	13.9x	13.0x	8%	7%	7%	6%	5%	8.1%	3.9%	63%	Neutral	$54	5%	Buy	$62	19%
CNP	$27.32	17,196	1.50	1.61	1.73	1.87	2.03	1.50	1.62	1.73	1.87	2.02	–	–	–	–	–	18.2x	16.9x	15.8x	14.6x	13.5x	14%	13%	13%	11%	9%	9.5%	2.9%	49%	Buy	$29	9%	Buy	$31	16%
D	$40.35	33,764	2.88	2.84	3.39	3.75	4.11	3.02	3.17	3.48	3.84	3.88	(0.14)	(0.33)	(0.09)	(0.09)	0.23	13.4x	12.7x	11.6x	10.5x	10.4x	-17%	-15%	-17%	-20%	-16%	-0.4%	6.7%	85%	Buy	$45	18%	Neutral	$49	27%
DTE	$97.70	20,137	6.22	6.73	7.19	7.75	8.30	6.19	6.63	7.15	7.74	8.27	0.03	0.10	0.04	–	0.03	15.8x	14.7x	13.7x	12.6x	11.8x	-2%	-1%	-2%	-4%	-5%	6.4%	4.2%	62%	Buy	$110	17%	Buy	$118	25%
DUK	$87.76	67,663	5.65	6.05	6.35	6.75	7.15	5.61	5.97	6.34	6.75	7.17	0.04	0.08	–	–	–	15.7x	14.7x	13.9x	13.0x	12.2x	-2%	-2%	-1%	-1%	-1%	6.3%	4.8%	71%	Buy	$93	11%	Buy	$97	16%
ED	$87.97	30,343	4.86	5.19	5.50	5.81	6.02	4.90	5.24	5.53	5.83	6.11	(0.04)	(0.05)	(0.03)	–	(0.09)	18.0x	16.8x	15.9x	15.1x	14.4x	12%	12%	14%	15%	16%	5.6%	3.8%	65%	Neutral	$82	-3%	Neutral	$88	4%
EIX	$64.06	24,553	4.71	4.98	5.48	5.71	6.03	4.71	5.14	5.63	5.98	6.25	–	(0.16)	(0.15)	(0.27)	(0.22)	13.6x	12.5x	11.4x	10.7x	10.3x	-15%	-16%	-18%	-18%	-17%	5.5%	4.8%	61%	Neutral	$63	3%	Buy	$72	18%
ES	$54.03	18,861	4.34	4.70	4.92	5.17	5.37	4.34	4.57	4.82	5.16	5.47	–	0.13	0.10	–	(0.10)	12.5x	11.8x	11.2x	10.5x	9.9x	-22%	-21%	-20%	-20%	-20%	5.6%	5.2%	63%	Neutral	$60	16%	Buy	$70	34%
ETR	$92.40	19,538	6.75	7.16	7.76	8.31	8.97	6.71	7.19	7.71	8.25	8.85	0.04	–	0.05	0.06	0.12	13.8x	12.9x	12.0x	11.2x	10.4x	-14%	-14%	-14%	-14%	-16%	6.9%	4.9%	63%	Buy	$99	12%	Buy	$110	24%
EVRG	$48.94	11,236	3.65	3.89	4.10	4.36	4.63	3.63	3.85	4.09	4.30	4.55	–	0.04	–	0.06	0.08	13.5x	12.7x	12.0x	11.4x	10.8x	-16%	-15%	-14%	-13%	-13%	4.3%	5.3%	68%	Buy	$54	16%	Buy	$58	23%
EXC	$38.86	38,638	2.36	2.50	2.74	2.93	3.10	2.36	2.51	2.72	2.92	3.10	–	–	–	–	–	16.5x	15.5x	14.3x	13.3x	12.5x	3%	4%	2%	2%	1%	6.4%	4.0%	62%	Buy	$41	9%	Buy	$44	18%
FE	$35.70	20,469	2.54	2.69	2.89	3.07	3.27	2.54	2.69	2.88	3.05	3.22	–	–	–	–	0.05	14.1x	13.3x	12.4x	11.7x	11.1x	-12%	-11%	-11%	-11%	-11%	6.3%	4.6%	62%	Buy	$38	11%	Buy	$40	17%
LNT	$49.44	12,494	2.90	3.08	3.27	3.50	3.67	2.88	3.07	3.28	3.49	3.68	–	–	–	–	–	17.2x	16.1x	15.1x	14.2x	13.4x	7%	8%	8%	8%	8%	6.1%	3.8%	63%	Neutral	$43	-9%	Buy	$53	12%
OGE	$33.96	6,802	2.02	2.16	2.25	2.37	2.48	2.01	2.13	2.26	2.40	2.50	–	0.03	–	–	–	16.9x	15.9x	15.0x	14.2x	13.6x	5%	7%	8%	8%	9%	2.8%	5.1%	82%	Neutral	$32	-1%	Buy	$36	12%
PCG	$16.19	33,857	1.21	1.37	1.47	1.61	1.75	1.21	1.35	1.47	1.59	1.72	–	–	–	–	0.03	13.4x	12.0x	11.1x	10.2x	9.4x	-17%	-19%	-21%	-22%	-24%	9.7%	1.6%	20%	Buy	$19	19%	Buy	$18	15%
PEG	$60.48	30,186	3.45	3.70	4.22	4.38	4.68	3.46	3.69	4.07	4.26	4.48	–	–	0.15	0.13	0.20	17.5x	16.4x	14.9x	14.2x	13.5x	9%	10%	7%	9%	9%	6.2%	3.9%	65%	Buy	$64	10%	Buy	$66	12%
PNW	$74.35	8,425	4.20	5.00	5.15	5.25	5.40	4.21	4.91	5.16	5.36	5.53	–	0.09	–	(0.11)	(0.13)	17.6x	15.1x	14.4x	13.9x	13.4x	10%	1%	3%	6%	8%	4.9%	4.8%	74%	Neutral	$73	3%	Neutral	$80	12%
PPL	$24.14	17,793	1.58	1.71	1.82	1.96	2.08	1.58	1.71	1.82	1.94	2.06	–	–	–	–	–	15.3x	14.2x	13.3x	12.4x	11.7x	-5%	-5%	-5%	-5%	-5%	8.1%	4.2%	60%	Buy	$27	16%	Buy	$29	23%
SO	$66.45	72,531	3.60	4.05	4.30	4.55	4.80	3.60	4.02	4.32	4.54	4.74	–	–	–	–	0.06	18.4x	16.5x	15.4x	14.6x	14.0x	15%	11%	10%	12%	13%	5.9%	4.3%	72%	Buy	$72	13%	Buy	$72	13%
WEC	$81.58	25,733	4.60	4.91	5.24	5.61	5.97	4.61	4.92	5.26	5.61	5.96	–	–	–	–	–	17.7x	16.6x	15.5x	14.6x	13.7x	10%	11%	11%	11%	10%	6.1%	4.0%	68%	Neutral	$84	7%	Buy	$91	15%
Mid/Lg Cap (excl. EIX, PCG)																		**16.0x**	**14.9x**	**13.9x**	**13.1x**	**12.4x**						**5.9%**	**4.4%**	**66%**						
SMID + Lg Cap		**596,748**																**15.8x**	**14.6x**	**13.7x**	**12.9x**	**12.2x**						**5.9%**	**4.6%**	**67%**						

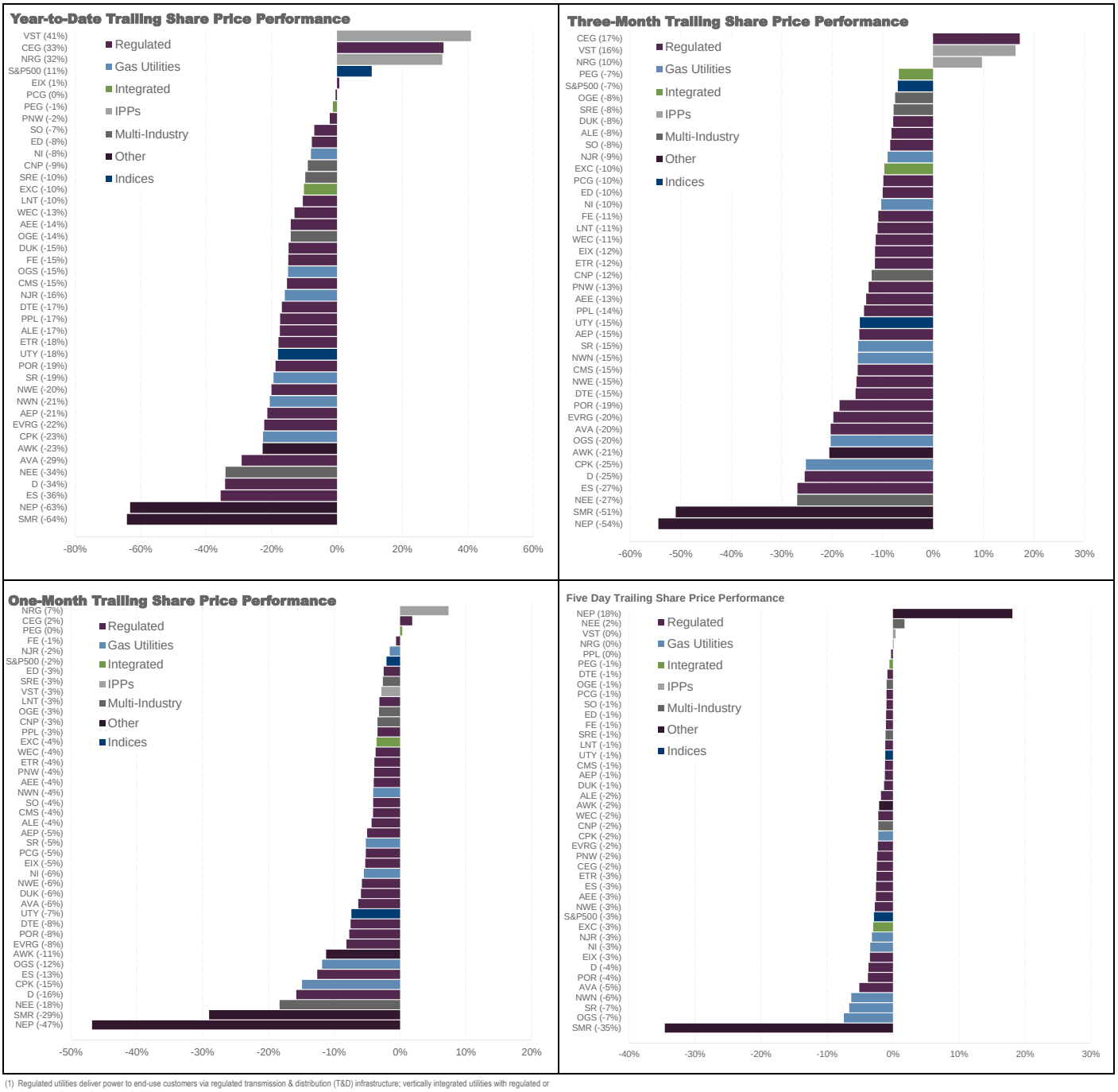
Diversified	Price	Market Cap ($m)	Guggenheim EPS Ests 2023E	2024E	2025E	2026E	2027E	Consensus 2023E	2024E	2025E	2026E	2027E	Δ vs Consensus (>$0.02) 2023E	2024E	2025E	2026E	2027E	Implied P/E Multiple 2023E	2024E	2025E	2026E	2027E	Prem/(Disc) vs Mid/Lg Cap Utes 2023E	2024E	2025E	2026E	2027E	'22–'27 EPS	NTM Yield	Payout Ratio	Guggenheim Rating	Target	NTM Total Return	Consensus Rating	Target	NTM Total Return
NEE	$55.12	111,547	3.13	3.43	3.69	3.99	4.27	3.13	3.39	3.64	3.94	4.36	–	0.04	0.05	0.05	(0.09)	17.6x	16.3x	15.1x	14.0x	12.6x	10%	9%	9%	7%	2%	8%	3.7%	60%	Buy	$65	22%	Buy	$75	39%
SRE	$69.78	43,913	4.52	4.75	5.06	5.40	5.85	4.49	4.78	5.11	5.49	5.88	–	(0.03)	(0.05)	(0.09)	–	15.5x	14.6x	13.7x	12.7x	11.9x	-3%	-2%	-2%	-3%	-4%	-9%	4.6%	68%	Buy	$76	14%	Buy	$79	18%
		155,460																**16.6x**	**15.4x**	**14.4x**	**13.3x**	**12.3x**	**3%**	**3%**	**3%**	**2%**	**-1%**	**-0.3%**	**4.1%**	**64%**						
Gas LDCs																																				
NI	$25.23	10,426	1.57	1.68	1.82	1.95	2.07	1.58	1.68	1.81	1.94	2.07	–	–	–	–	–	16.0x	15.1x	14.0x	13.0x	12.2x	-0%	1%	0%	-1%	-2%	7%	4.2%	64%	Buy	$27	11%	Buy	$30	22%
CPK	$91.48	1,628	5.42	5.84	6.23	6.59	6.94	5.26	5.51	6.20	6.62	7.04	0.16	0.33	–	(0.03)	(0.10)	17.4x	16.6x	14.7x	13.8x	13.0x	8%	11%	6%	5%	5%	7%	2.7%	45%	Neutral	$99	11%	Buy	$121	35%
NJR	$41.70	4,068	2.70	2.80	2.94	3.10	3.34	2.69	2.78	2.98	3.12	3.42	–	–	(0.04)	–	(0.08)	15.5x	15.0x	14.0x	13.4x	12.2x	-3%	0%	1%	2%	-2%	6%	4.0%	60%	Neutral	$42	5%	Buy	$49	22%
NWN	$37.81	1,327	2.65	2.83	2.98	3.09	3.21	2.67	2.77	3.00	3.05	3.23	–	0.06	–	0.04	–	14.2x	13.6x	12.6x	12.4x	11.7x	-12%	-9%	-10%	-5%	-6%	5%	5.2%	71%	Neutral	$37	3%	Buy	$49	35%
OGS	$64.40	3,648	4.14	4.24	4.53	4.98	5.31	4.12	4.23	4.53	4.95	5.33	–	–	–	–	–	15.6x	15.2x	14.2x	13.0x	12.1x	-3%	2%	2%	-1%	-3%	10%	4.2%	64%	Neutral	$64	4%	Neutral	$71	15%
SR	$55.49	2,919	4.20	4.31	4.57	4.73	4.99	4.18	4.31	4.63	4.80	5.06	–	–	(0.06)	(0.07)	(0.07)	13.3x	12.9x	12.0x	11.6x	11.0x	-17%	-14%	-14%	-12%	-12%	5%	5.5%	70%	Neutral	$55	5%	Neutral	$64	21%
		24,017																**15.3x**	**14.7x**	**13.6x**	**12.9x**	**12.0x**	**-4%**	**-1%**	**-3%**	**-2%**	**-3%**	**6.7%**	**4.3%**	**62%**						
Regulated Water																																				
AWK	$117.77	22,926	4.84	5.14	5.59	5.98	6.45	4.81	5.14	5.60	6.05	6.46	–	–	–	(0.07)	–	24.5x	22.9x	21.0x	19.5x	18.2x	53%	53%	51%	49%	47%	7%	2.5%	58%	Neutral	$126	10%	Buy	$149	29%

IPPs	Price	Market Cap ($m)	Guggenheim EBITDA Ests 2023E	2024E	2025E	2026E	2027E	Consensus 2023E	2024E	2025E	2026E	2027E	Δ vs Consensus (>$20m) 2023E	2024E	2025E	2026E	2027E	Implied EV/EBITDA Multiple 2023E	2024E	2025E	2026E	2027E	Enterprise Value 2023E	2024E	2025E	2026E	2027E	'22–'25 Growth	NTM Yield	Payout Ratio	Guggenheim Rating	Target	NTM Total Return	Consensus Rating	Target	NTM Total Return
CEG	$114.27	36,748	3,525	3,951	4,125	3,971	4,213	3,564	4,001	3,995	3,998	4,138	(38)	(50)	130	(27)	75	11.9x	10.3x	9.8x	9.4x	8.6x	42,282	41,021	39,154	37,465	35,659	15.6%	1.1%	22%	Buy	$119	5%	Buy	$115	2%
NRG	$42.07	9,639	3,235	3,250	3,126	3,042	3,107	3,040	3,261	3,160	2,980	3,095	195	–	(34)	62	–	6.3x	5.4x	5.2x	5.0x	4.3x	19,123	17,771	16,292	14,910	13,456	21.2%	3.9%	26%	Neutral	$36	-11%	Neutral	$41	2%
VST	$32.70	12,020	4,050	3,906	3,997	3,822	3,513	3,867	4,223	4,145	4,044	4,318	183	(317)	(148)	(222)	(805)	6.0x	5.4x	5.4x	5.5x	4.9x	23,378	23,015	22,490	22,091	21,370	8.7%	2.7%	24%	Buy	$32	1%	Buy	$36	14%
Other																																				
NEP	$25.77	2,408	1,902	2,021	2,080	2,099	2,118	1,912	2,012	2,033	2,056	2,126	–	–	47	42	–												13.7%	–	Buy	$42	77%	Buy	$34	46%
SMR	$3.67	273	(143)	(57)	8	96	n/a	(137)	(62)	1	144	452	–	–	–	(48)	–												–	–	Buy	$14	281%	Buy	$11	205%

Source: Guggenheim Securities, LLC estimates, Bloomberg LP.

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Share Price Performance (Year-to-Date, Three-Month, One-Month, & Five-Day Trailing)



(1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.

(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).

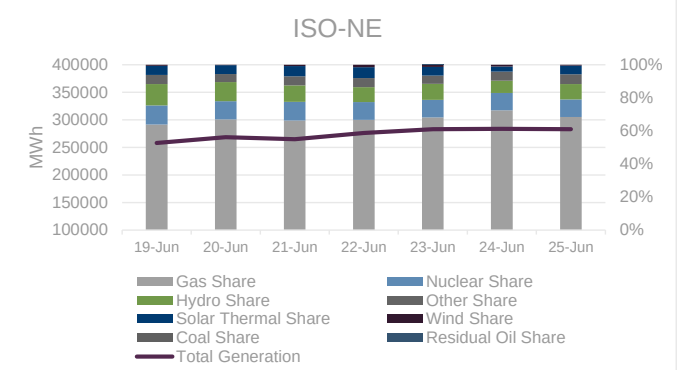
(3) Integrated utilities own and operate regulated T&D franchises, as well as un-regulated power generation with commodity exposure.

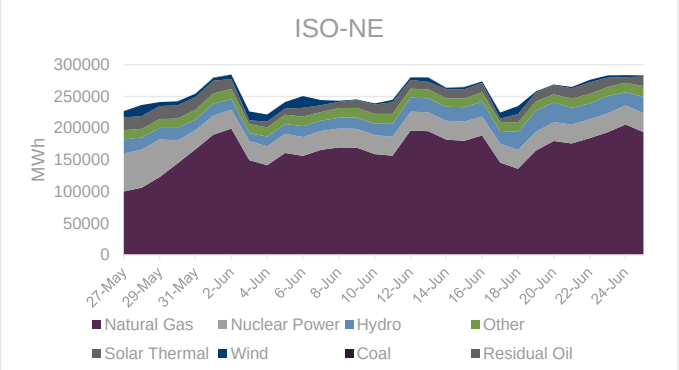
(4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.

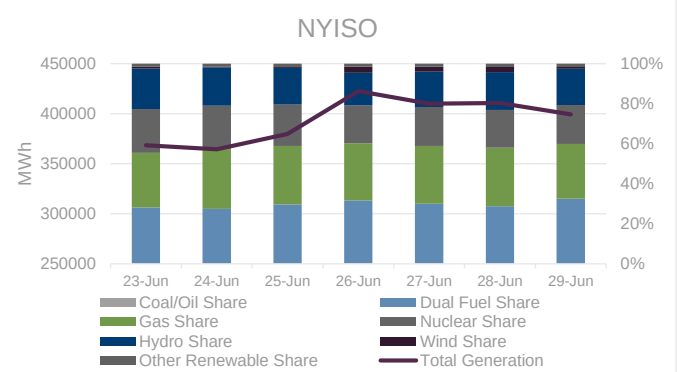
Source: Bloomberg, Guggenheim Securities, LLC estimates.

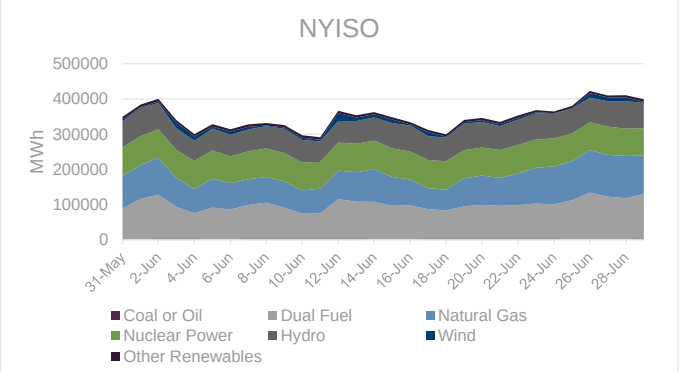
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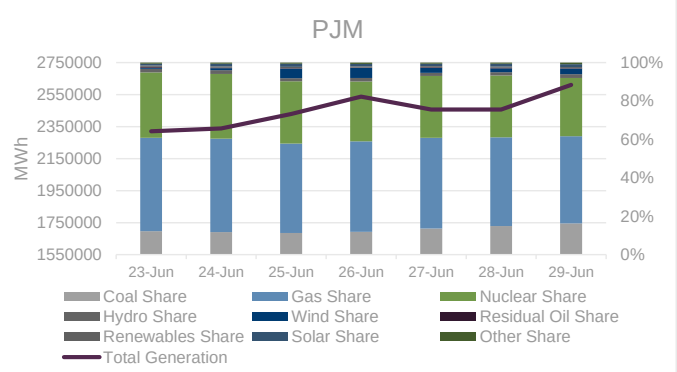
Generation and Mix

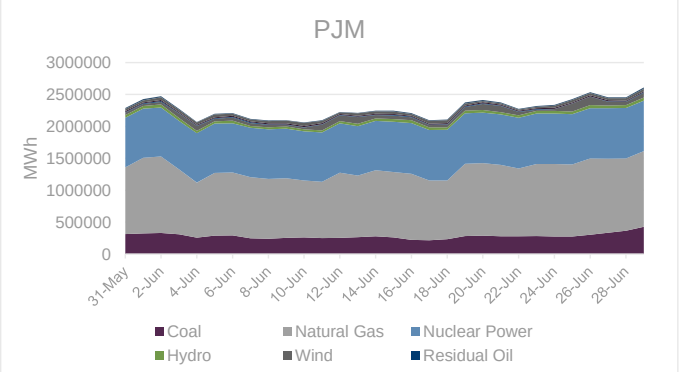


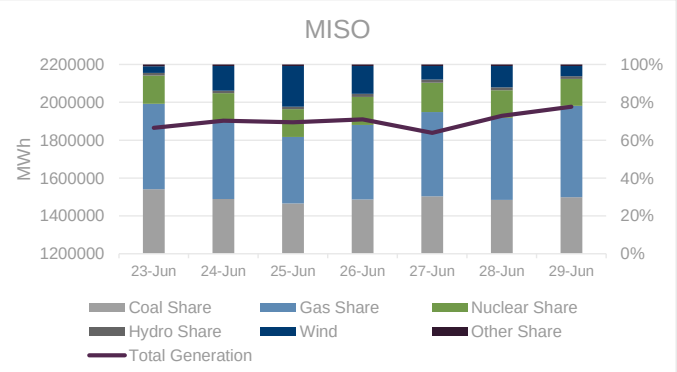


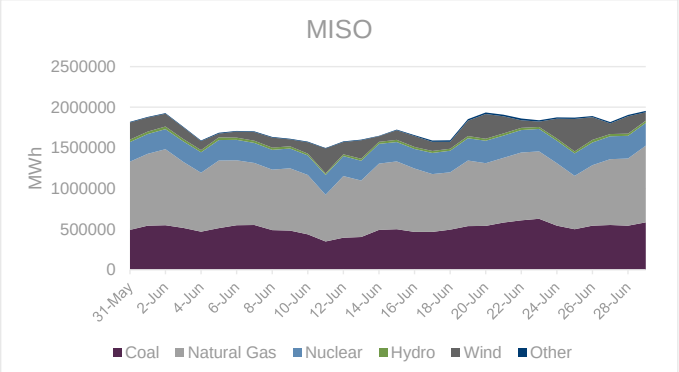








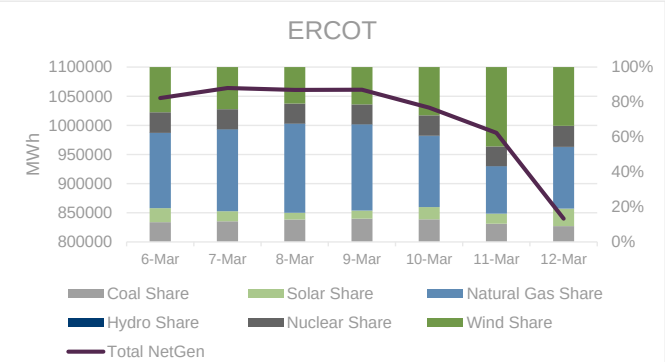


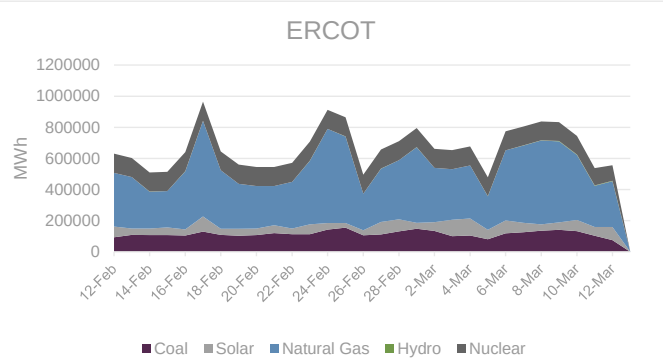


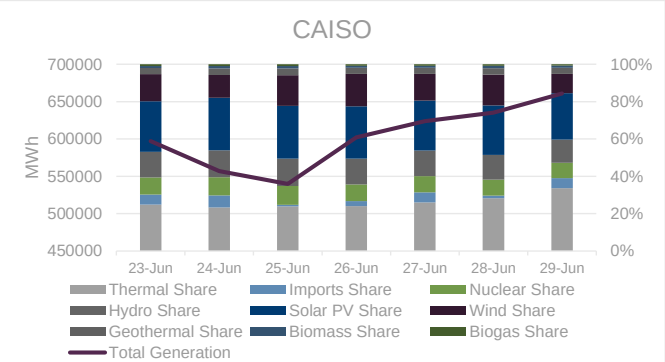
Source: S&P Global Platts, Guggenheim Securities, LLC.

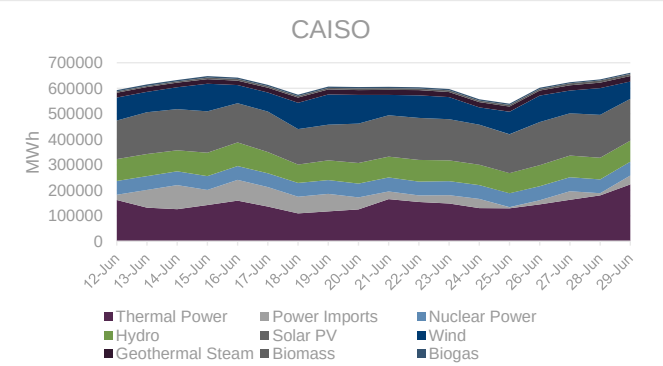
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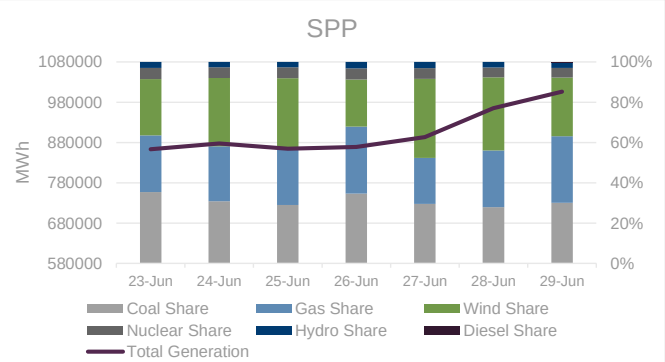
Generation and Mix (continued)

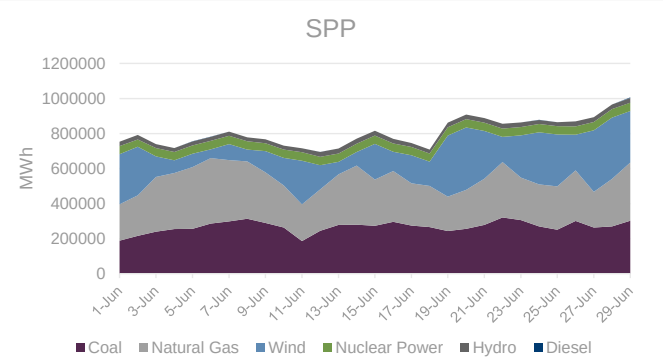








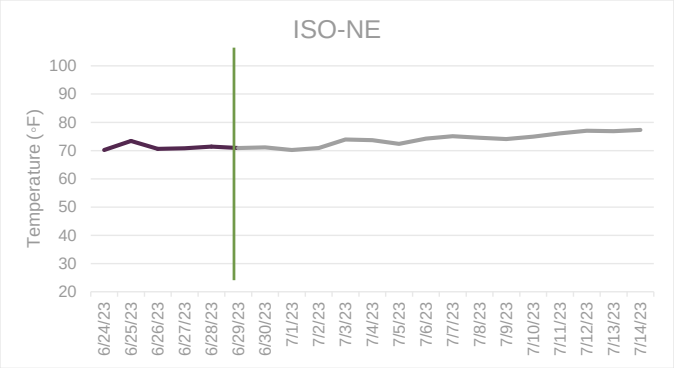


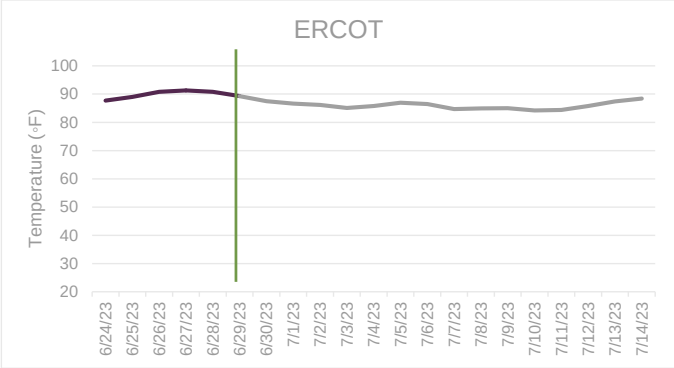


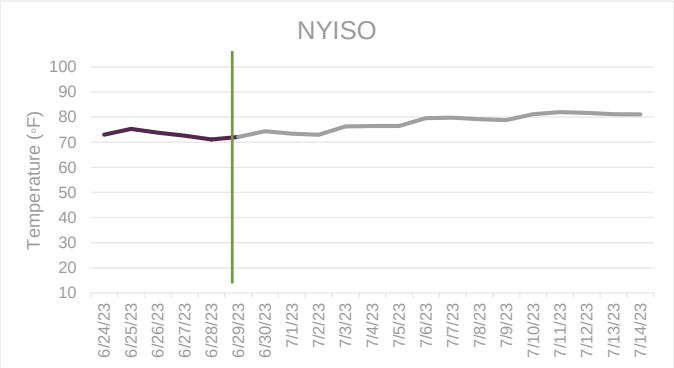
Source: S&P Global Platts, Guggenheim Securities, LLC.

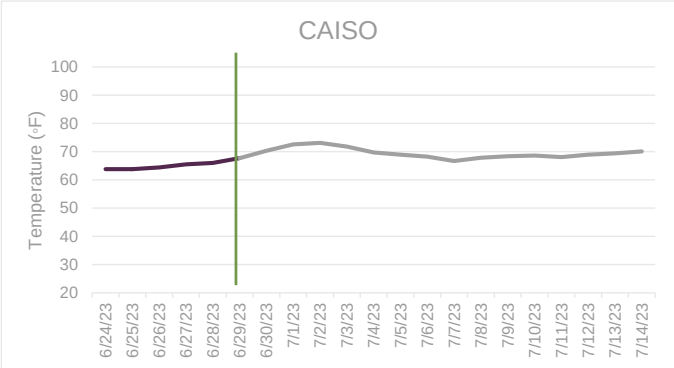
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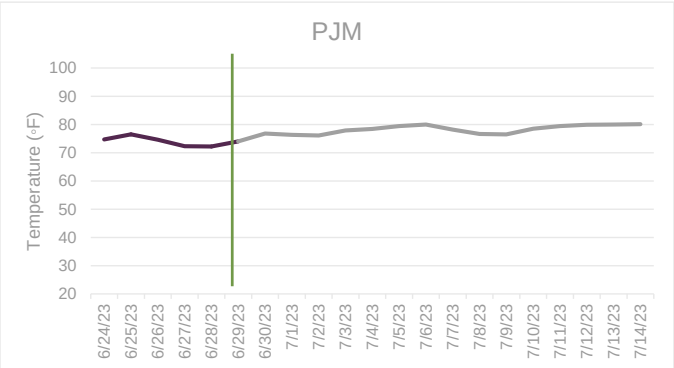
Weather

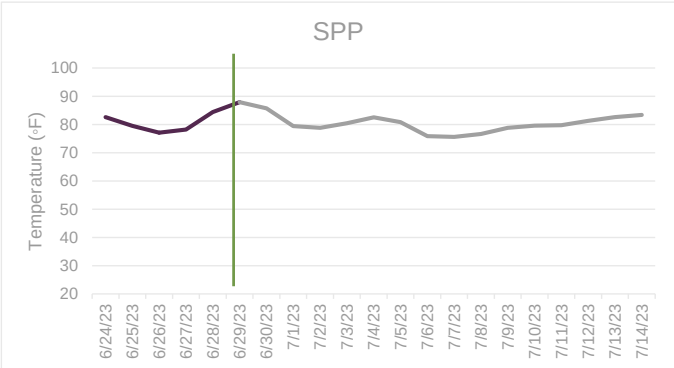


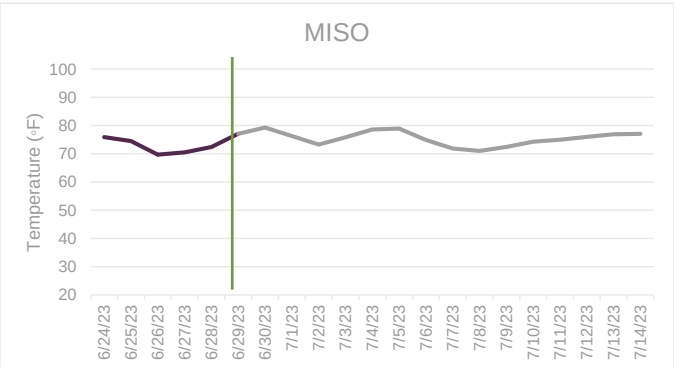








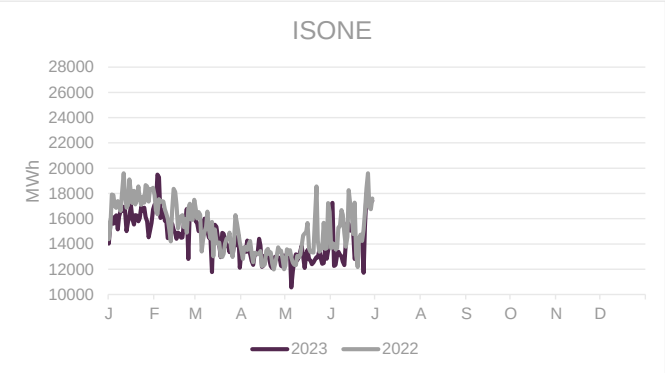


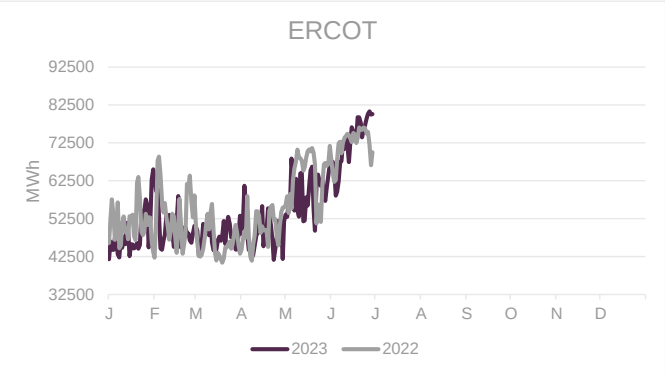


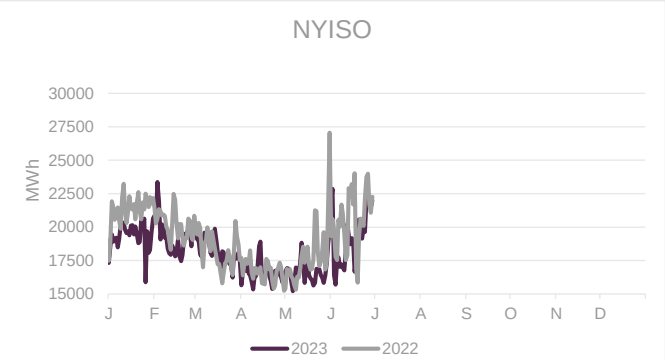
Source: S&P Global Platts, Guggenheim Securities, LLC.

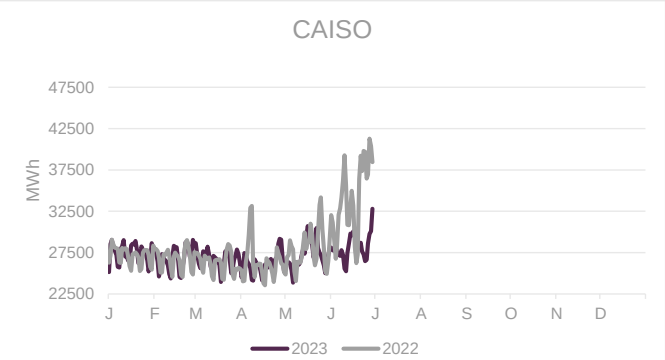
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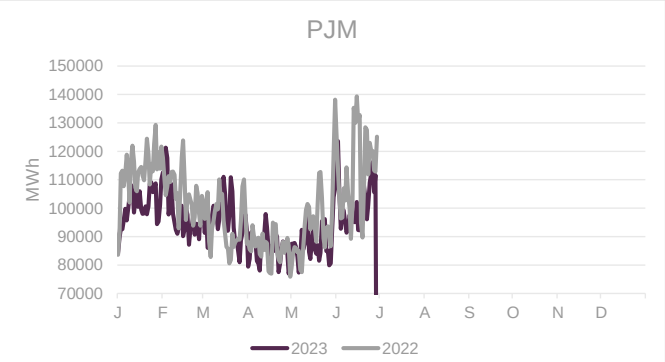
YTD Peak Load

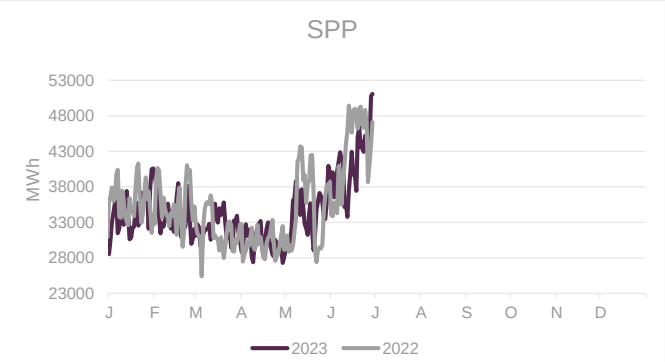


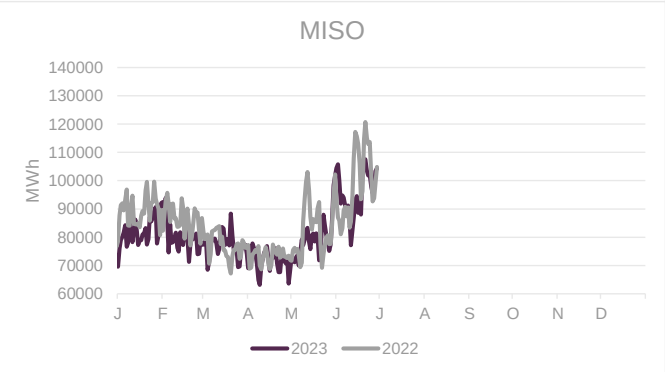












Average Deviation in Peak Load vs Prior Year

RTO/ISO	2Q22	3Q22	4Q22	1Q23	2Q23
ISONE	-1.2%	5.1%	-0.9%	-4.5%	-4.3%
NYISO	-0.1%	3.5%	-0.7%	-4.5%	-3.9%
PJM	3.8%	0.2%	2.1%	-5.2%	-4.8%
MISO	5.0%	0.1%	0.7%	-4.9%	-2.7%
CAISO	1.2%	4.0%	0.3%	1.0%	-6.0%
ERCOT	19.1%	7.9%	7.4%	-1.5%	-2.6%
SPP	9.7%	5.0%	7.1%	-1.6%	-0.7%

Source: S&P Global Platts, Guggenheim Securities, LLC.

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Regulatory Calendar

Po er and ti ities Coverage Ca endar /1 /2 23 12/1 /2 23

Date	State	Ti ker	ti it /Event	Do ket	Des ri tion
7/1/2023-9/30/2023	C	PCG	Paci ic Gas and Electric Co	-21-06-021 Elec	LJ ro osed decision e ected
7/1/2023-9/30/2023	C	PCG	Paci ic Gas and Electric Co	-21-06-021 Gas	LJ ro osed decision e ected
7/1/2023-9/30/2023	C	PCG	Paci ic Gas and Electric Co	-21-06-021 Trac 2	Commission decision e ected
8/18/2023-9/11/2023	DE	E C	Delmar a Power Li ht Co	D-22-0897	Initial settlement con erence to ta e lace in electric rate roceedin
9/1/2023-9/30/2023		D	ir inia Electric Power Co		Decision due on Phase III Grid Trans ormation Plan ro osal
9/1/2023-9/30/2023		D	ir inia Electric Power Co	C-P R-2023-00022 Rider CCR	Hearin e aminer s re ort may be issued in Rider CCR u date roceedin
9/11/2023	OR	POR	Portland General Electric Co	D- E-416	Com any surrebuttal testimony on rate re ision due
9/11/2023	OR	POR	Portland General Electric Co	D- E-416	Sta inter enor re ly brie s on ower cost u date due
9/12/2023	P	FE	FirstEner y Cor		Brie s due in o eratin com any consolidation roceedin
9/12/2023-9/14/2023	MD	NI	Columbia Gas o Maryland Inc	C-9701	Hearin s scheduled in rate case -- sus ended to accomodate settlement tal s
9/13/2023	MD	FE	The Potomac Edison Co	C-9695	Deadline or a eals o law ud e s ro osed order
9/15/2023-9/30/2023		D	ir inia Electric Power Co	C-P R-2023-00005 Rider E	Decision may be issued in Rider E u date roceedin
9/18/2023	C	PCG	Paci ic Gas and Electric Co		O enin brie s due on etition to trans er substantially all com any s non-nuclear eneration
9/18/2023	S	E R(	E er y ansas Central Inc	D-23-E CE-775-RTS E C/E S	Com any rebuttal testimony due in rate roceedin
9/19/2023	MD	NI	Columbia Gas o Maryland Inc	C-9709 IRIS	Rebuttal testimony due in IRIS roceedin
9/19/2023	MI	CMS	Consumers Ener y Co	C- -21389	Rebuttal testimony due
9/19/2023	WY	D	Dominion Ener y Inc	D-30010-215-GR-23	Rebuttal testimony due in as rate case
9/21/2023	S	E R(	E er y ansas Central Inc	D-23-E CE-775-RTS E C/E S	Settlement con erence to be held in rate roceedin
9/21/2023	OR	POR	Portland General Electric Co	D- E-416	Com any rebuttal in ower cost u date due
9/22/2023	IL	SO	Northern Illinois Gas Co	D-23-0066	dministrati e law ud es ro osed order due in rate roceedin
9/26/2023	IL	EE	meren Illinois	D-23-0067	dministrati e law ud es ro osed order due in rate roceedin
9/27/2023	WI	LNT	Wisconsin Power and Li ht Co	D-6680- R-124 Elec	Hearin scheduled in rate case
9/27/2023	WI	LNT	Wisconsin Power and Li ht Co	D-6680- R-124 Gas	Hearin scheduled in rate case
9/28/2023	MD	NI	Columbia Gas o Maryland Inc	C-9709 IRIS	Surrebuttal testimony due in IRIS case
9/29/2023	DE	E C	Delmar a Power Li ht Co	D-22-0897	tility rebuttal testimony and u dated inancial data re lectin 12 months actual data due in electric rate roceedin
9/30/2023	SC	D	Dominion Ener y South Carolina	D-2023-70-G	Commission order e ected in rate case
10/1/2023-10/31/2023	MD	EE	nion Electric Co		Securiti ation re uest ossible or com any s Rush Island acility Case EF-2024-0021
10/1/2023-12/31/2023	C	PCG	Paci ic Gas and Electric Co	-21-06-021 Elec	Commission decision e ected
10/1/2023-12/31/2023	C	PCG	Paci ic Gas and Electric Co	-21-06-021 Gas	Commission decision e ected
10/1/2023-10/31/2023	MO	SR	S ire Missouri Inc	C-GO-2023-0432 ISRS	Decision ossible in ISRS roceedin
10/1/2023-10/31/2023		EP	alachian Power Co	C-P R-2023-00002	Hearin e aminer s re ort li ely to be issued in triennial re iew case
10/1/2023-10/31/2023		D	ir inia Electric Power Co	C-P R-2023-00022 Rider CCR	Decision e ected in Rider CCR u date roceedin
10/5/2023	C	PCG	Paci ic Gas and Electric Co		Re ly brie s due on etition to trans er substantially all o com any s non-nuclear eneration
10/5/2023	IL	SO	North Shore Gas Co	D-23-0068	Pro osed order e ected to be issued in rate roceedin
10/5/2023	MI	DTE	DTE Electric Co	C- -21297	LJ ro osed decision tar et date
10/6/2023	DE	E C	Delmar a Power Li ht Co	D-22-0897	Last day or inter enors to ile a motion with the Hearin E aminer to ile surrebuttal testimony
10/6/2023-10/20/2023		D	ir inia Electric Power Co	C-P R-2023-00094 Rider G	Parties to ile testimony in Rider G u date roceedin
10/6/2023	WI	LNT	Wisconsin Power and Li ht Co	D-6680- R-124 Elec	Brie s due in rate case
10/6/2023	WI	LNT	Wisconsin Power and Li ht Co	D-6680- R-124 Gas	Brie s due in rate case
10/9/2023	S	E R(	E er y ansas Central Inc	D-23-E CE-775-RTS E C/E S	Hearin to be in in rate roceedin
10/9/2023	OR	POR	Portland General Electric Co	D- E-416	ll- arty o enin brie s
10/10/2023-10/20/2023	MD	E C	Baltimore Gas and Electric Co	C-9692 EL	Parties to ile brie s in rate case
10/10/2023-10/20/2023	MD	E C	Baltimore Gas and Electric Co	C-9692 G S	Parties to ile brie s in rate case
10/10/2023		D	ir inia Electric Power Co	C-P R-2023-00101	Inter enors to ile testimony in earnin s re iew roceedin
10/11/2023-10/12/2023	MD	NI	Columbia Gas o Maryland Inc	C-9709 IRIS	Hearin s scheduled in IRIS roceedin
10/12/2023	MI	CMS	Consumers Ener y Co	C- -21308	Commission decision in rate case e ected by
10/13/2023	DE	E C	Delmar a Power Li ht Co	D-22-0897	Last day or arties to res ond to inter enor motions iled with the Hearin E aminer to ile surrebuttal testimony
10/13/2023	MD	NI	Columbia Gas o Maryland Inc	C-9701	Brie s due in rate case
10/13/2023	WI	LNT	Wisconsin Power and Li ht Co	D-6680- R-124 Elec	Re ly brie s due in rate case
10/13/2023	WI	LNT	Wisconsin Power and Li ht Co	D-6680- R-124 Gas	Re ly brie s due in rate case
10/16/2023	DC	E C	Potomac Electric Power Co	FC-1176	Inter enor testimony due in electric multiyear rate lan roceedin
10/16/2023	OR	POR	Portland General Electric Co	D- E-416	Sta inter ernor closin brie s
10/17/2023	DE	E C	Delmar a Power Li ht Co	D-22-0897	Settlement con erence to ta e lace in electric rate roceedin
10/18/2023	MD	FE	The Potomac Edison Co	C-9695	End o sus ension eriod decision e ected in rate case
10/20/2023	IL	EE	meren Illinois	D-23-0082	dministrati e law ud es ro osed order due in rate roceedin
10/23/2023	IL	E C	Commonwealth Edison Co	D-23-0055	dministrati e law ud es ro osed order due in rate roceedin
10/23/2023		D	ir inia Electric Power Co	C-P R-2023-00101	Sta testimony due in earnin s re iew roceedin
10/24/2023	MD	NI	Columbia Gas o Maryland Inc	C-9709 IRIS	Brie s due in IRIS roceedin
10/24/2023	OR	POR	Portland General Electric Co	D- E-416	Com any closin brie
10/24/2023	WY	D	Dominion Ener y Inc	D-30010-215-GR-23	Prehearin con erence to ta e lace in as rate case
10/25/2023		NI	Columbia Gas o ir inia Inc	C-P R-2023-00119 S E	Sta re ort due in S E Rider roceedin
10/26/2023	DE	E C	Delmar a Power Li ht Co	D-22-0897	Settlement con erence to ta e lace in electric rate roceedin
10/27/2023	MD	NI	Columbia Gas o Maryland Inc	C-9701	Law ud e s ro osed order due in rate case
10/30/2023	OR	POR	Portland General Electric Co	D- E-416	Final order due on ower cost u date
11/1/2023-11/30/2023	P	FE	FirstEner y Cor		dministrati e law ud e recommendation may be issued in o eratin com any consolidation roceedin
11/1/2023-11/10/2023		D	ir inia Electric Power Co		Decision li ely in securiti ation roceedin
11/1/2023-11/28/2023		PNW	ri ona Public Ser ice Co	D-E-01345 -22-0144	Final rate decision e ected
11/1/2023	DE	E C	Delmar a Power Li ht Co	D-22-0897	Surrebuttal testimony limited to Delmar a s u dated 12 months actual data due in electric rate roceedin
11/2/2023	MI	CMS	Consumers Ener y Co	C- -21389	Brie s due in electric rate case
11/7/2023-11/9/2023	WY	D	Dominion Ener y Inc	D-30010-215-GR-23	Public hearin to ta e lace in as rate case
11/8/2023		NI	Columbia Gas o ir inia Inc	C-P R-2023-00119 S E	Re lies to sta re ort due in S E Rider roceedin
11/9/2023	MD	NI	Columbia Gas o Maryland Inc	C-9701	eals o ud e s order due in rate case
11/14/2023	MD	E C	Baltimore Gas and Electric Co	C-9692 EL	End o sus ension eriod decision e ected in rate case
11/14/2023	MD	E C	Baltimore Gas and Electric Co	C-9692 G S	End o sus ension eriod decision e ected in rate case
11/14/2023-11/15/2023		D	ir inia Electric Power Co	C-P R-2023-00094 Rider G	Hearin s scheduled in Rider G u date roceedin
11/15/2023	MD	NI	Columbia Gas o Maryland Inc	C-9709 IRIS	Public tility Law Jud e ro osed order due in IRIS case
11/16/2023	MI	CMS	Consumers Ener y Co	C- -21389	Re ly brie s due in electric rate case
11/17/2023	MD	NI	Columbia Gas o Maryland Inc	C-9701	Re lies to a eals o ud es order due i necessary
11/19/2023	NC	D	Du e Ener y Carolinas LLC	D-E-7 Sub 1276	Commission decision in rate case e ected by
11/20/2023-11/27/2023	DE	E C	Delmar a Power Li ht Co	D-22-0897	Prehearin con erence to ta e lace in electric rate roceedin
11/20/2023-11/28/2023		D	ir inia Electric Power Co	C-P R-2023-00101	Hearin s scheduled in earnin s re iew roceedin
11/21/2023-11/28/2023	DE	E C	Delmar a Power Li ht Co	D-22-0897	Final settlement con erence to ta e lace in electric rate roceedin
11/22/2023	MD	NI	Columbia Gas o Maryland Inc	C-9709 IRIS	E ce tions to ud e s recommendation due in IRIS case
11/28/2023	IL	SO	Northern Illinois Gas Co	D-23-0066	Deadline or decision in rate roceedin
11/29/2023	IL	EE	meren Illinois	D-23-0067	Deadline or decision in rate roceedin
11/29/2023	IL	SO	North Shore Gas Co	D-23-0068	Deadline or decision in rate roceedin
11/29/2023	MD	NI	Columbia Gas o Maryland Inc	C-9709 IRIS	Re lies to e ce tions i any due in IRIS case
11/30/2023		EP	alachian Power Co	C-P R-2023-00002	Decision due in triennial re iew roceedin
12/1/2023-12/31/2023	MN	CNP	CenterPoint Ener y Inc		Gas rate case e ected to be iled
12/1/2023-12/31/2023	T	D	ir inia Electric Power Co	D-54634	dministrati e Law Jud e s ro osed order may be issued in rate case
12/1/2023-12/31/2023	WY	D	Dominion Ener y Inc	D-30010-215-GR-23	Commission decision e ected in as rate case
12/4/2023	DC	E C	Potomac Electric Power Co	FC-1176	Rebuttal testimony due in electric multiyear rate lan roceedin
12/4/2023-12/7/2023	DE	E C	Delmar a Power Li ht Co	D-22-0897	E identiary hearin s to ta e lace in electric rate roceedin
12/8/2023	MD	NI	Columbia Gas o Maryland Inc	C-9701	Decision e ected in rate case

S urce S&P Gl al Mar et Intelligence C any Filings Guggenhei Securities LLC

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Key Research

Guggenheim's Forward Commodity Curves

- Forward Power Curves, GenCo MtM, and Weekly Commentary

Key Research

- '23 LCOE Analysis – Inflation Now Embedded, But IRA Keeps Solar/Wind Competitive; Renewables Not Dead Despite Higher Interest Rates; NEE Positive Lateral
- ES – The Wind Keeps Blowing in the Wrong Direction: Another Messaging Miss, Downgrading to NEUTRAL on Balance Sheet, Protracted OSW Process
- Utilities: Perfect Storm of Rates, Tax-Loss Selling, and Macro Concerns Weigh on Sector Valuation: We Remain Cautious and Selective Despite Sell-Off
- DTE – 2023 Electric Rate Case PFD Drops Revenue Request Below Bid-Ask; MPSC Has Final Say, But Litigation Risk Now Apparent
- EVRG: Kansas Settlement Improves on Tough Bid-Ask but Leaves Cap Structure Overhang for Another Day
- NEE/NEP: Cat's Out of the Bag – Capital Markets Weigh Heavy on NEP Growth, NEE Readthrough Too Punitive In Our View
- CPK-NEE – CPK Announces Transformative Florida City Gas Acquisition; Efficient Cash Source for NEE, Strategic for CPK
- Power/Gas: No Country for New Gas…
- PCG: 2023 GRC PD Comes With Tough Headline Reductions For PG&E and Two Alternates Proposed; Non-GRC Recovery and Workarounds TBD
- CMS – Timely NDR on the Heels of Regulatory and Weather Events; Mgmt. Highlights Gradualist Approach With LT Upside on Infrastructure Needs
- D: Strategic Review Enters Home Stretch
- SO – Vogtle Prudency Review Begins with a Multi-Party Stipulation Right Out of the Gate
- Arizona Regulation: Drawing a Line in the Sand? Not with this Commission — Continuing Our Deep Dive in the Desert with Commissioner Myers and Commissioner Thompson
- POR: Valuation Dislocation on Wildfire Misconception Provides Fresh Entry Point: Upgrade to BUY
- SO: Fruitful Conversation With Georgia PSC Chair: "If It Isn't Broke, Don't Fix It"
- SO: "Georgia on My Mind" While Racing Porsches - Looking Past a Few NT Potholes to LT Sunny Skies with the Right Team at the Wheel
- Lead in the Water? We Don't Think So – First Glance at Utility Related Lead (Pb) Cable Insulation Exposure
- Guggenheim Regulatory Baseline: Taking the Midyear Pulse of Our 40+ States
- Utilities: A Midsummer Night's Dream or Daydream? Making Valuation and Ratings Changes but Has Sector Thesis Changed?
- ES: Calmer Waters Ahead? Yes, But Wind and Connecticut Cross Currents Remain – Updating Our Thoughts Ahead of Imminent Wind Deal
- AEP – One Notch Victory; Even More Confidence Built – Execution Story Remains but Back on Track; Reiterate BUY on Deep Value and Regulatory Turnaround
- NRG: Management Stays the Course as Analyst Day Delivers More Guardrails on Capital Allocation
- NI: Healthy Multiple for NIPSCO 19.9% Sale in Line with Consensus Expectations; Questions Remain Around Equity Needs & Blackstone Equity Contributions
- POR: Stepping to the Sidelines as 1H23 Momentum Closes Valuation Gap, NT Catalyst Pathway Quiets, Downgrading to Neutral
- PCG NDR: If You Declare It, They Will Come
- POR: Initial Testimony Points to a Slightly Wider Bid-Ask
- DTE – 2023 Electric Rate Case Gets Direct Testimony; 50-60% of Ask Revenue Recommendation, Details Show Normal Bid-Ask, ROE Shows Slight Uptick
- DTE NDR – Constructive Discussion on Upside Trends; 2023 Headwinds Language Softened, Regulatory Alignment in Progress
- DUK: Disappointing Transaction Valuation But A Clearing Event Nonetheless; Focus Shifts To NC Rate Case Conclusions
- CNP – Mgmt. Engagement, Regulatory Alignment and Capex Upsides Could Further Differentiate CNP; Upgrading to Buy on a Selective Premium Call, $32PT
- PNW – Staff Files Constructive Testimony, Just Like Last Rate Case; All Eyes on Aug/Sept ACC Hearings While We Remain More Constructive on AZ Overall
- FE – Meeting with FE's New CEO Reinforces Our Confidence in the Existing Plan, No Rebasing Ahead – Bear Calls Won't Likely Work, Remains Our Best Idea
- CEG/NRG: STP Transaction Embodies the Tectonic Rift in IPP Strategies – Deal Supports Our BUY Stance on CEG; Neutral Stance on NRG
- PCG Analyst Day: Digging for Gold in All the Right Places; Investor Day Highlights Tangible Risk Reduction and Stakeholder Buy-In

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- ES: Gets Offshore Sale Process in Motion
- AGA 2023 Recap: Acquisitions, Guidance and Growth Dominate Discussion
- AEP – Now TX?? Yes, EPS Trajectory Intact but These Misses Are Becoming Hard to Digest for Anyone – Questions Surround Regulatory Affairs Naiveté
- AEP NDR: Death By 1,000 Cuts? No. Despite Some Stumbles Out of the Gate, CEO Very Honed In; Focus on Execution and B/S Dominates Conversations
- EXC NDR: Post-AEE Selloff Gets Interesting as the Pathway to a Boring Story Runs Through Illinois
- NRG: Hotel NRG - You Can Check Out Anytime You Like but You Can Never Leave… Activist Points Make Sense to Us but Pathways Forward Unclear
- IL: Staff Direct Testimony Sets Disappointing Floor in MYP Bid-Ask vs. Investor Expectations
- ETR – ETR-TX Settlement Filed Resolving Most Issues; 9.57% ROE, 51.21% ER and Full Rate Base Approval
- NEP: NEP Announces Strategic Steps to Minimize Equity; LT Platform Positioning
- Quarterly Weather Review: Cloudy With a Chance of Lower EPS
- Rising Debt Costs a Problem? Nah, Fake It Till You Make It
- AEP: No Surprise, KY Deal Breaks – Clearing Event
- Guggenheim Nuclear Conference Wrap: If You Build It, They Will Come?
- NEP: CEPF and Near-Term Financing Drilldown – Headwinds? Yes. Distribution Reset? Unlikely. Share Weakness Unwarranted; Bear Calls Flawed
- ERCOT: Policy Call Reinforces Uphill View on Repricing as TX Legislature Mulls Resource Adequacy Tweaks
- AEE NDR: Bread and Butter Utility Update Underscores Ameren's Premium Attributes
- NEE NDR: Management Continues to Chop Through IRA Upside Opportunities but Baseline Remains Conservative; Headline Hurdles Require Time
- ES: What Are the Bears Playing for Now? The Dislocation to Group Getting Out of Hand
- SRE: Port Arthur Reaches FID, Few Holdovers with Project Equity, but Economics Are Broadly Accretive
- SMR: 2023 to See Slightly Heightened Cash Usage as Focus Remains on Execution
- DUK: CEO NDR – How to Strengthen the Balance Sheet Without a "Rip-the-Band-Aid-Off" Equity Scenario? Patience.
- PEG Analyst Day – Straight Talking with PEG; Mgmt. Backs Up Sustainable 5-7% EPS Growth with Room to Exceed
- SRE: PUCT Modifies Oncor PFD, Approves Oncor Rate Case; 9.7% ROE and 42.5% Equity Ratio – Above Our Expectation
- Arizona Regulation: Taking a Deep Dive in the Desert — New Commissioners Bring a Wealth of Experience, Insights, and Planned Improvements to the ACC
- PNW: APS Wins Appeal of 2019 Rate Case's Penalty ROE and SCR Disallowance — Arizona Supreme Court May Be Next
- VST: Sensible Transaction and Organizational Realignment Look to Freeze the Melting Ice Cube Argument
- Deal or No Deal? Taking the Pulse of Fuel Deferrals Across Our Coverage Universe
- PJM: How Low Can You Go? Residualization of the BRA Marches On…
- D: Legislative Breakthrough Yields a Deal; Focus Turns to Credit Repair
- AEP: Contracted Renewables Sale Above Our Expectations
- LNT: Cleanup in Aisle 4? PSCW's Damage Control Proves Effective: Upgrading to NEUTRAL
- PSCW: Conversation with Chair Valcq Strikes a Balanced Tone
- D: Halftime in Richmond as Multiple Bills Advance
- D: SB1265 Amended Ahead of Crossover Deadline Tomorrow
- FE – The Same Board Who Set The Current Strategic Plan Is Also Picking The CEO… Follow-Up Thoughts Post Our Mgmt. Call
- FE – Rebase Coming? No. Asset Sale Delay? No. New CEO Strategy Shift? No. Balance Sheet Concerns? No. More Growth Opps? Yes. FE Remains '23 Best Idea
- D: General Assembly Sausage-Making Enters Full Swing as Lawmakers Continue to Cement the Bid-Ask
- D: Key Bills Pass Out of Senate Committee
- Commissioners Roundtable Recap: Regulators Remain Level-Headed Amid Rate Volatility and the Grid Transition
- 2023 Utility Outlook: Magic Mirror on the Wall, Who Is the Fairest One of All?
- D: New Legislation Proposes Novel Option for OSW Stake Sale – Mosaic Pieces Continue to Form a Clearer Picture
- ETR – LPSC Votes on Modified Settlement Proposal with Customer Benefits, but Recognition of Hurricane Cost Prudency
- D: Opening Move in Richmond: Evolutionary Legislation Lays Path Forward

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FLASH NOTE

October 26, 2023

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NI NDR: A Hidden Gem with Catalysts & Clearing Events Ahead

Key Message: Following our recent **C-Suite NDR** with NiSource, we expect the company to **reiterate its guidance commitments**, roll forward to 2028, and emphasize the **strength of its plan** while also **highlighting potential upside opportunities** which would be incremental to the base plan. Despite next week's Q3 call happening before the outcome of the final remarketing is known, we don't view this as significant (though shares may underperform in the very ST should the remarketing not work out given the optics for potential future equity needs), as we see clear pathways to NI achieving its reiterated guidance targets and metrics whether or not the remarketing occurs successfully, with **no 2024 equity needed either way**. In our view, investors should instead be focused on the strength of NI's capital plan and the **above-average rate base growth** it drives, as well as potential upside to an earnings growth rate which is already **well ahead of most peers**. **Key point** – with or without the upcoming remarketing process being successful, management still sees a CAGR of 6%-8% for EPS, 8%-10% for rate base with no divots/ cliffs even beyond the current trajectory. **We reiterate our BUY rating on value, strong growth and NT catalysts.**

What's coming on the Q3 call?... No rebasing, no cliffs — we expect reiterated guidance and a roll-forward to 2028 with a conservative base case assumption around the outcome of the remarketing which will occur post-call, plus upside potential… Through a combination of effective O&M management and capital levers, NI has and will continue, in our view, to mitigate near-term macroeconomic headwinds, resulting in the company confidently **reiterating its 2023 guidance** of $1.57–$1.60 ($1.585 midpoint), which was previously raised twice already, as well as **introducing 2024 guidance** grown off of the **current 2023 guidance**; investors will recall that NI's first 2023 guidance raise (+$0.035/sh at the midpoint) was done simply to put to rest any remaining concerns held by some investors around the company's intended EPS growth trajectory. We also expect NI to reaffirm its commitment to **6%–8% annual EPS growth**, underpinned by strong O&M management and the flat O&M plan likely being rolled forward as well, in our view. We'll be looking for the introduction of a new (**rolled forward to 2028**) 5-year capital plan which firmly supports NI's **8%-10% annual rate base growth target**. Given the significance of renewables in the plan over the next few years while coal is being phased out, and after hearing concerns from some investors around **panel shortages**, we pressed mgmt. on this topic, and were told that while they have seen costs going up, they have **not been experiencing panel delays** and fully expect the company's projects will be **completed on time**, as EDP Renewables [EDPR:PL] and NEE (NI's suppliers) have both continued to provide good execution backed by strong supply chains – management was extra constructive around NextEra.

Could the results of the final remarketing of the convertible units impact NI's earnings guidance?... No. We do not see a potential scenario where the remarketing either happening or not happening impacts NI's ability to hit its earnings guidance. While we do estimate that leaning on short-term borrowings instead of receiving $862.5m of equity proceeds from the remarketing could put **~90bps** of pressure (~10bps for every $100m of debt) on the company's FFO-to-debt metric in the near-term, NI would still remain **within its targeted 14%–16% range** as planned, just towards the lower end vs. mgmt.'s prior guidance on recent earnings calls of being towards the high end of the range once the NIPSCO deal concluded. While the simple math regarding the remarketing would point to ~$0.06 of accretion in 2024 by replacing the issuance of ~35m shares with an after-taxed short-term interest drag on $862.5m, we remind investors that the company could also opt to be less aggressive in its cost mitigation measures, reducing this accretion potentially to zero. **With or without the remarketing, we see NI as being well above its 13% downgrade threshold once the NIPSCO minority stake sale closes**, with no equity requirements throughout 2024 regardless. In the case of no remarketing, we would expect that the **ATM equity plan in 2025 and beyond** would likely be expanded in order to accommodate

NI BUY

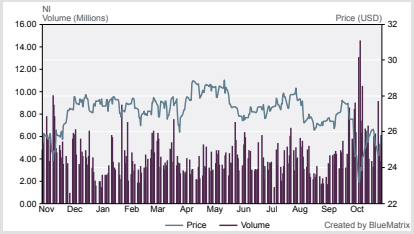
NiSource Inc.
Sector: Power & Utilities

Company Update

Share Price	$25.72

Market Data

52-Week Range	$22.86 - $28.95
Dividend	$1.06
Dividend Yield	4.1%
Market Cap (M)	$10,629
Enterprise Value (M)	$21,092
Shares Out (M)	413.3
ADV (3 mo; 000)	4,909



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"substitute equity" in place of the $862.5m which would have been raised in 4Q23. Investors will recall that NI was already planning to make use of its **ATM for maintenance equity** in support of the company's current investment grade credit ratings; S&P (BBB+), Moody's (Baa2), and Fitch (BBB). Finally, with ongoing equity infusions from its ATM program, **we do not see a need for NI to conduct additional minority stake sales or any other divestitures**.

What about upside to the current plan?... We came away from our meetings with the impression that mgmt. could **highlight opportunities for incremental investment** beyond the existing plan as well. As discussed on the Q2 call (see our note HERE), mgmt. sees the potential for **incremental capital investment** should the **remaining four renewable projects** shift from **tax equity** to **full utility ownership (about 1/3 of the projects spend)**. Replacing that tax equity for NIPSCO's four remaining renewable projects could add **~ $500m-$1bn** to the plan we estimate, from the 1/3 (the remaining 2/3 is already in plan). The utility currently has two projects seeking IURC approval and another two expected to be filed in 1H24, with in-service dates in '24/'25. The company is hoping for a quick decision on the first two projects by YE23 and **how credits will flow back to customers will likely be key to gaining expedited commission approval**, in our view. This makes sense to us, as the IURC (like all regulators) has become increasingly focused on customer bill impacts. To NI's credit, mgmt. noted that its plan (which incorporates only 0.5%–1.0% customer growth) is already expected to result in only **low-single digit bill increases**. Longer-term upside could come from opportunities like the upwards of **$1bn of NIPSCO transmission** which is not currently in plan, as well as potential datacenter-related investment (e.g. **Intel's (INTC) new plant in Columbus** and the 20k+ jobs it's expected to bring to the region), a battery plant being developed in Indiana, and investment related to the regional **hydrogen hub**, among others.

Once all renewable projects are online and NI has zero coal remaining, is 8%–10% rate base growth still realistic?... Yes. We see plenty of capital opportunities ahead for NI to maintain its 8%–10% rate base growth over the longer-term, including spending driven by new Pipeline and Hazardous Materials Safety Administration **(PHMSA) rules**, investments to further reduce **methane emissions**, **MISO reliability rule** changes, new **transmission needs at NIPSCO** (albeit longer-dated), and continued **TDSIC investment**, in addition to company-highlighted ongoing safety and reliability spending needs. We also note that **regulatory lag should be reduced** following NIPSCO's renewables buildout, as much of NI's capex is covered by trackers, with NIPSCO electric's need for rate cases to move projects into rates being a notable exception. As spending is redistributed throughout NI's system, we actually see the potential for the company to earn closer to its allowed ROEs in aggregate, **strengthening the longer-term earnings growth profile**, and **potentially even leading to higher earnings growth overall**.

What's next?... We expect to see a rate case filing in PA next year which will be focused around modernization investment, and note that an intention to file has been made for NIPSCO Gas, although further details have not yet been disclosed. We also expect to see NIPSCO Electric filing another case in order to move its renewable projects into rates, however the company has not yet provided details around when it may do so. Regarding **RNG/Hydrogen**, the company is still analyzing the potential timetable, but has been looking at VA in particular, as it has RNG legislation in place. We came away with the impression that while certainly a focus, it's likely more of a 2027/2028 topic vs. nearer-term, with additional R&D being required around blending requirements. In the meantime, the company has a hydrogen project in PA which should help it in better understanding the impacts to its system overall. For NIPSCO gas, we continue to model 9.5% earned ROEs (vs. 9.85% authorized), for NIPSCO electric we model ~9% earned ROEs (vs. 9.8% authorized) due to additional regulatory lag as the renewable projects go into service, and for PA we model 9.5% ROEs vs. a history of black box settlements.

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ANALYST CERTIFICATION

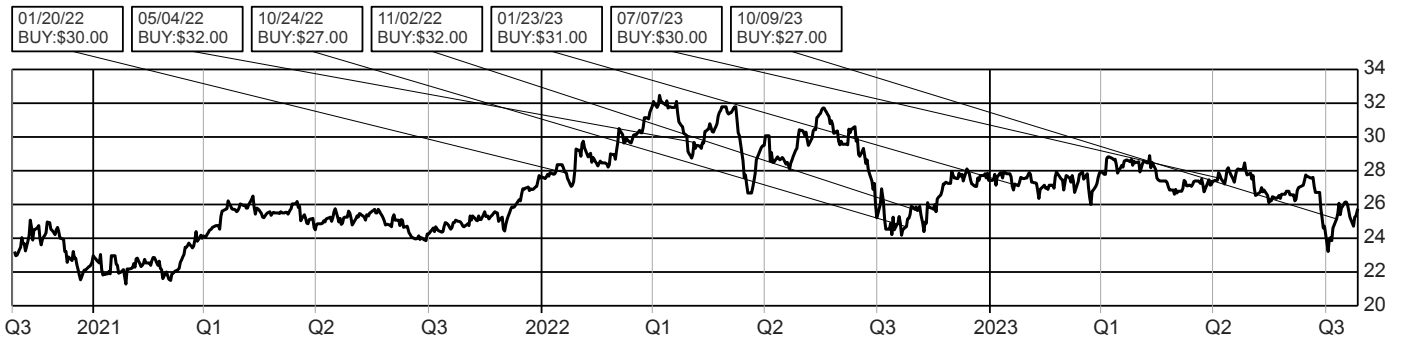
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Rating and Price Target History for: NiSource Inc. (NI) as of 10-26-2023



Created by: BlueMatrix

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NEUTRAL	112	30.68%	8	7.14%
SELL	9	2.47%	0	0.00%

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From: Shahriar Pourreza, CFA
To: Turnure \ Christopher \ J
Subject: The Guggenheim Daily Transmission: SR, EEI, NI, AEE, PCG, CA, EIX, CT, AEP, OGS - Guggenheim Securities, LLC
Date: Friday, November 17, 2023 10:34:48 AM

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Power & Utilities November 17, 2023

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For details on our Guggenheim-hosted client Utility events including our NEE NDR, FE CFO lunch, and other events, scroll down...

'23 LCOE Analysis – Inflation Now Embedded, But IRA Keeps Solar/Wind Competitive; Renewables Not Dead Despite Higher Interest Rates; NEE Positive Lateral (see our note HERE)

Utilities: Perfect Storm of Rates, Tax-Loss Selling, and Macro Concerns Weigh on Sector Valuation: We Remain Cautious and Selective Despite Sell-Off (see our note HERE)

SR: Fiscal Q4/FY23 Miss on One-Time Items; FY24 Guidance Introduced; Capital Plan Rolled Forward; LT Growth Reaffirmed (see our note HERE)

Guggenheim EEI Takeaways - Day Three (see our note HERE)

Guggenheim EEI Takeaways - Day Two (see our note HERE)

Guggenheim EEI Takeaways - Day One (see our note HERE)

NI – Remarketing conclusion; $600m of equity in 2024 instead of $862.5m in 2023

AEE – ICC issues final order in gas case

PCG – CPUC approves PG&E GRC alternative proposed decision

CA – CPUC approves decision on NEM 3.0 adjusting certain distributed generation credit

EIX – Intervenors file comments on PD denying SCE proposal for building electrification

CT – PURA response requirements draw fiery op-ed from linemen

AEP – $1.7bn prospectus filed, as expected

OGS – Caron Lawhorn announces retirement; Chris Sighinolfi to become new CFO

NI – Remarketing conclusion; $600m of equity in 2024 instead of $862.5m in 2023

- Today, NI announced the unsuccessful final remarketing of its Series C Mandatory Convertible Preferred Stock, originally issued on April 19, 2021 as part of NiSource's equity units.
- The company now expects to issue up to $600m of equity in 2024 (down from $862.5m in 2023 had the remarketing been successful), and will do so via an ATM.
- No equity issuances are expected in 2023, and equity issuances in 2025-2028 are expected to be $200m-$300m per year (also via ATM) to support the base capital plan.
- Guidance issued on Nov. 1, 2023 remains unchanged. Specifically, in 2023, NOEPS is expected to be in the upper half of the $1.54-$1.60 range, in 2024, NOEPS is expected to be in the range of $1.68-$1.72, NOEPS growth is expected to be 6%-8% annually from 2023-2028.
- The company continues to expect to achieve 14%-16% FFO/debt annually during the 2023-2028 period.
- 8-Ks HERE

Guggenheim takeaway: *This has been well telegraphed by NI mgmt. in our view and should be received positively as it provides additional headroom for the company to reach (or exceed) its earnings targets. We see the amount of ATM equity as very manageable and note that NI's 6-month average daily value of shares traded currently stands at $127m per day. In our view, this should allow the company considerable flexibility in terms of the timing of when it chooses to issue the $600m of equity in 2024, and we would continue to expect the issuance to be more towards the end of the year when the funds are actually needed.* ***For more, please see our Wednesday write-up ahead of this event: "NI – Remarketing Process Postponed; Substitute Equity Not Needed Until YE24; More Details to Come Tomorrow/Friday" (link HERE).***

AEE – ICC issues final order in gas case

- The final order lowered the ROE from the ALJ recommendation to 9.44% and the rate base to $2.842B.
- "A just and reasonable rate of return which Ameren Illinois Company should be allowed to earn on its net original cost rate base is 6.846%; this rate of return incorporates a return on common equity of 9.440%; on long-term debt of 4.232%; and on short-term debt of 4.090%." – order
- "Averaging the revised Staff CAPM estimate of 9.47% with Staff's constant growth DCF estimate of 9.40% results in a 9.440% ROE." - order
- More HERE.

Guggenheim takeaway: *The ROE in the final order was a disappointment vs. the Staff 9.89%, with the new ICC*

appearing willing to depart from the Staff/ALJ - a plus or minus for the forthcoming electric MYPs, where we and others have continued to question the potential pathways forward from the Staff and ALJ proposals. As a reminder, AEE's gas rate base in IL is ~11% of the total company (IL electric is ~18%).

PCG – CPUC approves PG&E GRC alternative proposed decision

- CPUC voted 5-0 to approve the PCG GRC APD.
- The APD approves a 505 escalation factor and an increased 1,200mi undergrounding program.
- The CPUC focused on safety, reliability and affordability in comments.
- The decision approves a 13% test year increase, with decreases in the attrition years, resulting in an overall growth rate of 3.6%.
- PR Here.
- Docket: A2106021

Guggenheim takeaway: *FYI. Incrementally, the APD adjustments are constructive but remain well below PG&E requests. The APD revision provides a more adequate level of relief for escalation, which would step up PCG rate base growth expectations from the prior unrevised PD (after which mgmt. guided to the lower half of the rate base range). We believe this is enough to keep the EPS growth trajectory for PG&E intact, but as a reminder there remain incremental proceedings on certain wildfire related spend moving into another proceeding, SB410 and 10-year undergrounding plans that will address certain incremental items. PCG maintains a plan to update investors with the results of the APD embedded in plan. Mgmt. noted a 1-2 week period for the update, which at this point would be after the Thanksgiving holiday. Our expectations for the update are guidance on rate base, dividend policy and a reiterated EPS growth expectation of 10-9-9 annual percentage growth through 2026. Given the upside on the escalation factors, we expect rate base to be back at the midpoint of the prior range and an improvement on the FFO/Debt metrics tracker.*

CA – CPUC approves decision on NEM 3.0 adjusting certain distributed generation credit

- CPUC voted on a NEM 3.0 decision, further reshaping and lowering distributed generation credits.
- These changes only apply to future customers. The decision adopted today also strengthens consumer protections for rooftop solar customers, clarifies rules for fuel cell systems to comply with GHG emissions standards per statutory requirements, and implements a new law that mandates fair wage requirements for construction workers on certain solar and storage projects.
- More here.
- The PD approved last year included a grid access charge and cut distributed generation credit from ~$0.30 per kWh to $0.08 per kWh, effective on April 15, 2023.
- Docket: R.20-08-020

Guggenheim takeaway: *FYI. The argument around cost shift seems to be widely understood by every party, including major intervening parties and independent party representatives. Our prior meetings with ex-CPUC President acknowledged that the current NEM rules were lacking by design to incentivize a nascent industry, which all parties recognize is no longer the case with CA renewable and distributed technologies. After a vocal public and ex-parte communication, the CPUC has made incremental fixes to utility ratemaking and cost allocation.*

EIX – Intervenors file comments on PD denying SCE proposal for building electrification

- Intervenors filed comments on the SCE building electrification proposed decision.
- Majority of the intervenors including public advocates and environmental groups were in support of a reconsideration or refiling of the application to address the PD.
- The ALJ noted in the prior PD that the CPUC supports the goal of the proposal and appreciates the initiative, but denied the application due to certainty of costs and uncertainty of benefits.
- The SCE plan was for $677.2M of spending over a four-year period for programs to help accelerate building electrification.
- Docket: A2112009; PD Here.
- Original PR here.

Guggenheim takeaway: *FYI. Not a major setback but shows the complexity of addressing CA policy issues with the CPUC expectations. EIX has previously highlighted multiple areas of capex flex including policy and transmission items, but the PD was a modest incremental growth program.*

CT ─ PURA response requirements draw fiery op-ed from linemen

- "The shockingly dangerous part of the decision is a new time requirement for responding to priority one calls. Speaking for the Eversource line workers who respond to those calls — members of the International Brotherhood of Electrical Workers Locals 420 and 457 — *we are furious*. This new requirement not only puts our members at risk but creates a much greater public safety risk than PURA and then Connecticut politicians seems to grasp." – op-ed
- More HERE

Guggenheim takeaway: *Yet another pointed example of PURA-induced frictions.*

AEP ─ $1.7bn prospectus filed, as expected

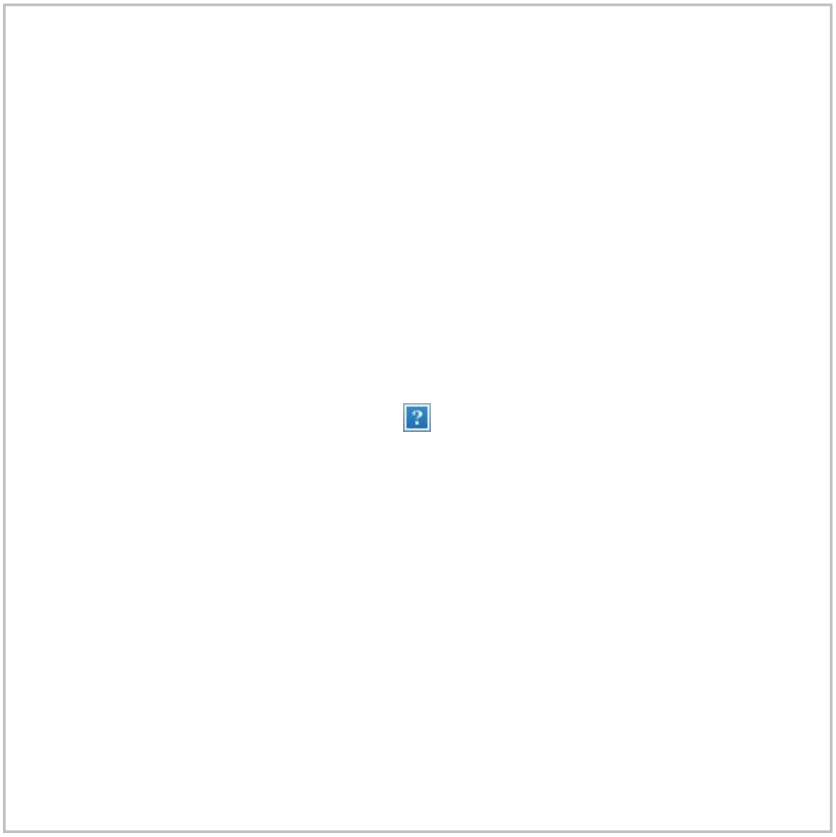
- The prospectus is for the company's 3-year ATM program.
- More HERE

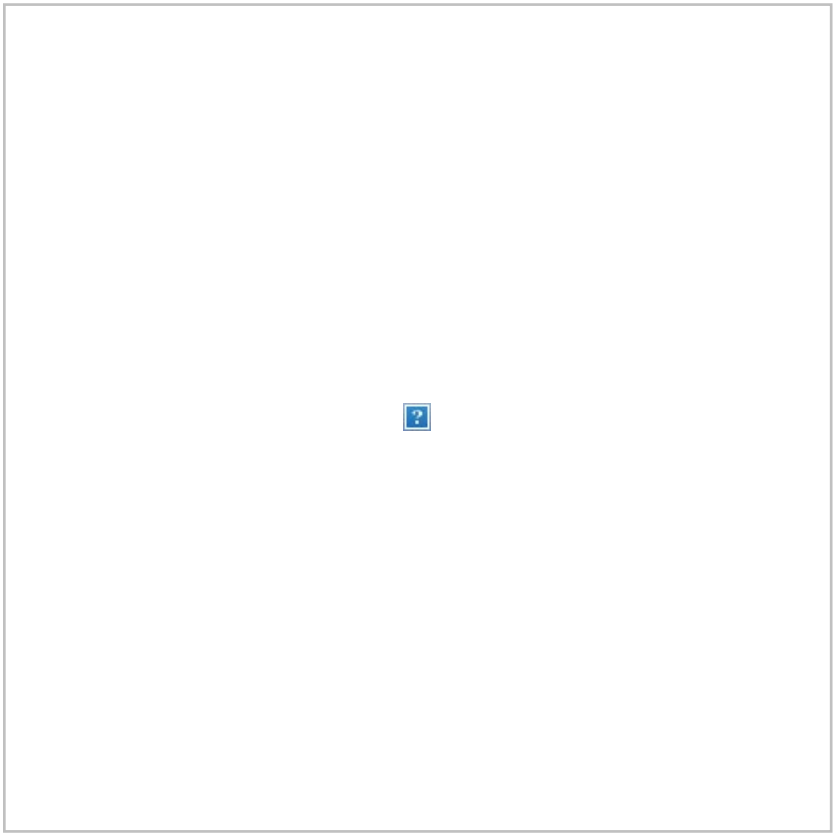
Guggenheim takeaway: *Consistent with the messaging from AEP's mgmt. at EEI this past week.* ***For more, please see our write-up of our meeting with the company HERE.***

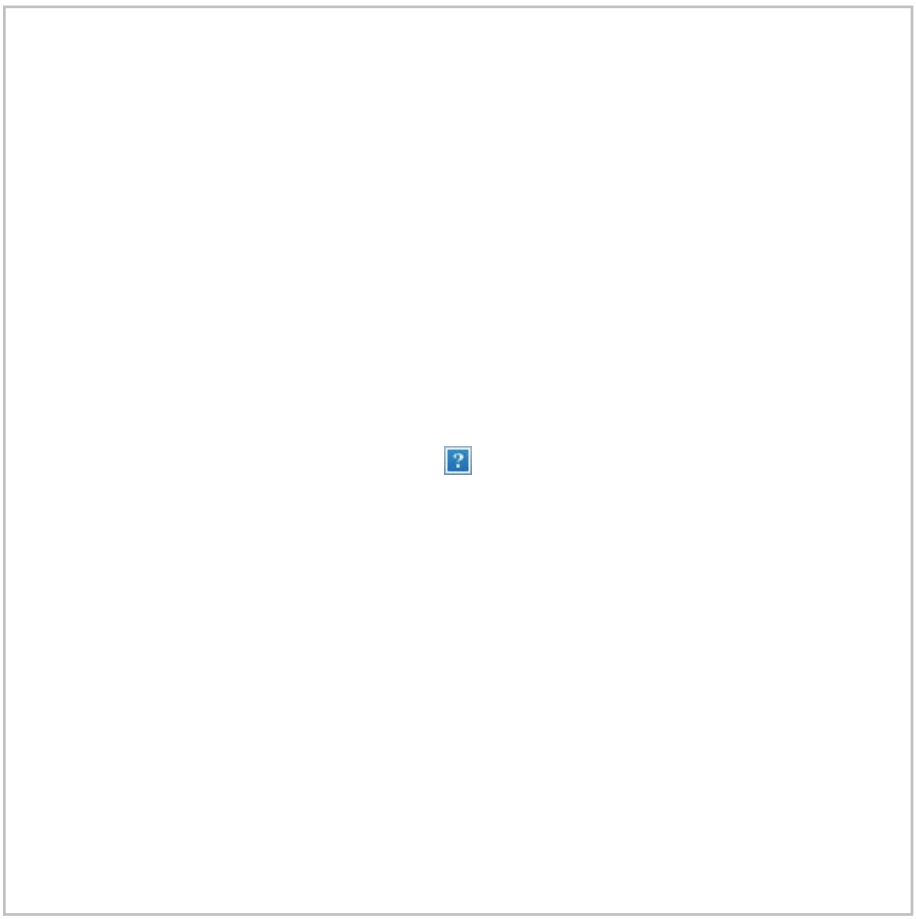
OGS ─ Caron Lawhorn announces retirement; Chris Sighinolfi to become new CFO

- Yesterday, the company announced that Caron Lawhorn has decided to retire as the CFO effective December 31, 2023. The company's Board of Directors has elected Christopher Sighinolfi, VP of Corporate Development, Investor Relations and Sustainability, to become the next SVP & CFO, effective January 1, 2024.
- More HERE

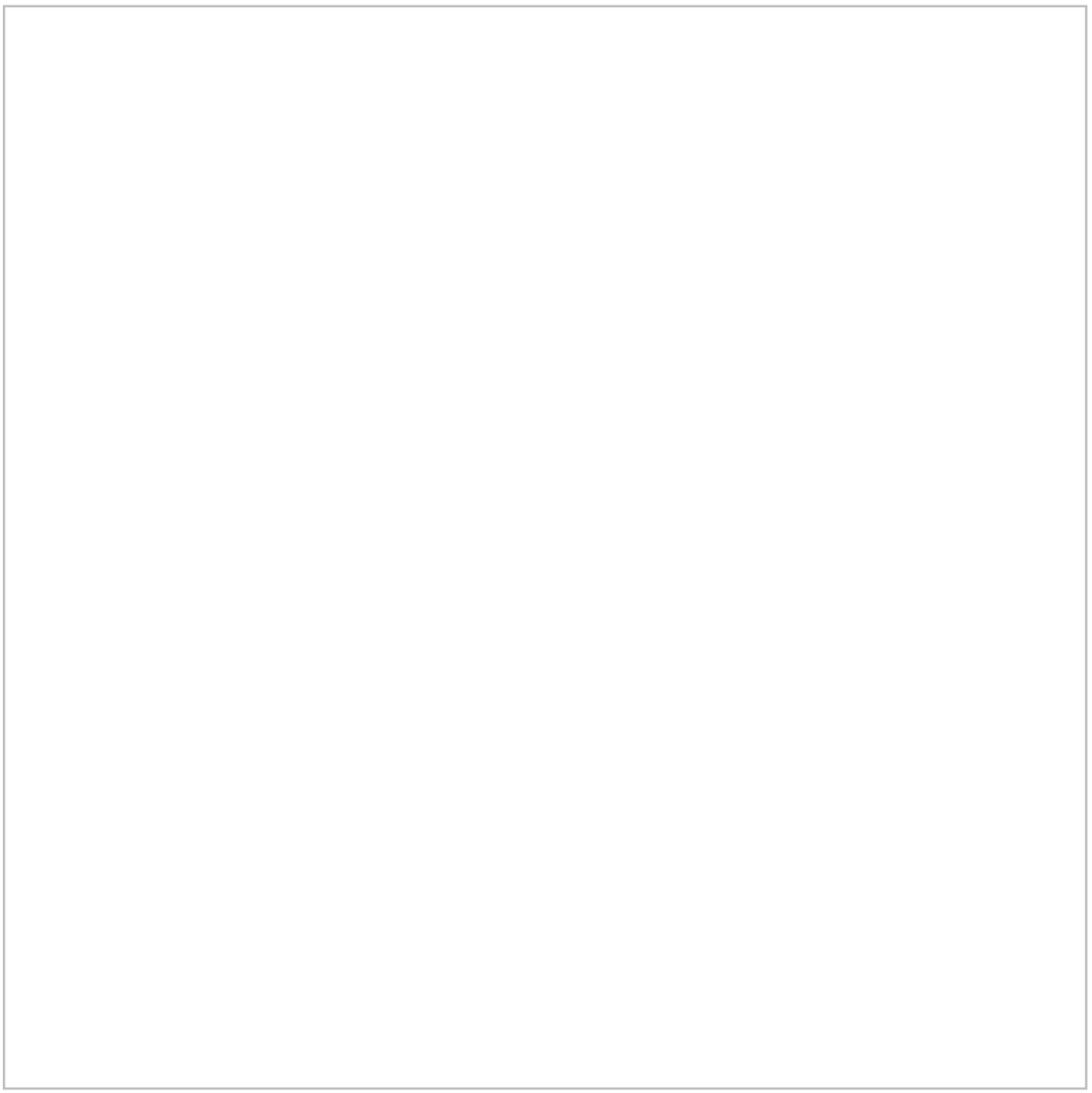
Guggenheim takeaway: *For your information.*



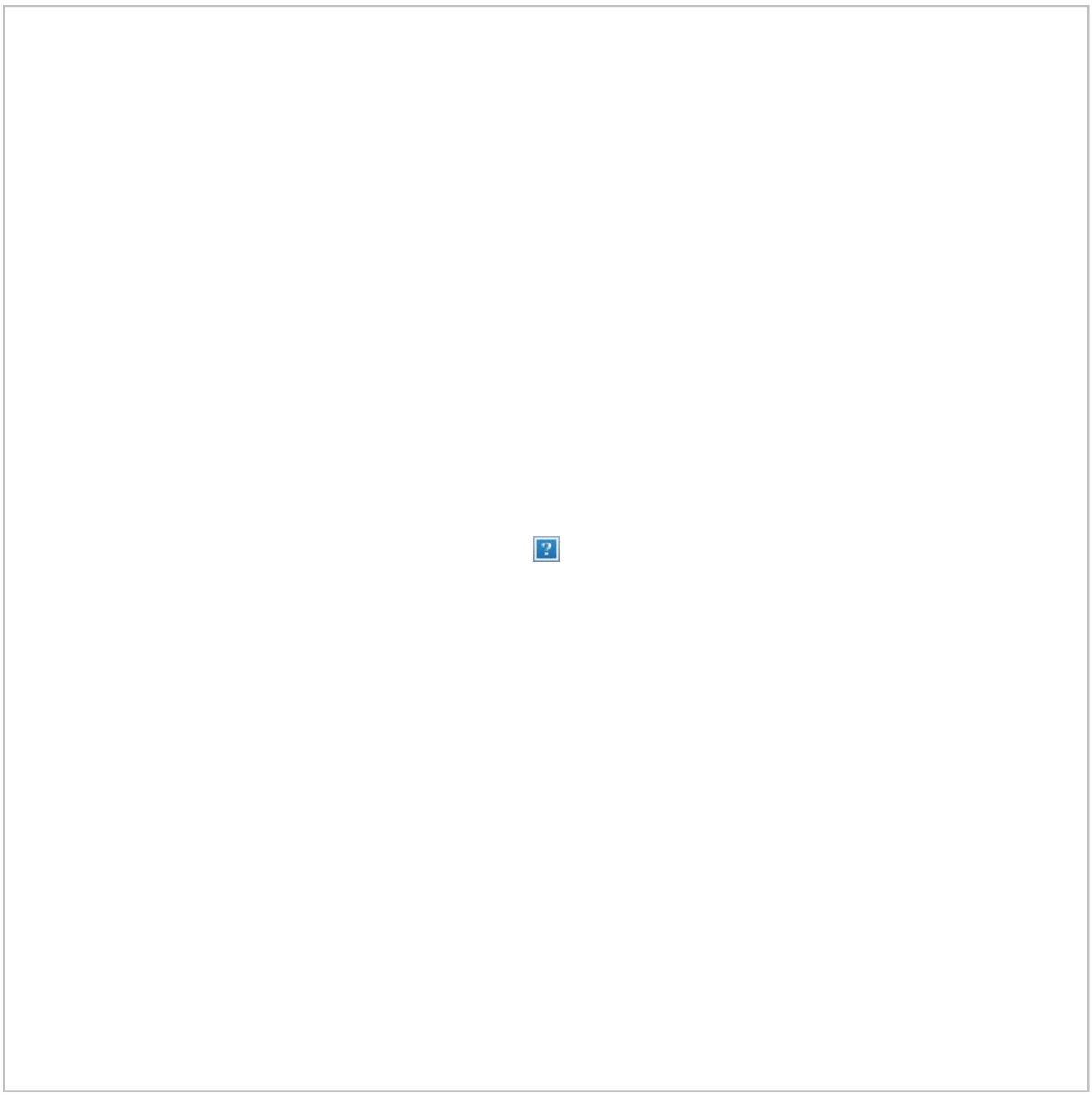




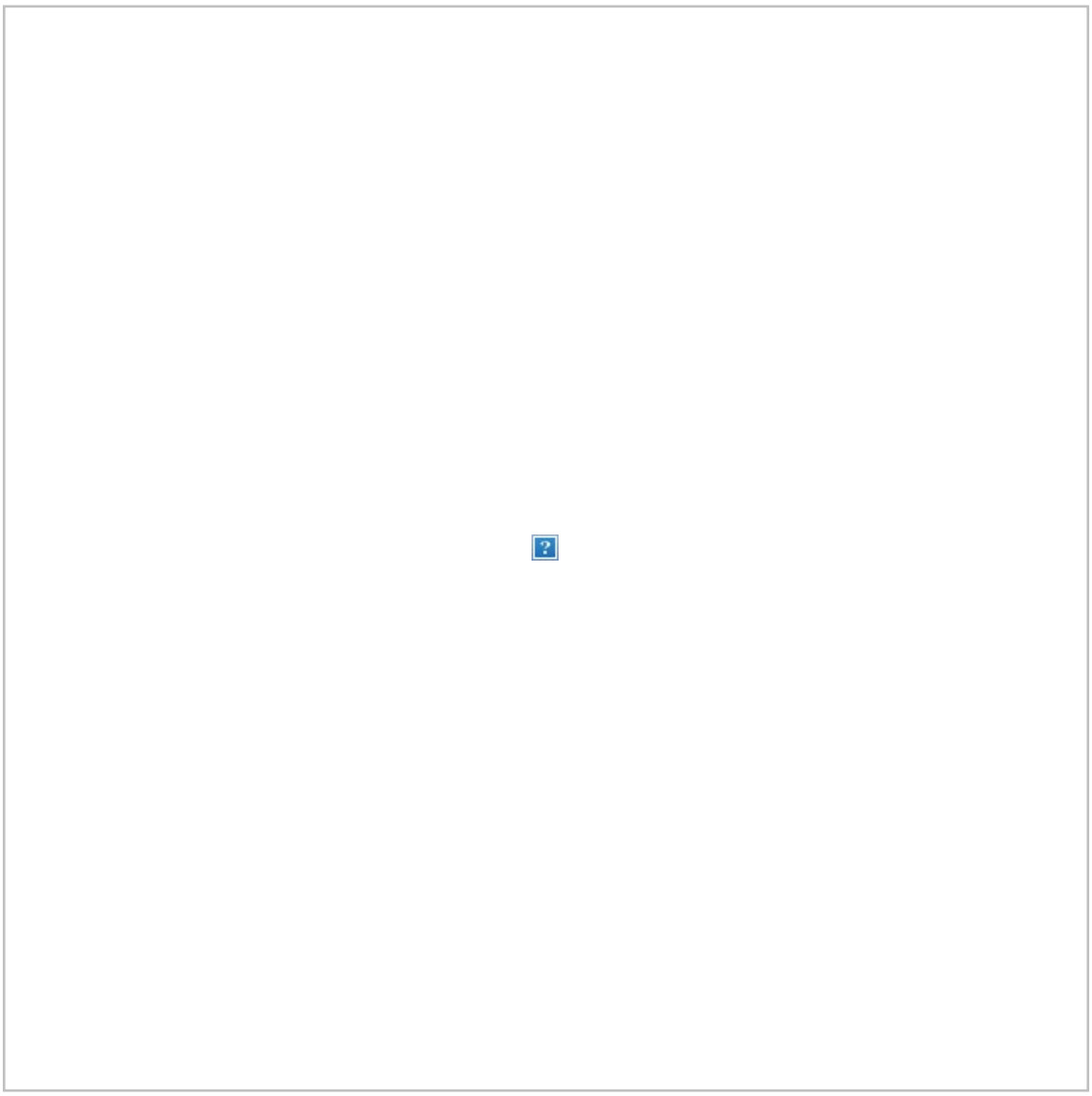
Guggenheim 2023 Client and Corporate Access Utility Events



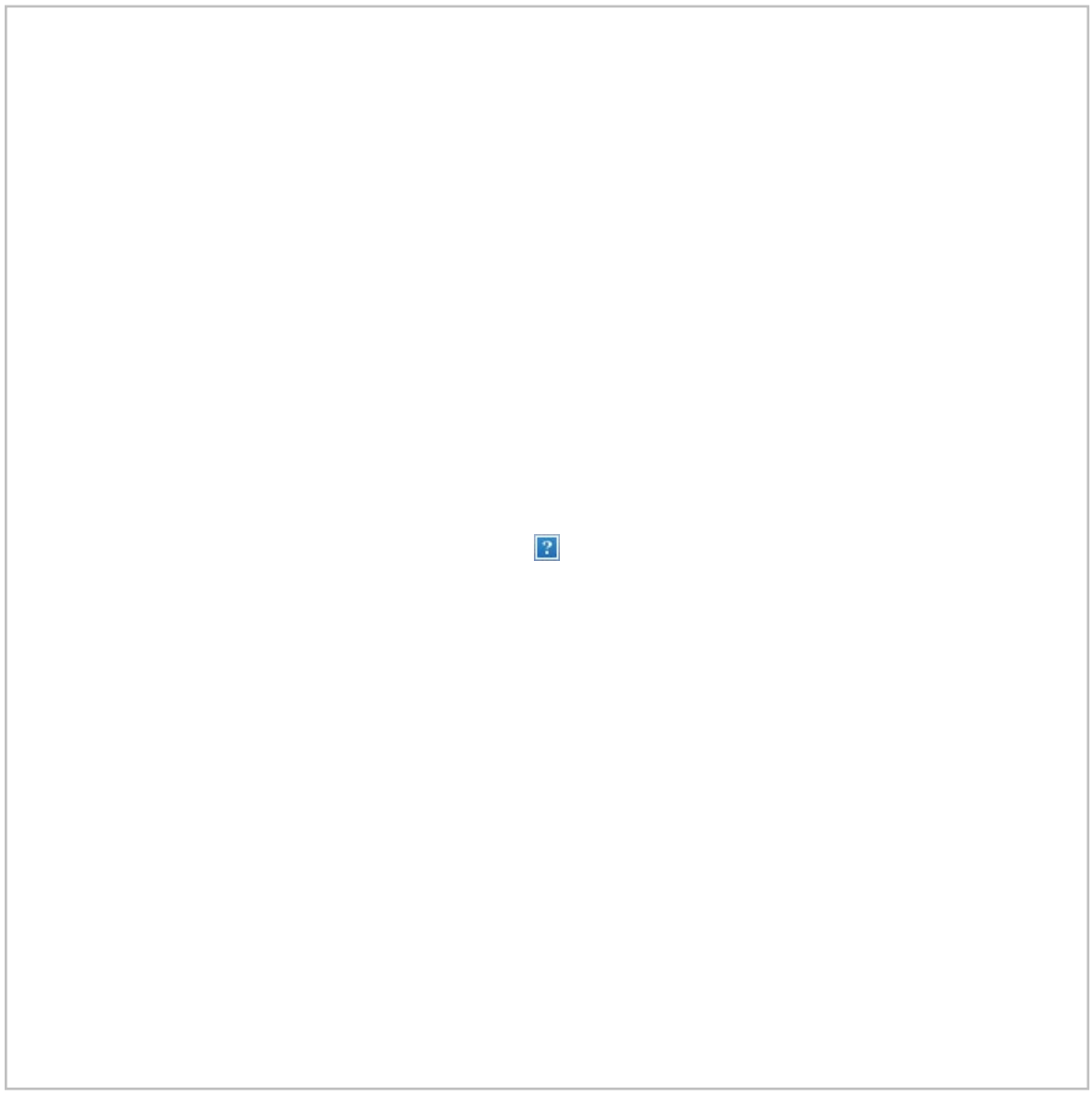
Guggenheim Comp Sheet



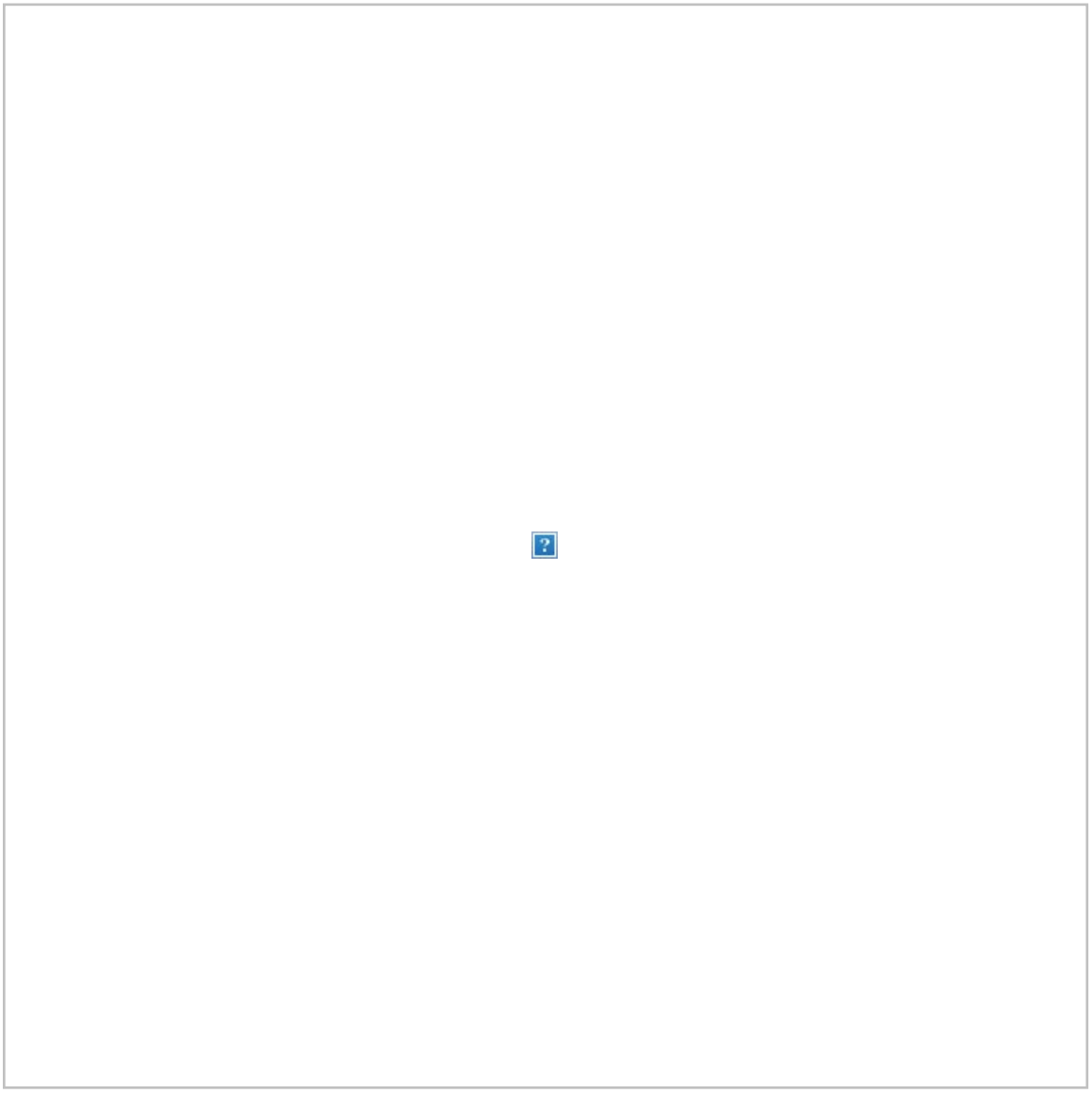
Share Price Performance (Year-to-Date, Three-Month, One-Month, & Five-Day Trailing)



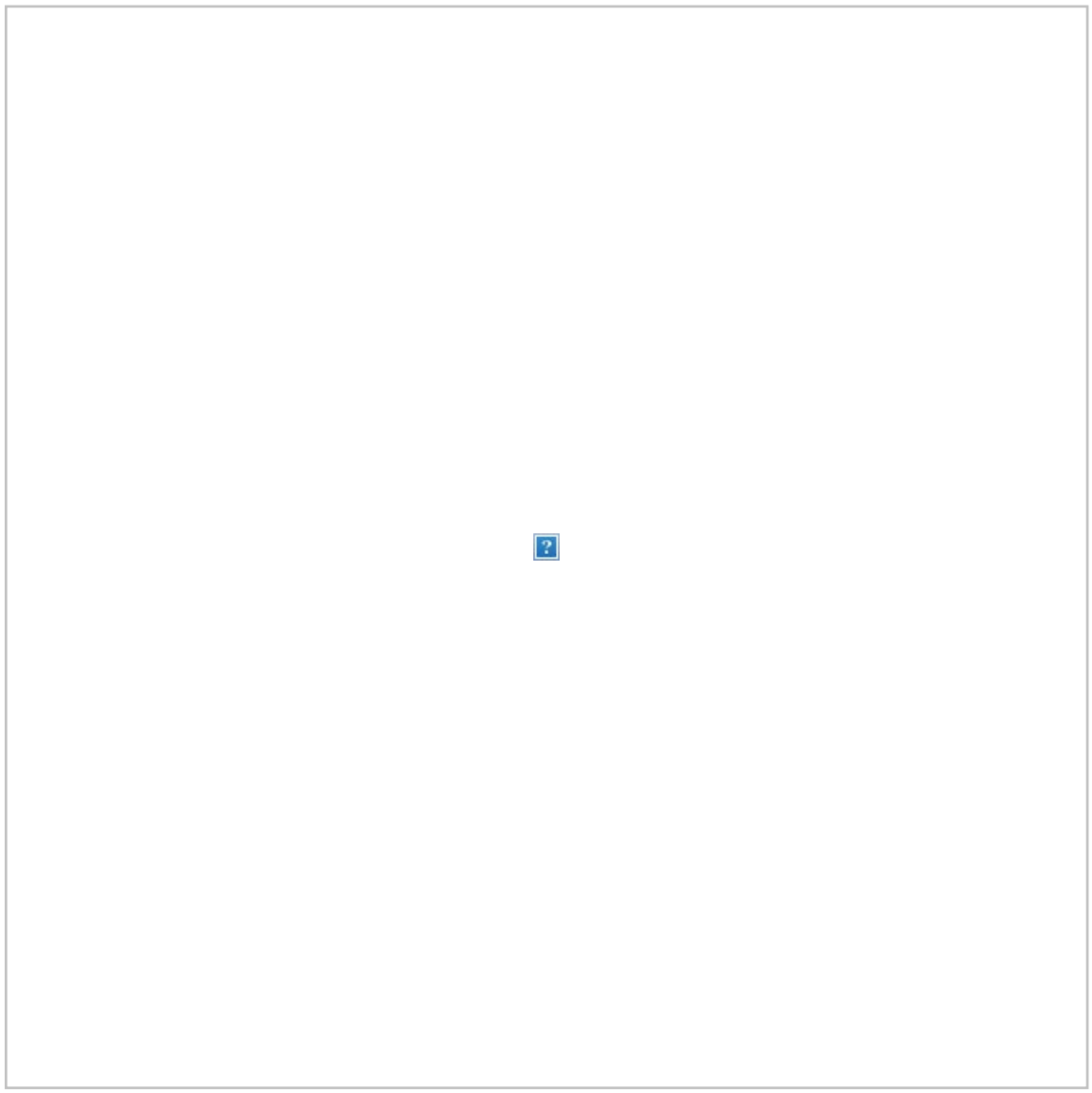
Generation and Mix



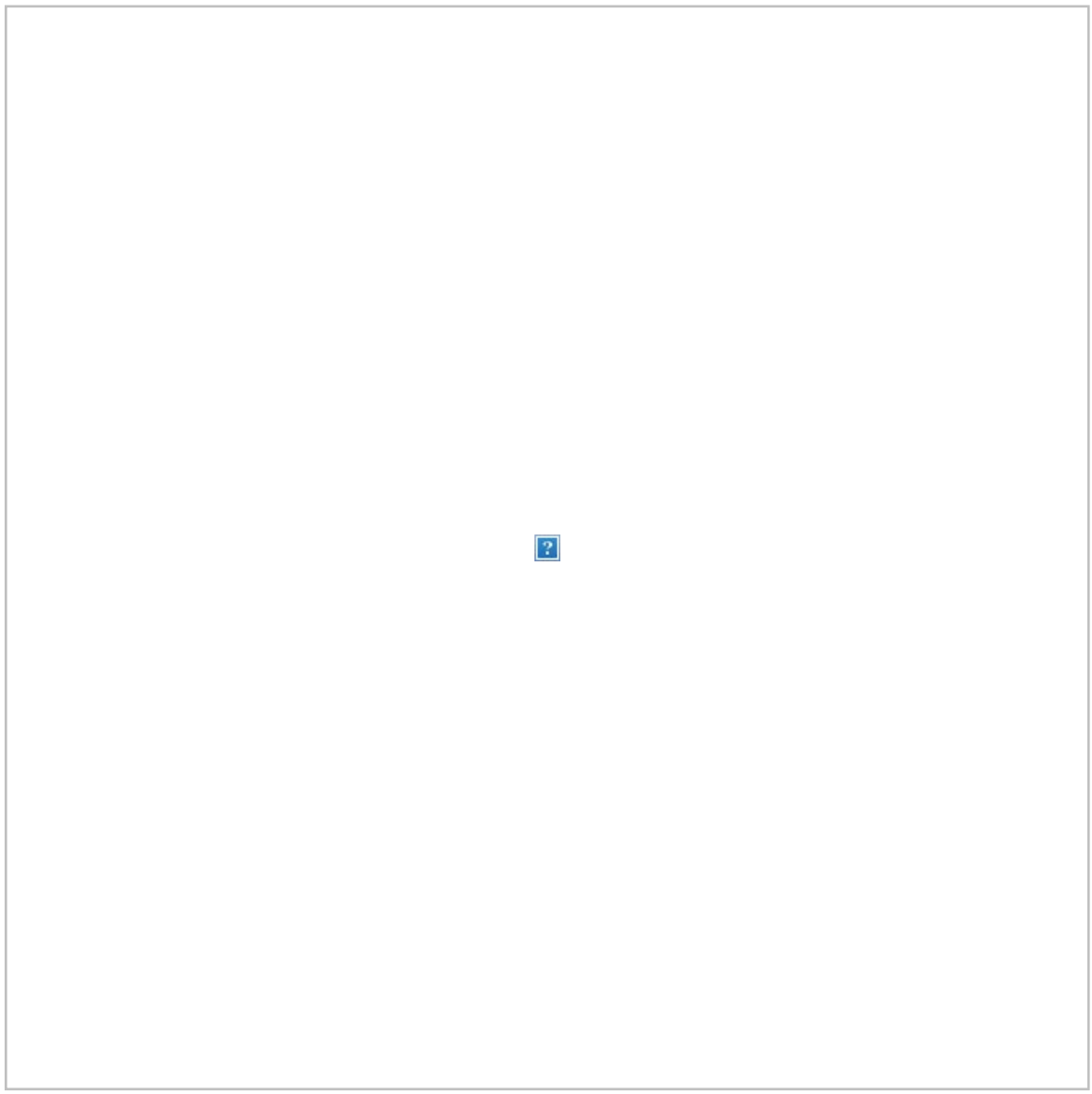
Generation and Mix (continued)



Weather



YTD Peak Load



Regulatory Calendar

Key Research

Guggenheim's Forward Commodity Curves

- Forward Power Curves, GenCo MtM, and Weekly Commentary

Key Research

- NI – Remarketing Process Postponed; Substitute Equity Not Needed Until YE24; More Details to Come Tomorrow/Friday
- UTL: “It’s Not the Size of the Dog in the Fight, It’s the Size of the Fight in the Dog”; Valuation Full but Has Potential; Initiating Coverage at NEUTRAL
- NRG: Steadfast Capital Return Commitment, Confidence in Management, and Clear Messaging Go a Long Way…. Upgrading to BUY

- IDA: "Here We Have Idaho", and No Drama – What's Not to Like?; Initiating Coverage with a BUY
- NI NDR: A Hidden Gem with Catalysts & Clearing Events Ahead
- '23 LCOE Analysis – Inflation Now Embedded, But IRA Keeps Solar/Wind Competitive; Renewables Not Dead Despite Higher Interest Rates; NEE Positive Lateral
- ES – The Wind Keeps Blowing in the Wrong Direction: Another Messaging Miss, Downgrading to NEUTRAL on Balance Sheet, Protracted OSW Process
- Utilities: Perfect Storm of Rates, Tax-Loss Selling, and Macro Concerns Weigh on Sector Valuation: We Remain Cautious and Selective Despite Sell-Off
- DTE – 2023 Electric Rate Case PFD Drops Revenue Request Below Bid-Ask; MPSC Has Final Say, But Litigation Risk Now Apparent
- EVRG: Kansas Settlement Improves on Tough Bid-Ask but Leaves Cap Structure Overhang for Another Day
- NEE/NEP: Cat's Out of the Bag – Capital Markets Weigh Heavy on NEP Growth, NEE Readthrough Too Punitive In Our View
- CPK-NEE – CPK Announces Transformative Florida City Gas Acquisition; Efficient Cash Source for NEE, Strategic for CPK
- Power/Gas: No Country for New Gas…
- PCG: 2023 GRC PD Comes With Tough Headline Reductions For PG&E and Two Alternates Proposed; Non-GRC Recovery and Workarounds TBD
- CMS – Timely NDR on the Heels of Regulatory and Weather Events; Mgmt. Highlights Gradualist Approach With LT Upside on Infrastructure Needs
- D: Strategic Review Enters Home Stretch
- SO – Vogtle Prudency Review Begins with a Multi-Party Stipulation Right Out of the Gate
- Arizona Regulation: Drawing a Line in the Sand? Not with this Commission — Continuing Our Deep Dive in the Desert with Commissioner Myers and Commissioner Thompson
- POR: Valuation Dislocation on Wildfire Misconception Provides Fresh Entry Point: Upgrade to BUY
- SO: Fruitful Conversation With Georgia PSC Chair: "If It Isn't Broke, Don't Fix It"
- SO: "Georgia on My Mind" While Racing Porsches - Looking Past a Few NT Potholes to LT Sunny Skies with the Right Team at the Wheel
- Lead in the Water? We Don't Think So – First Glance at Utility Related Lead (Pb) Cable Insulation Exposure
- Guggenheim Regulatory Baseline: Taking the Midyear Pulse of Our 40+ States
- Utilities: A Midsummer Night's Dream or Daydream? Making Valuation and Ratings Changes but Has Sector Thesis Changed?
- ES: Calmer Waters Ahead? Yes, But Wind and Connecticut Cross Currents Remain – Updating Our Thoughts Ahead of Imminent Wind Deal
- AEP – One Notch Victory; Even More Confidence Built – Execution Story Remains but Back on Track; Reiterate BUY on Deep Value and Regulatory Turnaround
- NRG: Management Stays the Course as Analyst Day Delivers More Guardrails on Capital Allocation
- NI: Healthy Multiple for NIPSCO 19.9% Sale in Line with Consensus Expectations; Questions Remain

Around Equity Needs & Blackstone Equity Contributions

- POR: Stepping to the Sidelines as 1H23 Momentum Closes Valuation Gap, NT Catalyst Pathway Quiets, Downgrading to Neutral
- PCG NDR: If You Declare It, They Will Come
- POR: Initial Testimony Points to a Slightly Wider Bid-Ask
- DTE – 2023 Electric Rate Case Gets Direct Testimony; 50-60% of Ask Revenue Recommendation, Details Show Normal Bid-Ask, ROE Shows Slight Uptick
- DTE NDR – Constructive Discussion on Upside Trends; 2023 Headwinds Language Softened, Regulatory Alignment in Progress
- DUK: Disappointing Transaction Valuation But A Clearing Event Nonetheless; Focus Shifts To NC Rate Case Conclusions
- CNP – Mgmt. Engagement, Regulatory Alignment and Capex Upsides Could Further Differentiate CNP; Upgrading to Buy on a Selective Premium Call, $32PT
- PNW – Staff Files Constructive Testimony, Just Like Last Rate Case; All Eyes on Aug/Sept ACC Hearings While We Remain More Constructive on AZ Overall
- FE – Meeting with FE's New CEO Reinforces Our Confidence in the Existing Plan, No Rebasing Ahead – Bear Calls Won't Likely Work, Remains Our Best Idea
- CEG/NRG: STP Transaction Embodies the Tectonic Rift in IPP Strategies – Deal Supports Our BUY Stance on CEG; Neutral Stance on NRG
- PCG Analyst Day: Digging for Gold in All the Right Places; Investor Day Highlights Tangible Risk Reduction and Stakeholder Buy-In
- ES: Gets Offshore Sale Process in Motion
- AGA 2023 Recap: Acquisitions, Guidance and Growth Dominate Discussion
- AEP – Now TX?? Yes, EPS Trajectory Intact but These Misses Are Becoming Hard to Digest for Anyone – Questions Surround Regulatory Affairs Naiveté
- AEP NDR: Death By 1,000 Cuts? No. Despite Some Stumbles Out of the Gate, CEO Very Honed In; Focus on Execution and B/S Dominates Conversations
- EXC NDR: Post-AEE Selloff Gets Interesting as the Pathway to a Boring Story Runs Through Illinois
- NRG: Hotel NRG - You Can Check Out Anytime You Like but You Can Never Leave… Activist Points Make Sense to Us but Pathways Forward Unclear
- IL: Staff Direct Testimony Sets Disappointing Floor in MYP Bid-Ask vs. Investor Expectations
- ETR – ETR-TX Settlement Filed Resolving Most Issues; 9.57% ROE, 51.21% ER and Full Rate Base Approval
- NEP: NEP Announces Strategic Steps to Minimize Equity; LT Platform Positioning
- Quarterly Weather Review: Cloudy With a Chance of Lower EPS
- Rising Debt Costs a Problem? Nah, Fake It Till You Make It
- AEP: No Surprise, KY Deal Breaks – Clearing Event
- Guggenheim Nuclear Conference Wrap: If You Build It, They Will Come?
- NEP: CEPF and Near-Term Financing Drilldown – Headwinds? Yes. Distribution Reset? Unlikely. Share Weakness Unwarranted; Bear Calls Flawed
- ERCOT: Policy Call Reinforces Uphill View on Repricing as TX Legislature Mulls Resource Adequacy Tweaks

- AEE NDR: Bread and Butter Utility Update Underscores Ameren's Premium Attributes
- NEE NDR: Management Continues to Chop Through IRA Upside Opportunities but Baseline Remains Conservative; Headline Hurdles Require Time
- ES: What Are the Bears Playing for Now? The Dislocation to Group Getting Out of Hand
- SRE: Port Arthur Reaches FID, Few Holdovers with Project Equity, but Economics Are Broadly Accretive
- SMR: 2023 to See Slightly Heightened Cash Usage as Focus Remains on Execution
- DUK: CEO NDR – How to Strengthen the Balance Sheet Without a "Rip-the-Band-Aid-Off" Equity Scenario? Patience.
- PEG Analyst Day – Straight Talking with PEG; Mgmt. Backs Up Sustainable 5-7% EPS Growth with Room to Exceed
- SRE: PUCT Modifies Oncor PFD, Approves Oncor Rate Case; 9.7% ROE and 42.5% Equity Ratio – Above Our Expectation
- Arizona Regulation: Taking a Deep Dive in the Desert — New Commissioners Bring a Wealth of Experience, Insights, and Planned Improvements to the ACC
- PNW: APS Wins Appeal of 2019 Rate Case's Penalty ROE and SCR Disallowance — Arizona Supreme Court May Be Next
- VST: Sensible Transaction and Organizational Realignment Look to Freeze the Melting Ice Cube Argument
- Deal or No Deal? Taking the Pulse of Fuel Deferrals Across Our Coverage Universe
- PJM: How Low Can You Go? Residualization of the BRA Marches On…
- D: Legislative Breakthrough Yields a Deal; Focus Turns to Credit Repair
- AEP: Contracted Renewables Sale Above Our Expectations
- LNT: Cleanup in Aisle 4? PSCW's Damage Control Proves Effective: Upgrading to NEUTRAL
- PSCW: Conversation with Chair Valcq Strikes a Balanced Tone
- D: Halftime in Richmond as Multiple Bills Advance
- D: SB1265 Amended Ahead of Crossover Deadline Tomorrow
- FE – The Same Board Who Set The Current Strategic Plan Is Also Picking The CEO… Follow-Up Thoughts Post Our Mgmt. Call
- FE – Rebase Coming? No. Asset Sale Delay? No. New CEO Strategy Shift? No. Balance Sheet Concerns? No. More Growth Opps? Yes. FE Remains '23 Best Idea
- D: General Assembly Sausage-Making Enters Full Swing as Lawmakers Continue to Cement the Bid-Ask
- D: Key Bills Pass Out of Senate Committee
- Commissioners Roundtable Recap: Regulators Remain Level-Headed Amid Rate Volatility and the Grid Transition
- 2023 Utility Outlook: Magic Mirror on the Wall, Who Is the Fairest One of All?
- D: New Legislation Proposes Novel Option for OSW Stake Sale – Mosaic Pieces Continue to Form a Clearer Picture
- ETR – LPSC Votes on Modified Settlement Proposal with Customer Benefits, but Recognition of Hurricane Cost Prudency
- D: Opening Move in Richmond: Evolutionary Legislation Lays Path Forward

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To: Weisenburger \ Michael \ V
Subject: The Guggenheim Daily Transmission: CPUC/PCG, PCG, PJM/FERC, CA, NI, NC/DUK - Guggenheim Securities, LLC
Date: Tuesday, October 10, 2023 9:22:39 AM

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The Guggenheim Daily Transmission: CPUC/PCG, PCG, PJM/FERC, CA, NI, NC/DUK

Power & Utilities October 10, 2023

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Constantine Lednev 212 651 0847
James Kennedy 212 823 6741
Jamieson Ward, CFA 212 518 9661
Guggenheim Utilities Research Team

Access This Report

Our EEI schedule has been posted, see below for full schedule including 1on1s, corporate dinners and cocktail event.

For details on our Guggenheim-hosted client Utility events including our PEG NDR, NI NDR, FE CFO lunch, and other events, scroll down...

Utilities: Perfect Storm of Rates, Tax-Loss Selling, and Macro Concerns Weigh on Sector Valuation: We Remain Cautious and Selective Despite Sell-Off (see our note HERE)

CPUC/PCG – SED and PG&E reach a settled outcome on recordkeeping penalties as a result of Dixie fire investigations

PCG – Intervenors file reply comments on PD/APD in the PG&E GRC proceeding

PJM/FERC – FERC OKs changes to black start programs

CA – CA AB1373 signed by Governor, seeking to enhance energy procurement and offshore wind path to market

NI – NiSource announces hydrogen and natural gas blending project

NC/DUK – SB 678 veto override scheduled for today

CPUC/PCG – SED and PG&E reach a settled outcome on recordkeeping penalties as a result of Dixie fire investigations

- CPUC Safety Enforcement Division (SED) and PG&E reached a settlement (administrative consent agreement) resulting in a $45M penalty for PG&E.
- The penalties stem from record keeping issues and general order adherence and not related to operational response.
- The $45M penalty includes $40M of capital to transition to electronic record keeping.
- The proposed settlement will be on the CPUC's Nov. 16, 2023, Voting Meeting agenda. The CPUC may adopt, reject, or modify the proposal.
- More details here and draft order approving settlement here.

Guggenheim takeaway: *The Settlement and draft approval try to resolve CPUC related matters stemming form the Dixie Fire, and we caught up with mgmt. after the order was posted. The settlement addresses recordkeeping issues and PG&E maintains its stance as a prudent operator pushing back on any conscious disregard of risks. The settlement maintains PG&E's access to AB1054 constructs including the wildfire fund for any claims recovery (subject to future refund). The aggregate penalty of $45M is modest relative to prior SED rulings and the settlement cannot be used as admission of fault in any future proceedings.*

PCG – Intervenors file reply comments on PD/APD in the PG&E GRC proceeding

- Intervenors filed reply comments on the proposed decisions (PD/APD) in the 2023 PG&E GRC proceeding.
- Reply comments are largely in line with prior comments from various stakeholders.
- IOUs including PCG,SRE and EIX filed comments arguing for more spending on reliability and safety, opposing a variety of the cutbacks in the PD/APD including finding issues with precedent and legal standards.
- Intervenors addressed a variety of issues in support and opposition to the PD/APD but generally focused on reductions in revenue requirement and reductions in certain spending programs, with TURN specifically supporting reductions to the escalation factors as proposed in the APD.
- CPUC set a rate setting all party meeting in the PG&E GRC process for October 23, 2023
- The proposed decisions are now still comment phase and will be able to be heard at the November 2 CPUC meeting.
- Docket: A2106021

Guggenheim takeaway:*FYI. No surprises for us in comments at this point as intervenors look to justify lower revenue requirements. The proposed decision was below expectations based on headline rate base figures and undergrounding miles but provides a level of clarity on PG&E core capex. The rate base outcome as proposed would put PCG into the bottom half of prior 5 year guidance. There were also large parts of capex/rate base that were moved into separate proceedings (i.e., still room for upside vs. PD baselines), which defers, but does not preclude recovery and ultimate inclusion into rate base (on the order of $3.5B, potentially bringing PCG back into the midpoint of the guidance range). PG&E also filed for a balancing account on customer interconnection capex above authorized (as per SB410) which could result in faster and incremental capex (note: GRC PD was*

supportive of full PG&E ask on customer interconnection and distribution needs). See more on our takes from the CPUC decisions in our note HERE.

CA – CA AB1373 signed by Governor, seeking to enhance energy procurement and offshore wind path to market

- CA AB 1373 has been signed by the CA Governor making the bill into law.
- AB 1373 is a bill to enhance energy procurement processes with CEC and CPUC.
- The bill authorizes the state agencies to approve large scale procurement of offshore wind.
- The bill has a history of multiple iterations over the years, and the passage finally aligns with state policy for up to 25 GW of offshore wind.
- AB 1373 bill text here.

Guggenheim takeaway: *The law is an important step in guiding agencies on energy procurement which is the path to market for offshore wind. CA has not been the leader in offshore wind development and many of the northeast states are currently struggling with offshore wind policy and development. Given the steep learning curve and development risks we believe CA offshore wind remains a long shot.*

PJM/FERC – FERC OKs changes to black start programs

- The long-running filings would create a new class of resources that can operate for extended periods during LOOP events (~16hrs)
- "We also agree with PJM that because Black Start events can occur at any time, it is reasonable to determine whether the resource is available 90% of the time over the entirety of the historical period." - PJM
- Order HERE
- ER23- 1874 HERE

Guggenheim takeaway: *Minor FYI – black start and other ancillary services are lower profile yet essential mechanisms within the market that have come under increasing scrutiny in recent grid events as operators remain wary of nonperformance (e.g., during PAIs).*

NI – NiSource announces hydrogen and natural gas blending project

- The system regulates blending of hydrogen into natural gas systems at a range of 2%–20%.
- NIPSCO plans to repower one of its gas-fired turbines to use blended hydrogen/gas.
- Company release HERE
- Media coverage HERE

Guggenheim takeaway: *Part of NI's ongoing commitment to emissions reduction efforts. We highlight that D, NJR, and SRE have also initiated hydrogen blending projects as well.*

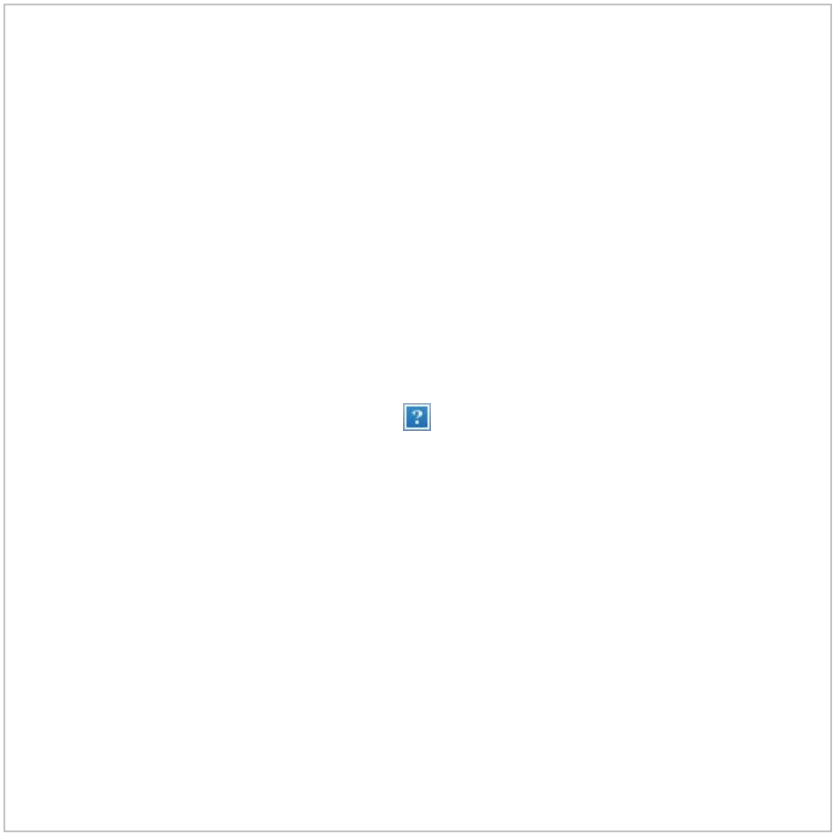
NC/DUK – SB 678 veto override scheduled for today

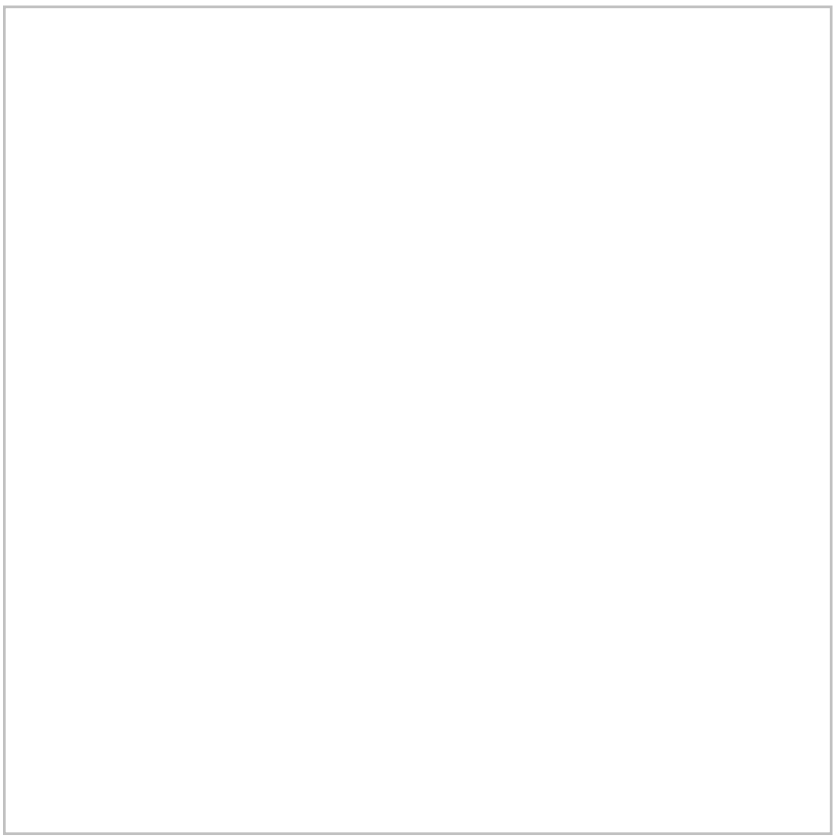
- A veto override vote is scheduled for today, with a 3/5^{ths} majority required in order to proceed.
- Recall that the Governor's office released the following statement along with his vetoing of SB 678: "*North Carolina is on a bipartisan path to removing carbon from our electric power sector in the most cost-*

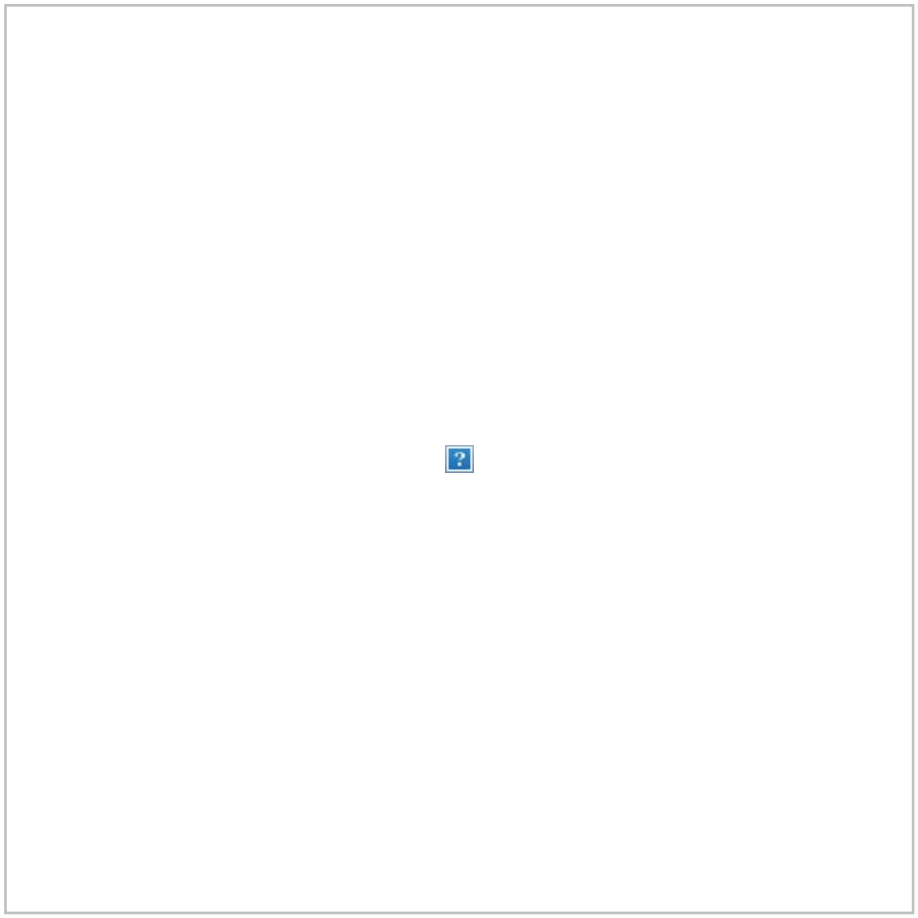
effective way. This bill attempts to diverge from that path by trying to put construction of traditional power plants, and higher profits for the utility companies, over lower-cost solutions like energy efficiency. North Carolina should consider all pathways to decarbonize, rather than putting a thumb on the scale in favor of building new conventional generation." – Gov. Roy Cooper

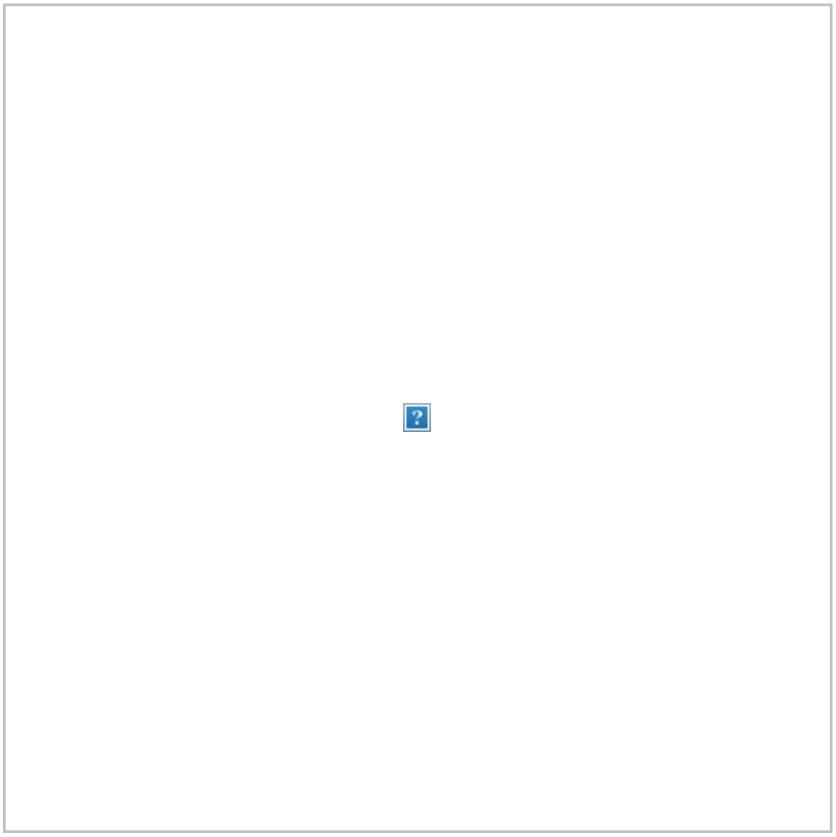
- Local media coverage HERE
- North Carolina Senate Bill 678

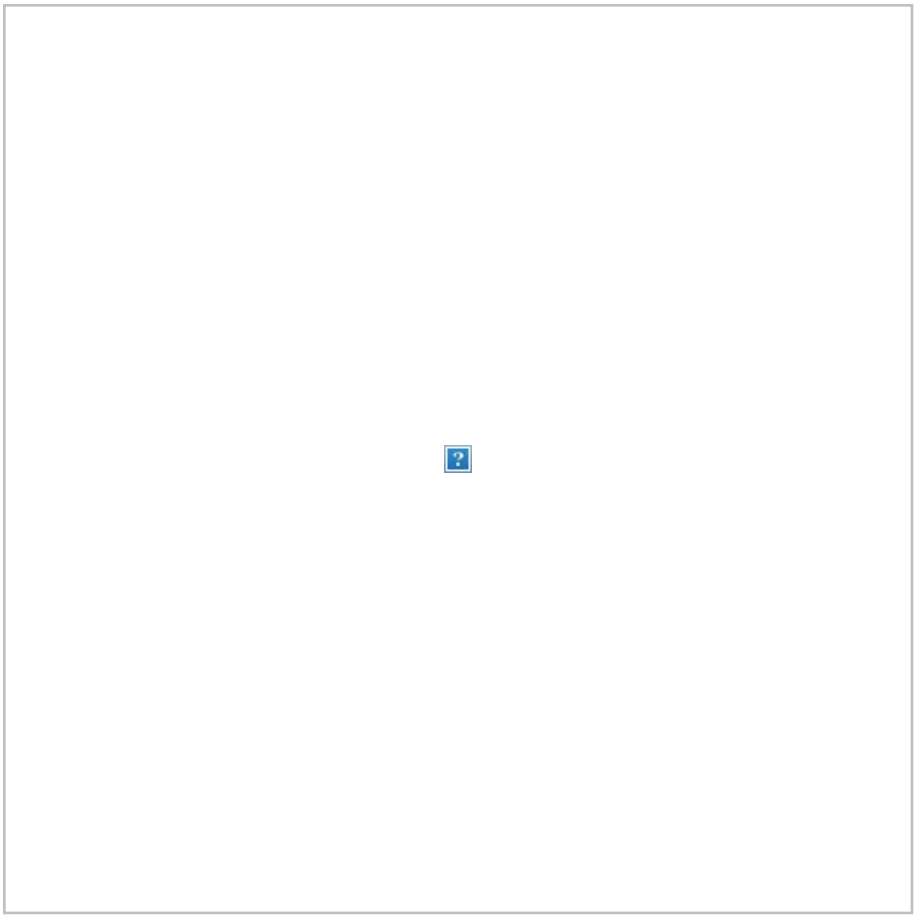
Guggenheim takeaway: *We note that all of NC's Senate Republicans and a lone Democrat voted in favor. Over in the House, the bill had passed 66 to 36 with 9 Democrats in support, and all but one Republican. In our view, continue to expect that DUK would be the primary beneficiary of SB678, which would redefine "renewable energy" as "clean energy" in order to provide a term that includes nuclear resources and fusion energy, and which specifically eliminates language impeding CPCN issuance for nuclear facilities.*



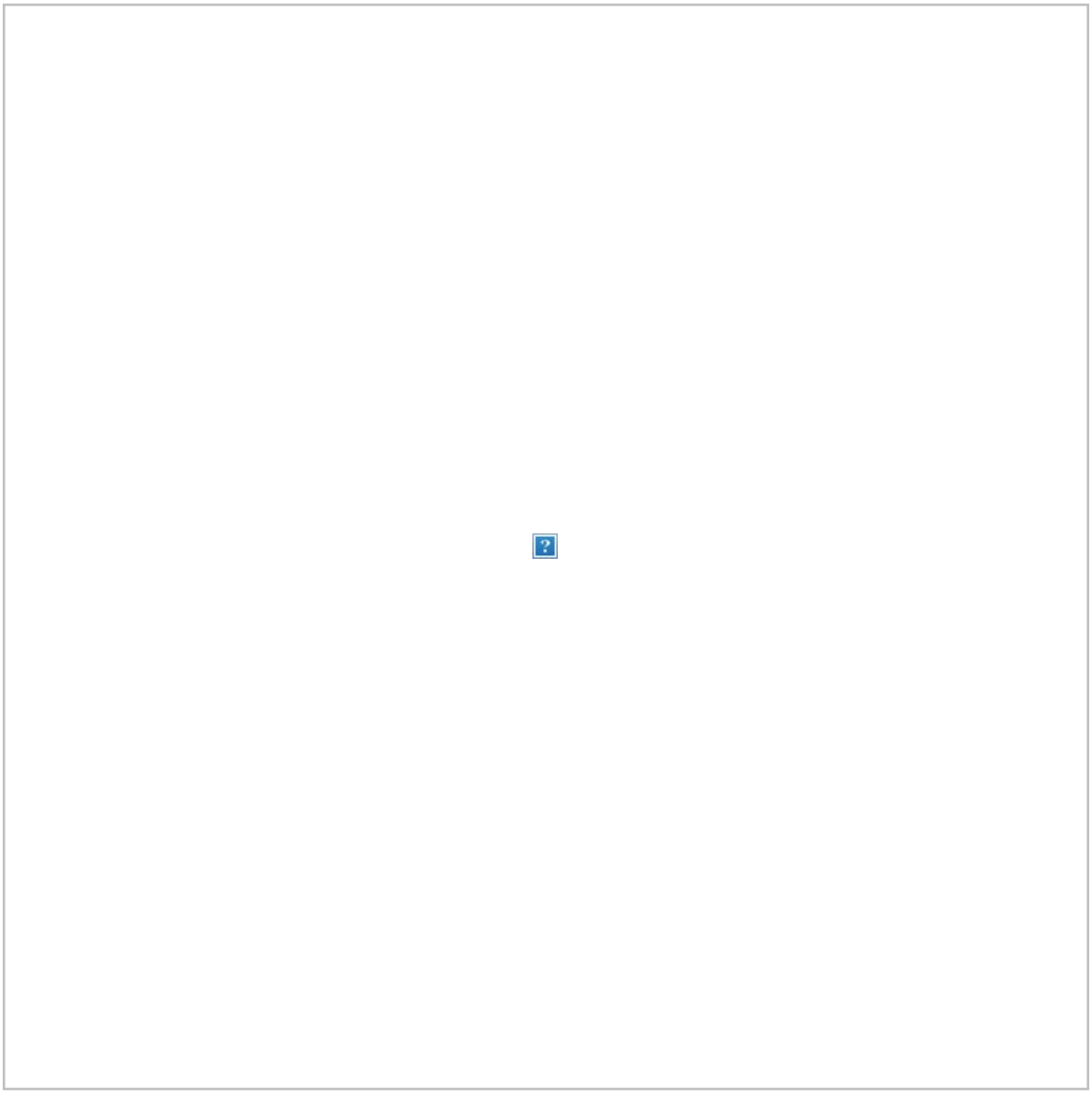




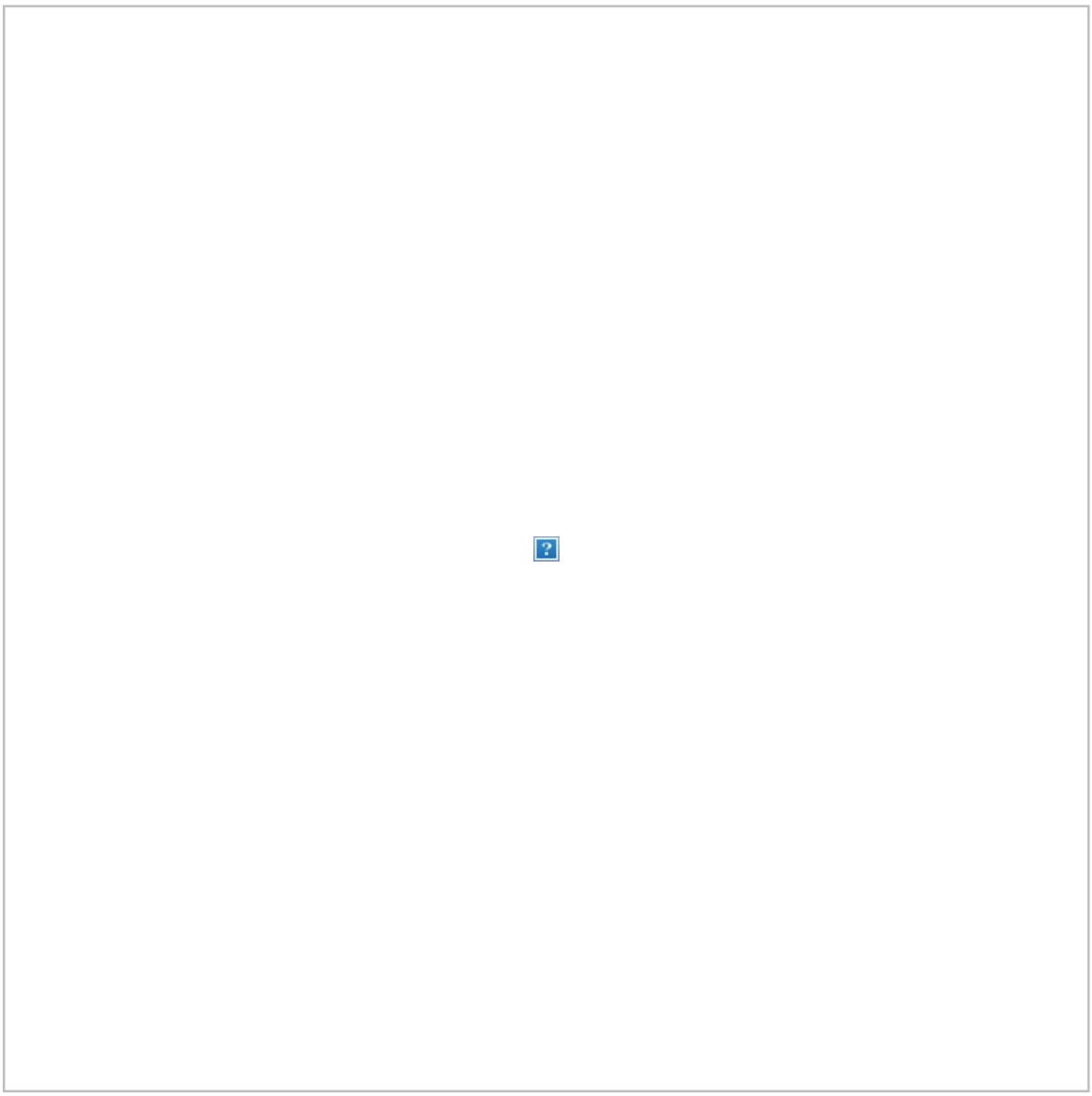




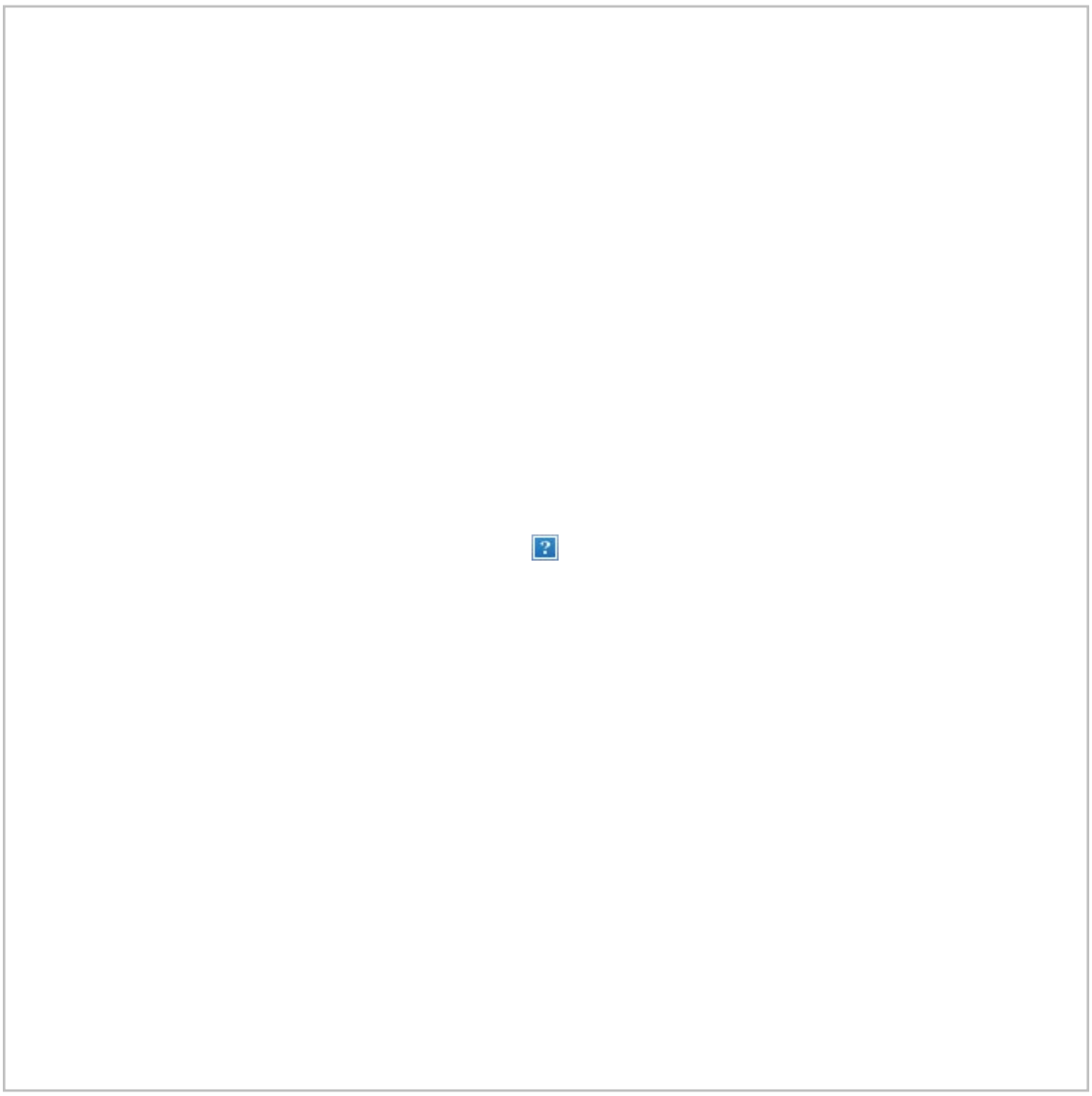
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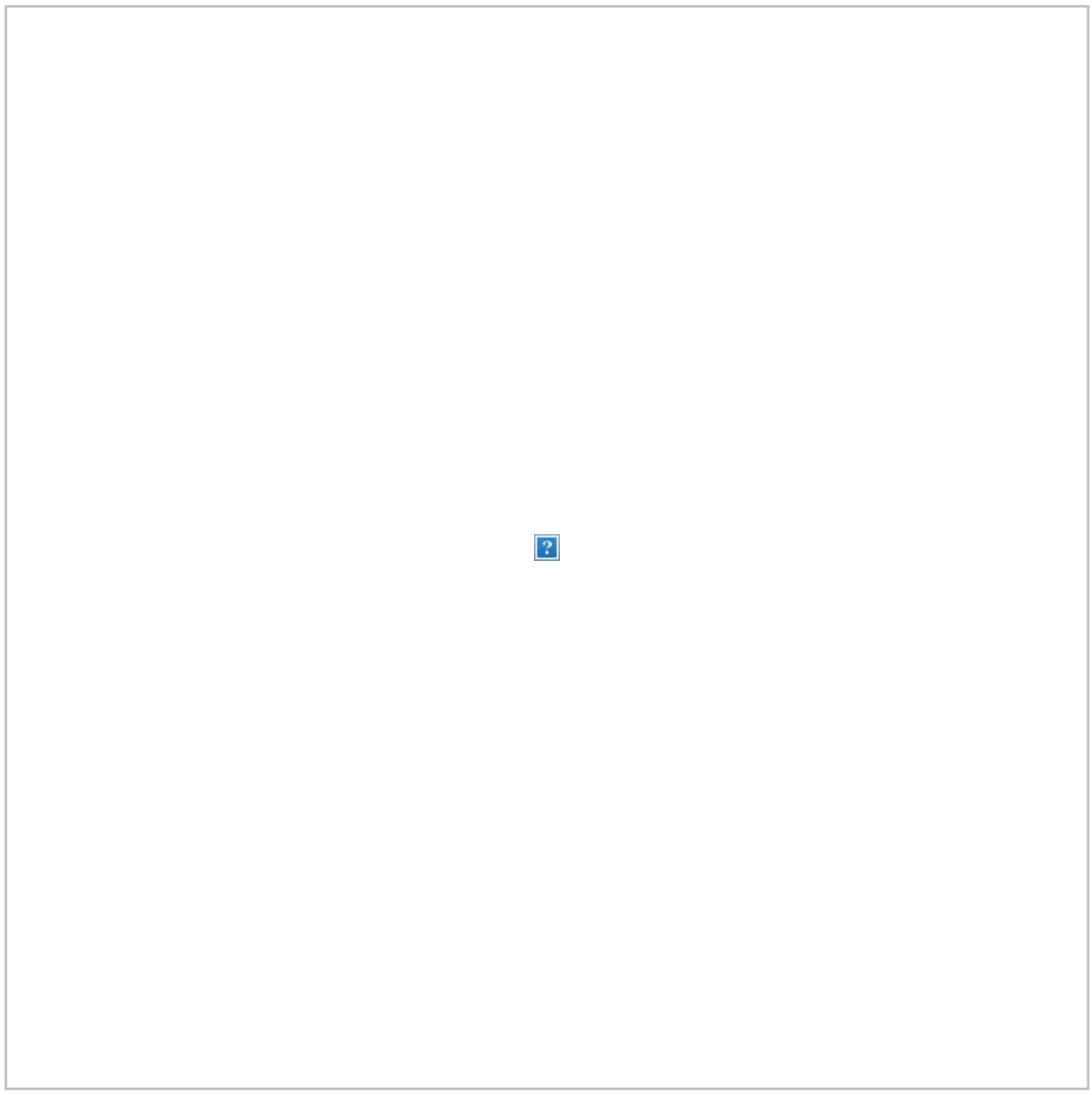
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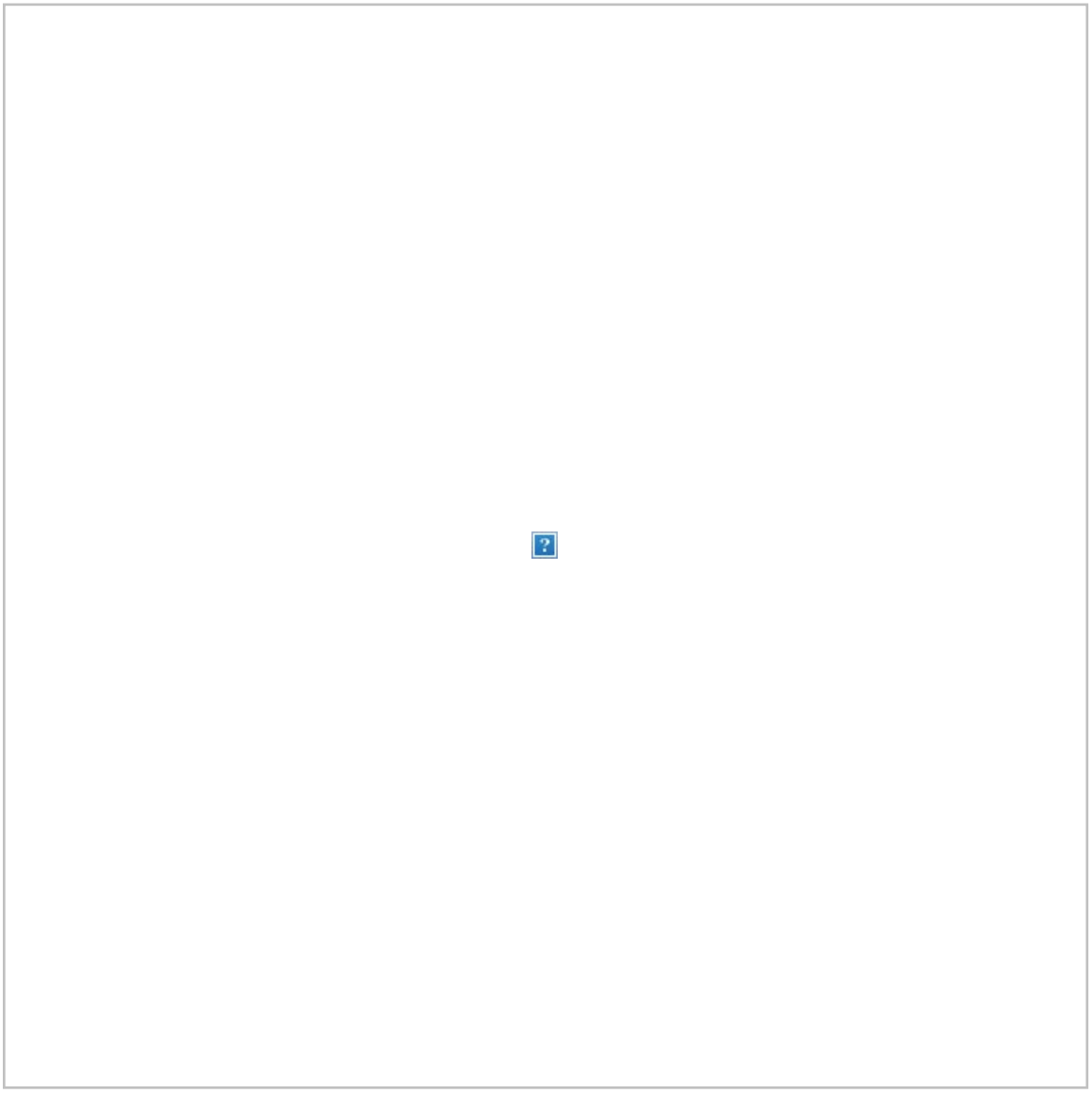
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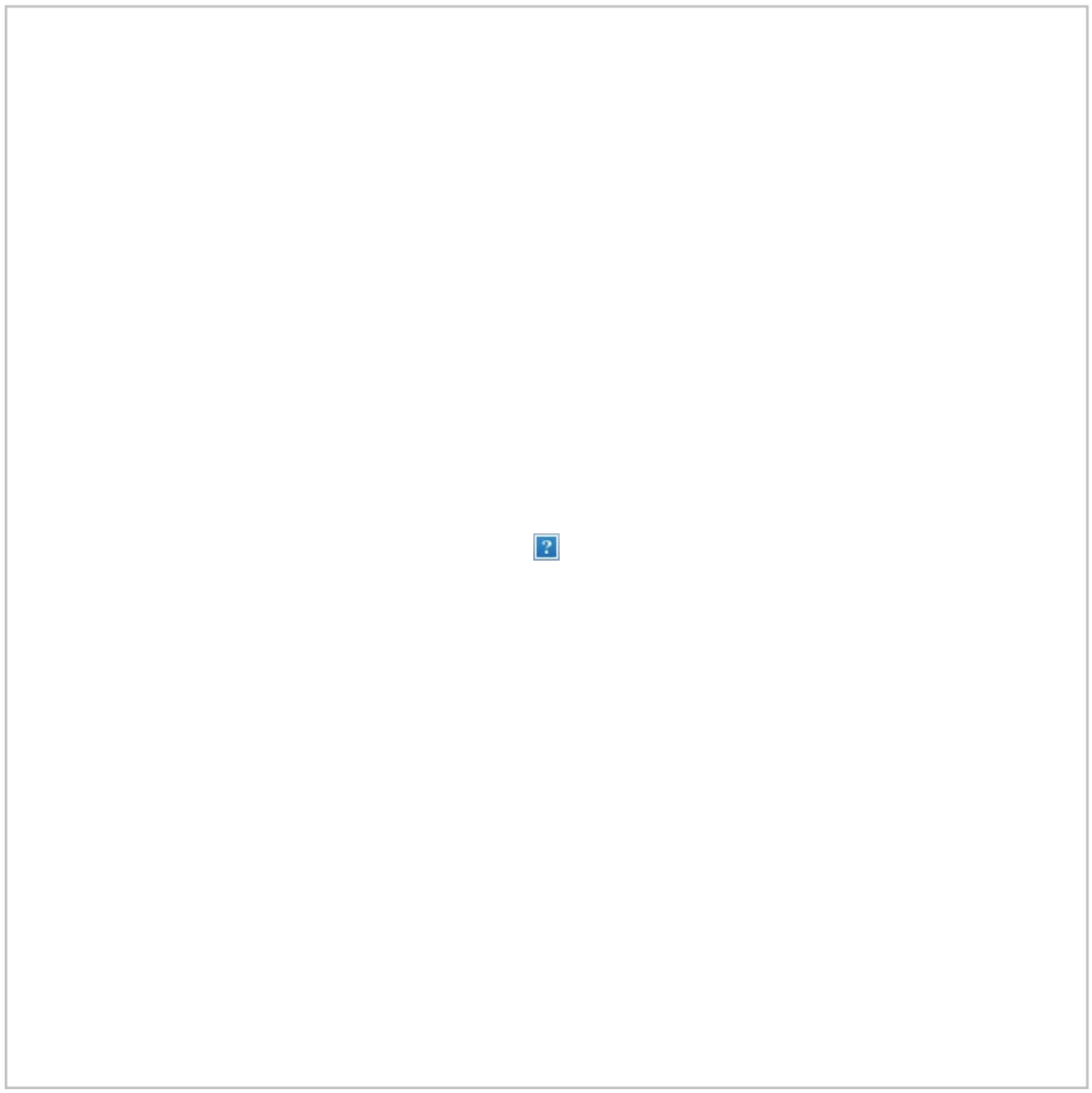
Generation and Mix



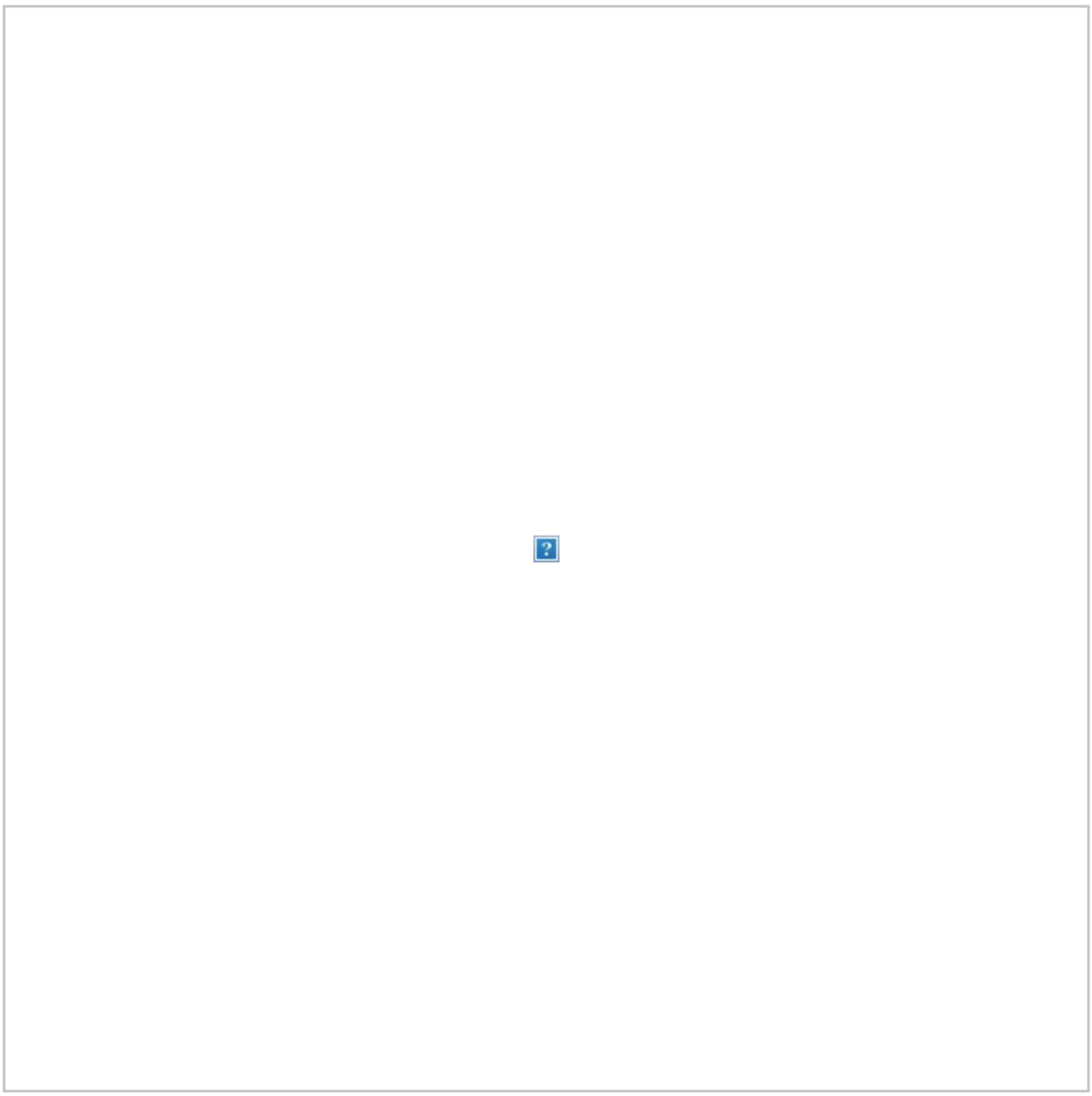
Generation and Mix (continued)



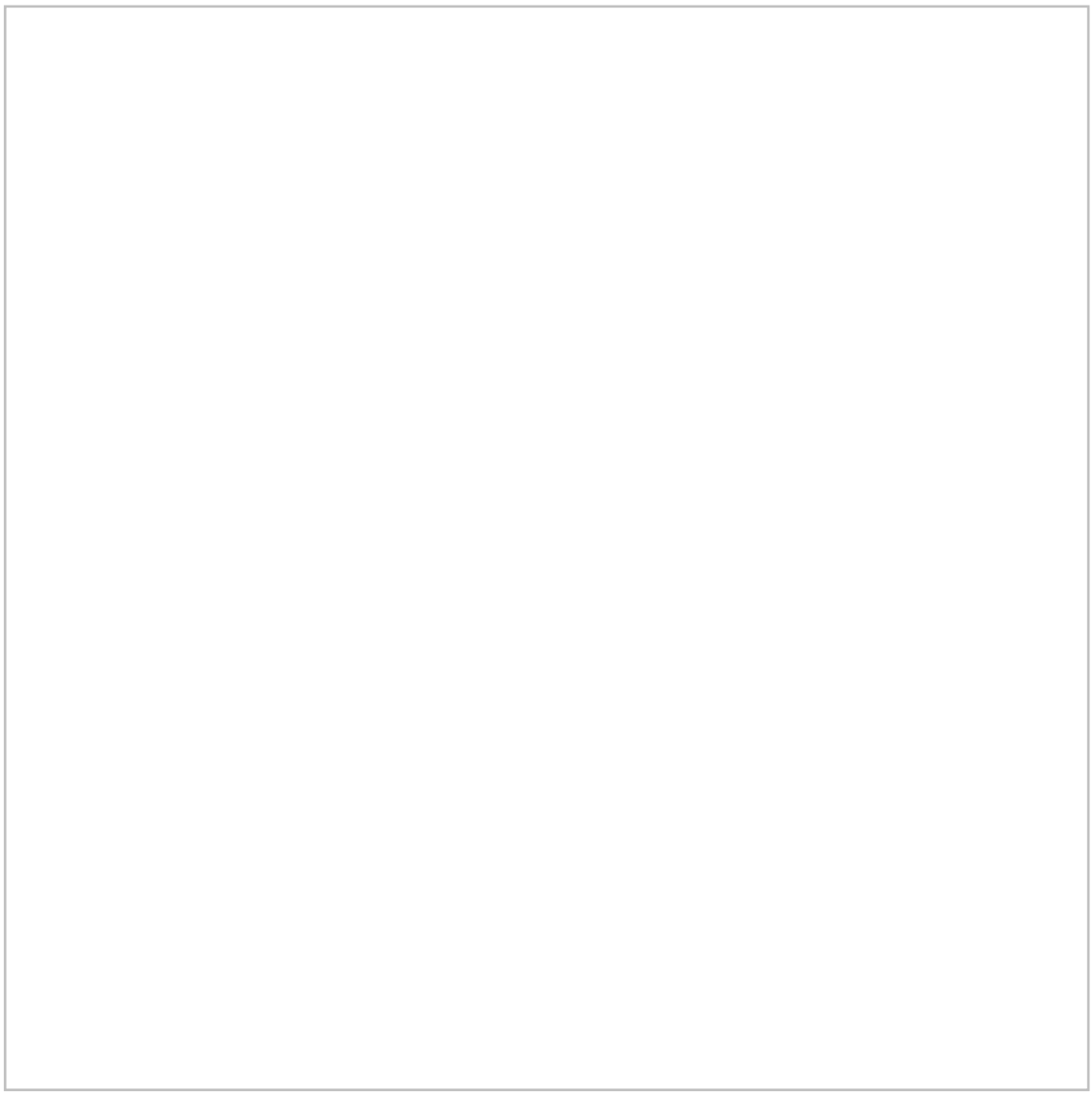
Weather



YTD Peak Load



Regulatory Calendar



Key Research

Guggenheim's Forward Commodity Curves

- Forward Power Curves, GenCo MtM, and Weekly Commentary

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- PEG Analyst Day – Straight Talking with PEG; Mgmt. Backs Up Sustainable 5-7% EPS Growth with Room to Exceed
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To: Weisenburger \ Michael \ V
Subject: The Guggenheim Daily Transmission: Nuclear, CPK, FE, NI, AEP, LNT, ES/CT, AEE/IL - Guggenheim Securities, LLC
Date: Friday, October 20, 2023 10:26:34 AM

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The Guggenheim Daily Transmission: Nuclear, CPK, FE, NI, AEP, LNT, ES/CT, AEE/IL

Power & Utilities October 20, 2023

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Access This Report

Our EEI schedule has been posted, see below for full schedule including 1on1s, corporate dinners and cocktail event.

For details on our Guggenheim-hosted client Utility events including our FE CFO lunch, and other events, scroll down...

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Nuclear – Holtec continues to pursue options for Palisades nuclear plant

CPK – Chesapeake Utilities announces $80M Worcester Resiliency Upgrade project

FE – PUCO denies OCC's rehearing requests as DOJ investigation continues to proceed

NI – Final remarketing period announced for $862.5m of mandatory convertible preferred stock

NI – FERC approves NIPSCO's 19.9% minority stake sale

AEP – Indiana regulators approve 749 MW of solar projects

LNT – IUB approves RPU settlement, with modifications

ES/CT – CL&P files statement detailing perquisites for AMI, including approval of tracker

AEE/IL – ALJ order due today – likely docketed by Monday

Nuclear – Holtec continues to pursue options for Palisades nuclear plant

- Holtec (private) continues to look at options for the Palisades nuclear plant which include financing options and conversion to SMR at the site, with Holtec leaders participating in US Energy Association (link).
- Holtec previously announced a PPA with Wolverine Power Coop (private) for two thirds of the 800MW Palisades nuclear plant.
- According to the company, the repowering decision is still pending the $1B DOE loan application and necessary exemptions and license transfers from the NRC.
- A loan guarantee would provide support for the necessary capital to reverse the June 2022 decommissioning decision.
- Holtec believes about 2 years will be the repowering timeline, putting a potential return to COD in 2025.
- MI previously announced interest in keeping the nuclear plant online (after shutdown in summer 2022), including a $150M in state funds for repowering support.
- More here.

Guggenheim takeaway: *FYI. Holtec has claimed that the technical side of reopening is feasible with federal funding and as part of repowering the NRC license would be transferred to a Holtec operating unit. The PPA agreement is a step in the right direction and could be enough to demonstrate the need for the plant for a DOE support loan. That said, reversing the decommissioning path is a heavy lift given the currently shut down status, needing to invest in capex, finding labor and or an ultimate owner for the power plant. For example, it remains unclear to us if an existing operator like CEG could be a better ultimate owner (we noted HERE they are acquisitive), or if Holtec is seeking to serve in long term operations.*

CPK – Chesapeake Utilities announces $80M Worcester Resiliency Upgrade project

- CPK announced that the Eastern Shore Natural Gas subsidiary is pursuing a gas resiliency project on the Delmarva peninsula.
- The project is a liquified natural gas storage facility in MD with 500,000 of tank storage capacity.
- The $80 million capital investment is a result of the increased capacity requirements of three affiliated local distribution companies (LDCs), each of which will enter into 30-year service agreements upon completion of the project.
- The project is scheduled to be operational before the winter heating season of 2025, pending receipt of regulatory approvals.
- More here.
- FERC Docket No. CP23-536 (through FERC docket search)

Guggenheim takeaway: *FYI. CPK continues to identify regulated capex opportunities which support a top tier customer growth. As a reminder, CPK recently rolled forward the 5 year capital plan, $1.5B to $1.8B (2024-2028), and stepped up spending after the Florida City Gas acquisition (noted here).*

FE – PUCO denies OCC's rehearing requests as DOJ investigation continues to proceed

- The Public Utility Commission of Ohio (PUCO) denied the Office of the Ohio Consumers' Counsel's (OCC)

requests for rehearing in multiple audit dockets.

- "*Concurrent with the Commission's four above-captioned investigations, the United States Department of Justice's District Attorney for the Southern District of Ohio (DOJ or U.S. Attorney) has been conducting an ongoing investigation into alleged corruption relating to Am. Sub. H.B. 6 and action through the Commission, resulting in a Deferred Prosecution Agreement1 and several convictions. Throughout our four investigations, the Commission has sought to balance two principles: one, the Commission will follow the facts wherever they lead; and two, it is of the utmost importance that the Commission's investigations do not interfere with the DOJ's ongoing criminal investigation, or the parallel civil action instituted by Ohio Attorney General Dave Yost.*" – **PUCO (as filed in the dockets linked below)**
- DCR Audit: 20-1629-EL-RDR
- DMR Audit: 17-2474-EL-RDR
- Corporate Separation Audit: 17-0974-EL-UNC
- Review of Political & Charitable Spend: 20-1502-EL-UNC

Guggenheim takeaway: *No surprise, given that PUCO voted in August to put investigations in these dockets on hold at the request of the DOJ, which continues to operate its own ongoing criminal investigations.*

NI – Final remarketing period announced for $862.5m of mandatory convertible preferred stock

- The remarketing will commence November 13, 2023, and end on November 17, 2023.
- The Series C mandatory converts would convert on March 1, 2024, into between 34.9107 and 41.0201 shares of NI's common shares, depending on NI's 40-day VWAP.
- Recall that $862.5m of mandatory convertible preferred shares were originally issued on April 19, 2021.
- 8-K HERE

Guggenheim takeaway: *We remain constructive regardless of whether the newly announced remarketing is ultimately completed or withdrawn, as the company has plenty of balance sheet capacity to use short-term debt until equity market conditions improve, in our view. We recently spent several days hosting an NDR with NI's mgmt. this week. Watch for our thoughts and takeaways to follow.*

NI – FERC approves NIPSCO's 19.9% minority stake sale

- Yesterday, the Federal Energy Regulatory Commission (FERC) approved NI's sale of 19.9% of NIPSCO to Blackstone Infrastructure Partners' [NYSE:BX].
- FERC approval was the only regulatory approval required for completion of the transaction.
- NI continues to expect the deal to close by year-end 2023.
- 8-K HERE

Guggenheim takeaway: *As expected. Recall that DUK's 19.9% sale of Duke Energy Indiana (DEI) had also served as precedent, and that no state regulatory approvals had been required.*

AEP – Indiana regulators approve 749 MW of solar projects

- AEP's utility Indiana Michigan Power Co. (I&M) was granted approval by the Indiana Utility Regulatory Commission (IURC) for four proposed solar projects with an aggregate capacity of just under 750 MW.
- The four solar plants are expected to reach COD by mid-2026.

- I&M's last remaining coal plant is scheduled for retirement in 2028.
- Recall that AEP remains committed to achieving net zero carbon dioxide emissions by 2045.
- Company release HERE

Guggenheim takeaway: *This approval was in line with our expectations and those of investors we have spoken with, all of whom remain primarily fixated on the company's FFO-to-debt improvement trajectory from 11.1% to 14.0% by year-end 2023, and the company's ENEC proceeding in West Virginia.*

LNT ─ IUB approves RPU settlement, with modifications

- "When viewing the Settlement Agreement as a whole, as modified by the Board in this order, the Board finds the Settlement Agreement to be reasonable, in the public interest, and not contrary to any law. The Settlement Agreement as a whole, as modified by the Board in this order, will allow IPL to meet its capacity needs and diversify its renewable generation portfolio, while allowing more ratepayer protection than previous advance ratemaking proceedings had before." – filing
- "The Board finds that with the additional information provided by IPL since November 9, 2022, IPL has demonstrated that it has considered other sources for long- term electric supply and that the proposed generating facilities, Duane Arnold Solar I, Duane Arnold Solar II, Creston, and Wever, are reasonable when compared to other feasible alternative sources of supply" - filing
- "The Board does not believe $735,002,100 for a cumulative cost cap, or $1,837.50/kW, is reasonable. Throughout this proceeding, the cost cap has been revised multiple times to accommodate changes in the market. When evaluating the cost cap, the Board determined having a cost cap of approximately 90% of the proposed cost cap is reasonable. Therefore, the Board will approve a cost cap of $1,650/kW for Duane Arnold Solar I, Duane Arnold Solar II, Creston, and Wever, as a whole. The cost cap will remain a soft cap, so any amount IPL may exceed beyond the cost cap can be requested in an electric rate case if prudent and reasonable." – filing
- "The Board has determined that setting an ROE is reasonable; however, the ROE the Board will set is to be a floor. If, during a subsequent electric rate case, IPL believes a higher ROE is necessary for the opportunity to earn a fair return, it may request a higher ROE during that rate case. The ROE the Board will set at this time is 10.25%. Setting a semi-fixed ROE will allow IPL to have more certainty regarding the minimum ROE while balancing the costs to ratepayers.
- More HERE

Guggenheim takeaway: *Heads up on the approval, with the IUB seemingly making some notable adjustments to the edges of the agreement, including the soft cap and the slightly lower ROE (vs. the 10.75% in settlement). As a reminder, we saw the settlement as a positive step, given it includes all of RPU's solar consideration alongside a favorable ROE, with the IUB's modifications not entirely unusual (the company had noted the Board could make tweaks) - see prior note HERE for more on the settlement.*

ES/CT ─ CL&P files statement detailing perquisites for AMI, including approval of tracker

- "On behalf of the Connecticut Light and Power Company d/b/a Eversource Energy ("Eversource" or the "Company"), this correspondence is submitted to the Public Utilities Regulatory Authority ("PURA") in the above-referenced dockets to respond to press reports and public statements suggesting that deployment of advanced metering infrastructure ("AMI") on the Eversource system has been an "ongoing multi-decade problem," or that PURA has had to "penalize" the Company in relation to any sort of delayed

implementation of AMI.1 In particular, the implementation of AMI is not inhibiting progress of the State's goals for electric-vehicle deployment.2 For the record, all of these suggestions are untrue…. To dispel misconceptions about the history of AMI deployment on the Eversource system, the Company is providing a detailed chronology of the Company's efforts to obtain approval from PURA for a comprehensive AMI program in Attachment A.

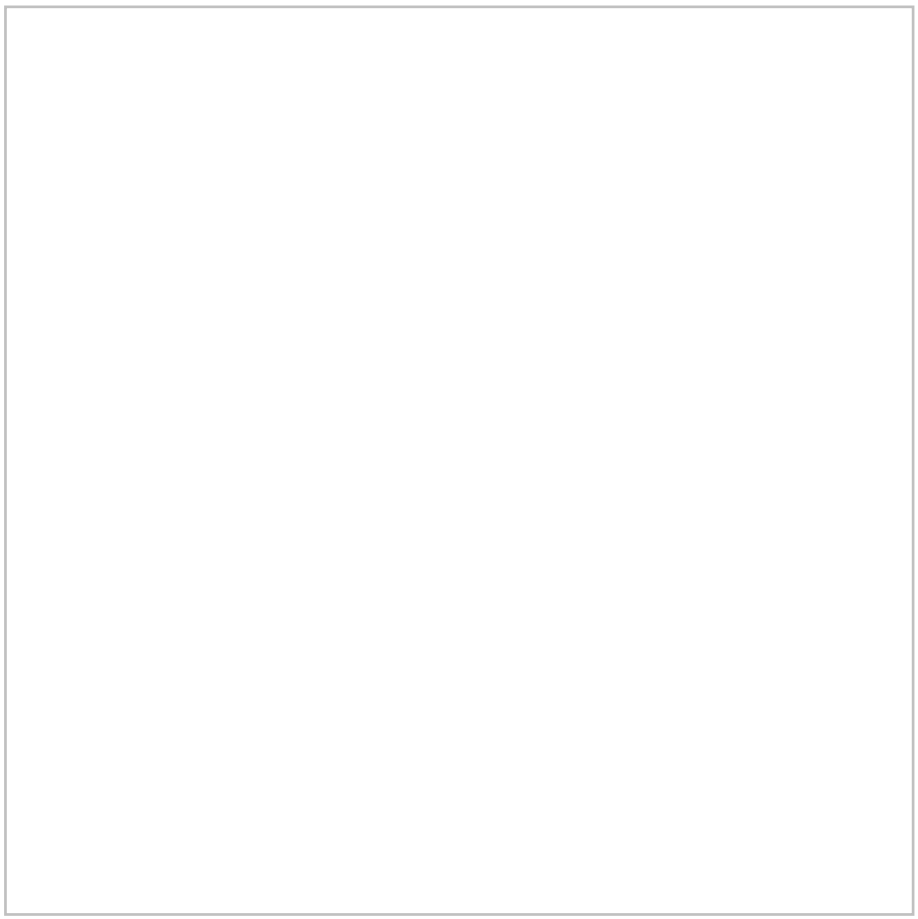
- "Our concern is that these types of misconceptions are highly detrimental to the interests of Eversource's customers in Connecticut. The implementation of AMI in an equitable, affordable and efficient manner will require "ready and willing" collaboration between the Company and key stakeholder groups, including consumer advocates, public officials and regulators." – filing
- "Given the current regulatory climate in Connecticut, Eversource cannot attract capital funding to this program without a tracking mechanism established to operate outside of base rates, so that timely and adequate cost recovery is demonstrated to investors and credit-rating agencies.
- More HERE

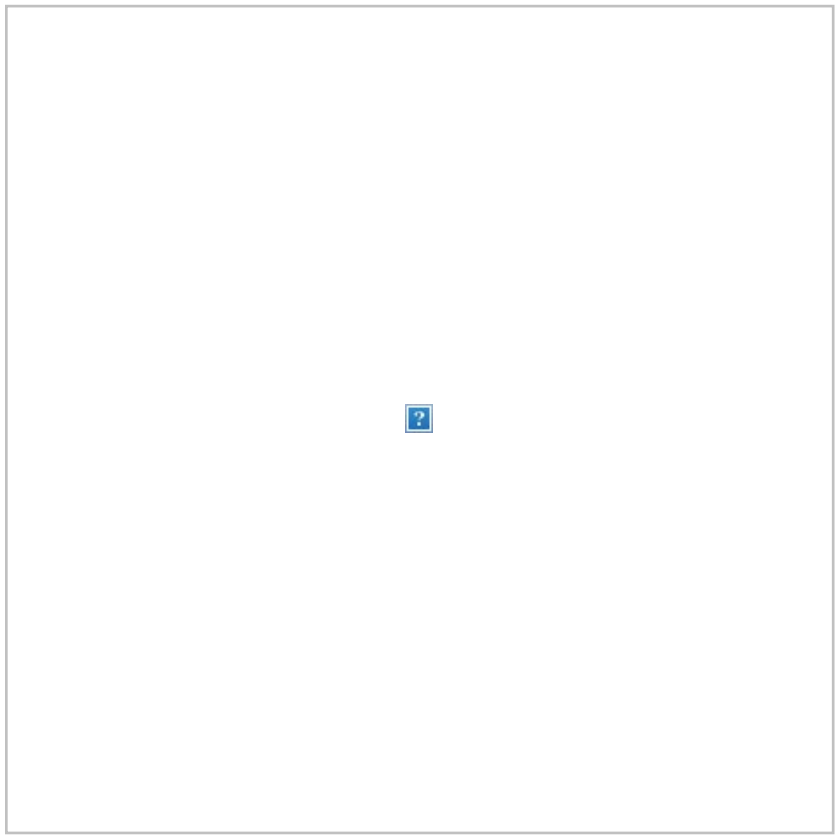
Guggenheim takeaway: *Interesting filing from ES, with the move for approval/tracking of AMI in line with management's prior comments around deploying AMI capital. The move is on its face prudent, and we also see the letter as an opportunity for CL&P to note some of the investor concerns with the construct today. As a reminder, the company has communicated that it has no interest in investing in some of the state's policy priority areas without preapproval (storage, AMI, offshore wind interconnections), and even with preapproval it has little interest in investing its limited capital at an Aquarion-level ROE (8.75%).*

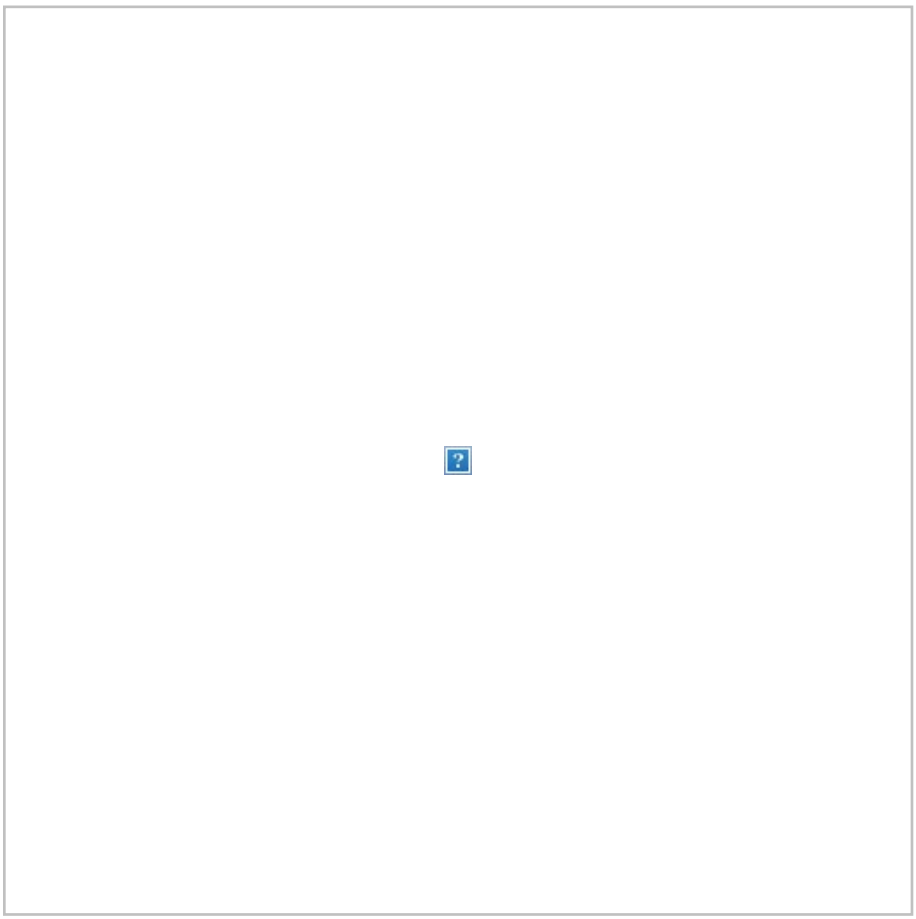
AEE/IL – ALJ order due today – likely docketed by Monday

- The ALJ order in the ongoing MYP plan is due today at the ICC
- More HERE

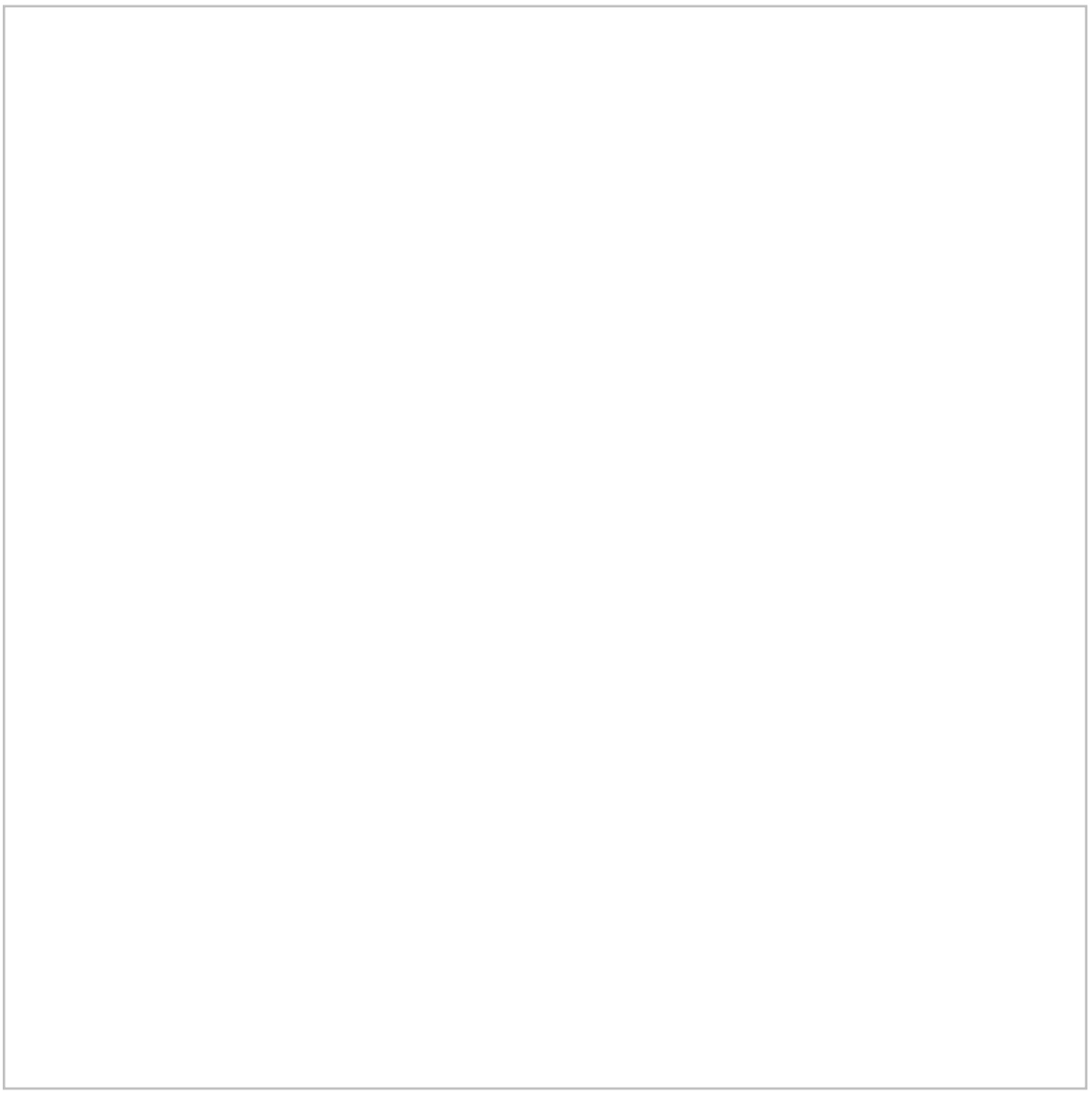
Guggenheim takeaway: *Heads up for the filing, which may not actually land for another business day given prior ICC docketing timelines.*



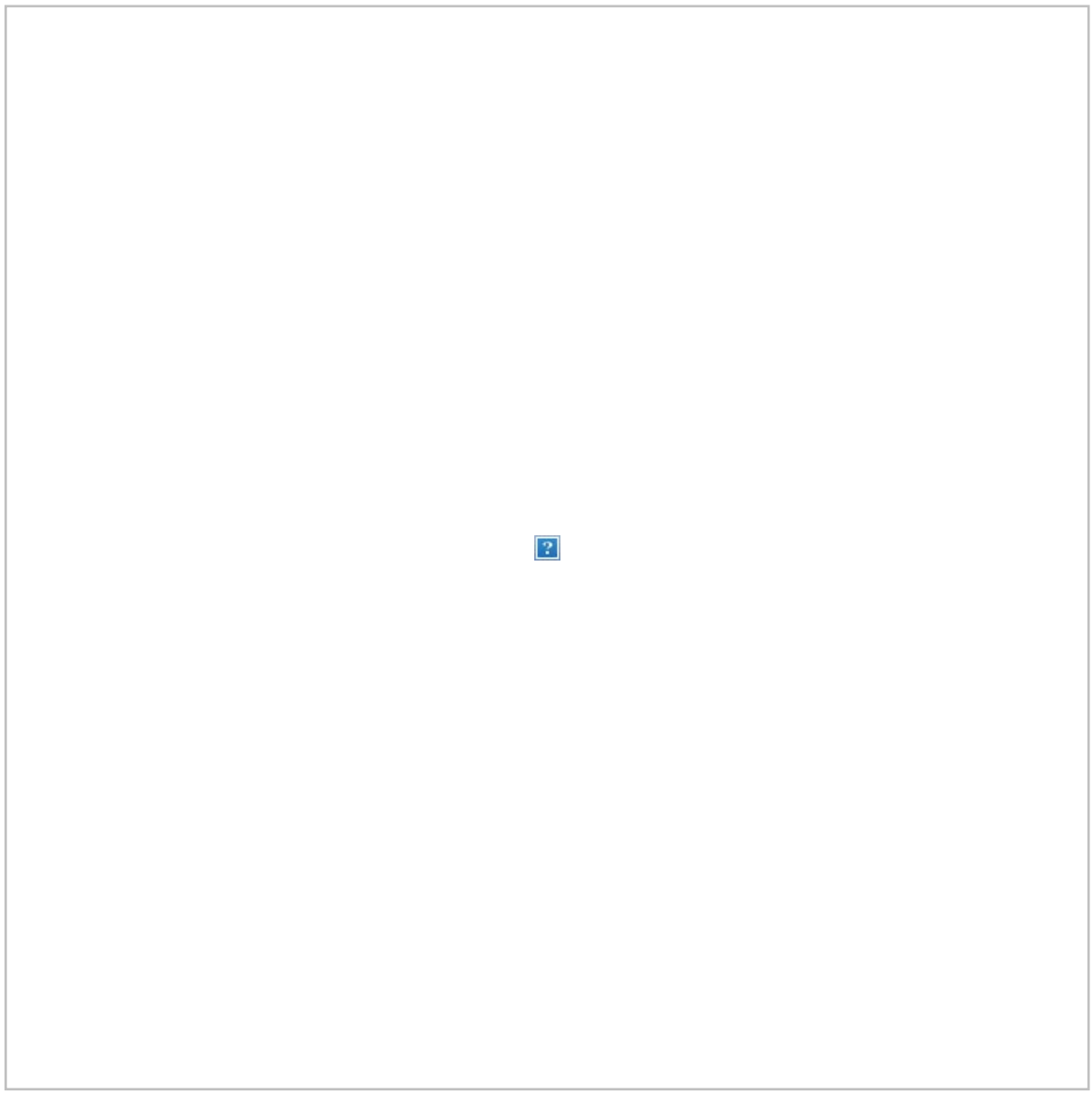




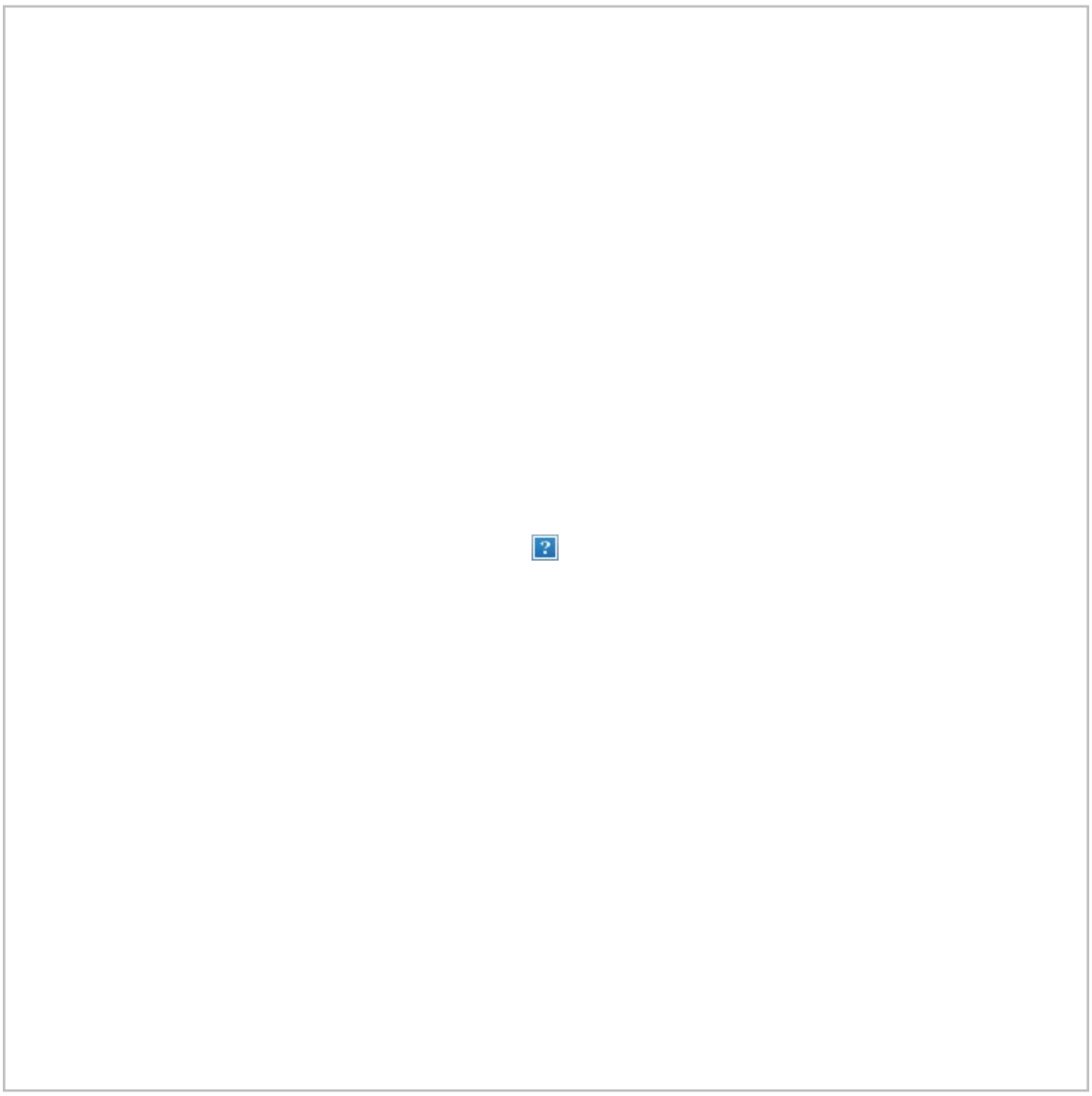
Guggenheim 2023 Client and Corporate Access Utility Events



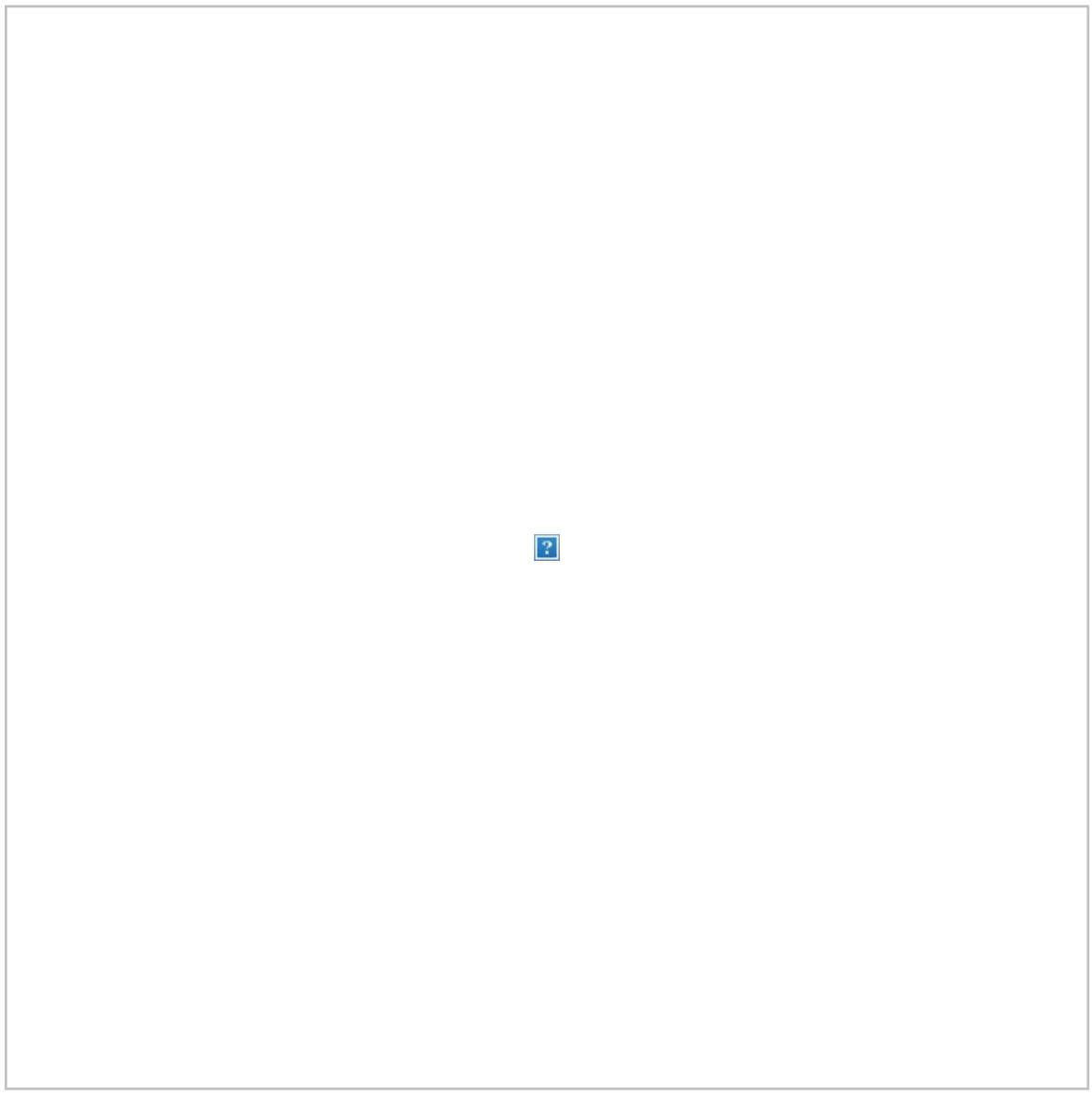
Guggenheim Comp Sheet



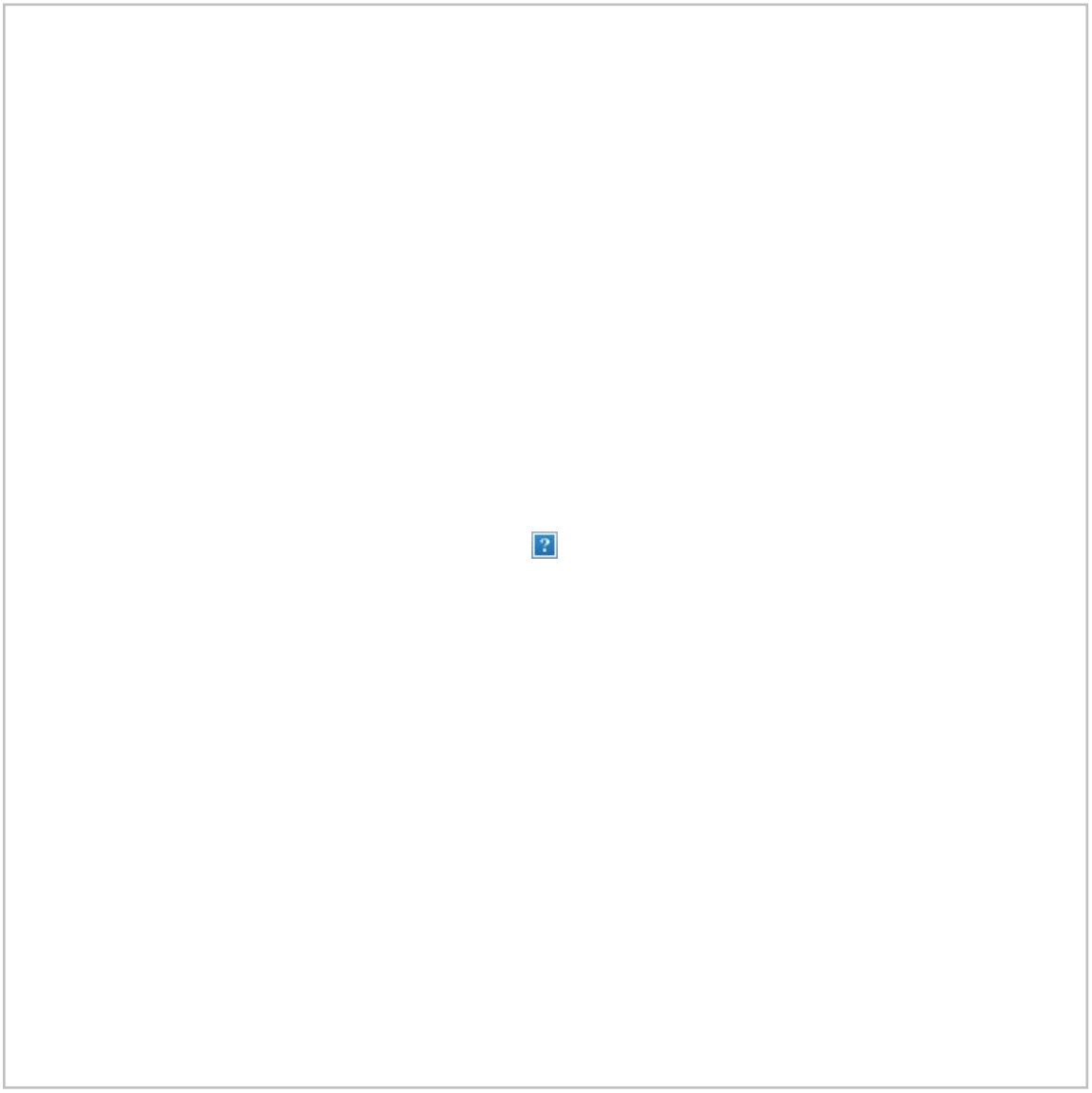
Share Price Performance (Year-to-Date, Three-Month, One-Month, & Five-Day Trailing)



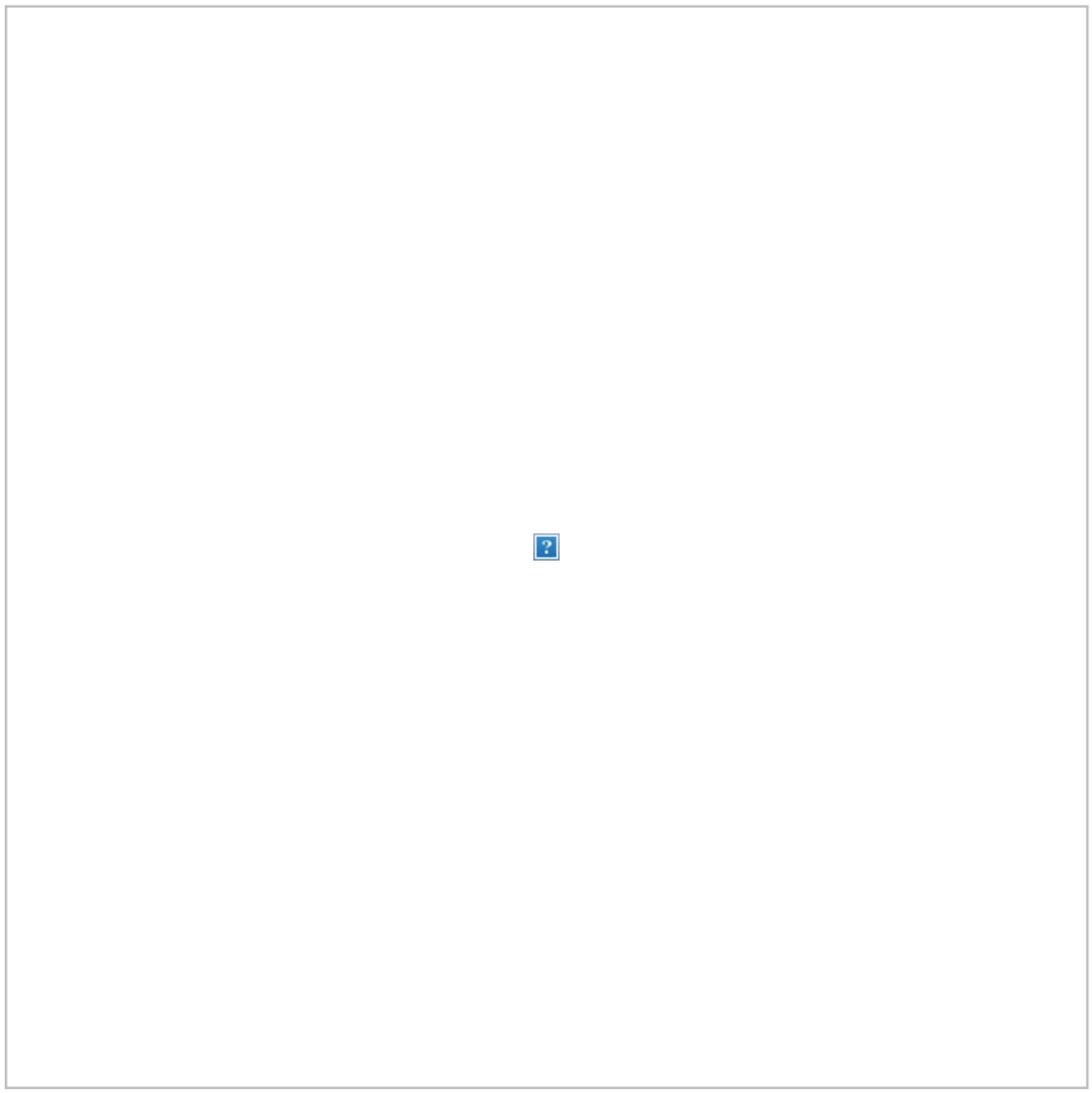
Generation and Mix



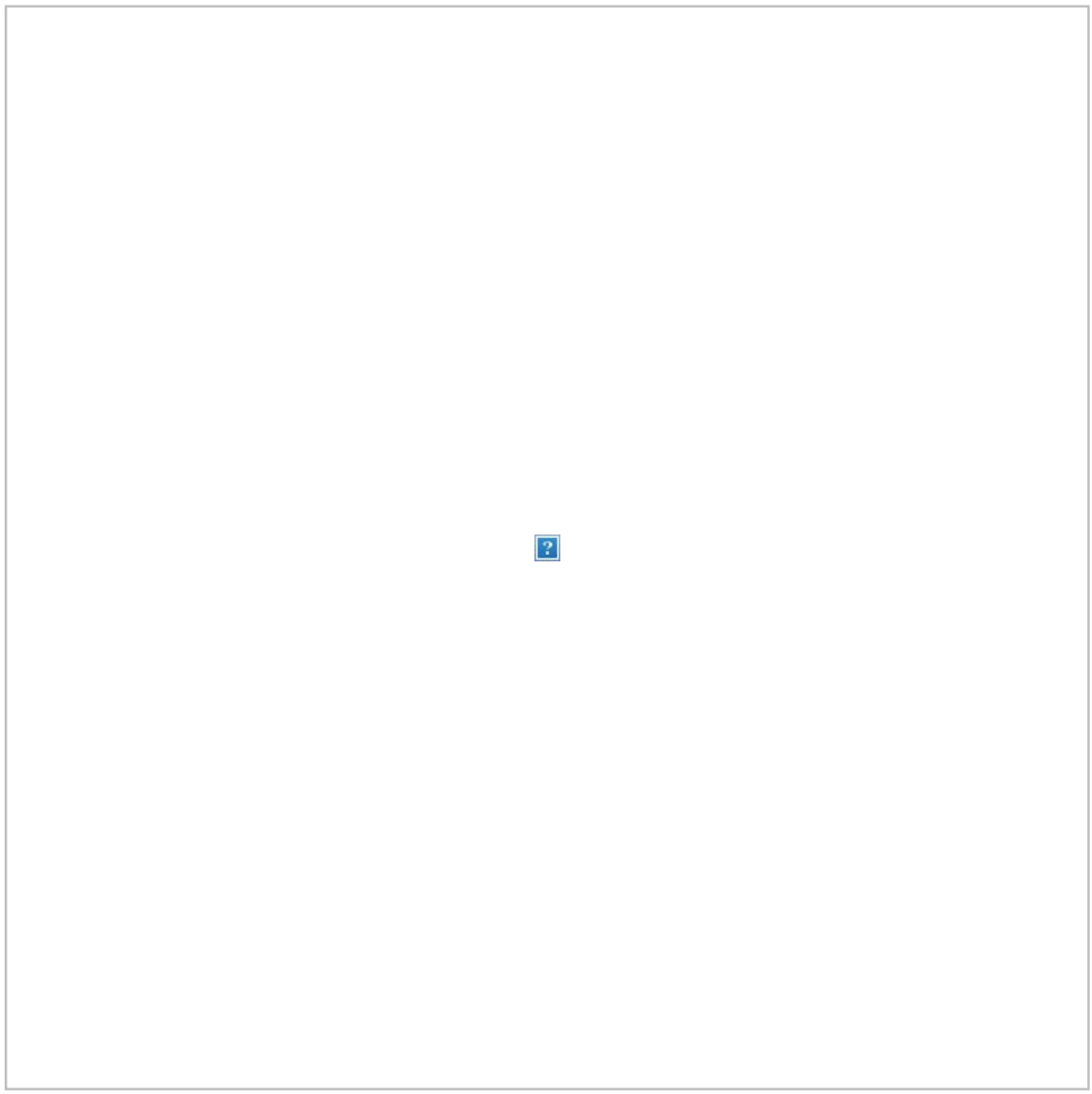
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Ticker	Price	Rating
AEP	77.70	Buy
AWK	123.50	Neutral
CNP	27.12	Buy
DUK	88.27	Buy
ED	89.35	Neutral
LNT	48.57	Neutral
NI	25.00	Buy
POR	40.25	Buy
SRE	70.34	Buy
WEC	80.31	Neutral

Power & Utilities

November 13, 2023

Guggenheim EEI Takeaways - Day One

Key Message: Sunday Day 1: We met SRE, WEC, LNT, POR, ED, NI, CNP, AWK, AEP, and DUK senior management.

As a reminder, Monday (Day 2) will include 1-on-1 meetings with PCG, PEG, ALE, PNW, DTE, CMS, PPL, FE, AVA, D, ES, and ETR (Monday dinner); **Day 3 (Tuesday)** will include 1-on-1 meetings with EVRG, EIX, EXC, OGE, SO, NWE, NEE, AEE, and WEC (Tuesday dinner).

Sunday, November 12th	
Time	*Co.*
9:00AM	SRE
10:00AM	WEC
11:00AM	LNT
12:00PM	POR
1:00PM	ED
2:00PM	NI
3:00PM	CNP
4:00PM	AWK
5:00PM	AEP

Monday, November 13th	
Time	*Co.*
8:00AM	PCG
9:00AM	PEG
9:00AM	ALE
10:00AM	PNW
11:00AM	DTE
12:00PM	CMS
1:00PM	PPL
2:00PM	FE
3:00PM	AVA
4:00PM	D
5:00PM	ES

Tuesday, November 14th	
Time	*Co.*
8:00AM	EVRG
9:00AM	EIX
11:00AM	EXC
12:00PM	OGE
1:00PM	SO
2:00PM	NWE
3:00PM	NEE
4:00PM	AEE

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GUGGENHEIM'S POWER & UTILITY COMP SHEET

11/10/2023		Market	Guggenheim EPS Ests					Consensus					Δ vs Consensus (>$0.02)					Implied P/E Multiple					Prem/(Disc) vs Mid/Lg Cap Utes					'22–'27	NTM	Payout	Guggenheim		NTM Total	Consensus		NTM Total
	Price	Cap ($m)	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	EPS	Yield	Ratio	Rating	Target	Return	Rating	Target	Return
Small Cap Electric																																			
ALE	$53.88	3,097	4.35	4.17	4.56	4.87	5.07	3.91	4.12	4.29	4.72	5.03	0.44	0.05	0.27	0.15	0.04	13.8x	13.1x	12.6x	11.4x	10.7x	-15%	-13%	-11%	-14%	-14%	8.4%	5.2%	69%	Sell	$41	-19%	Neutral	$59	15%
AVA	$33.46	2,589	2.28	2.49	2.61	2.67	2.73	2.29	2.47	2.59	2.64	2.71	–	–	–	0.03	–	14.6x	13.6x	12.9x	12.7x	12.3x	-10%	-10%	-8%	-4%	-1%	5.2%	5.7%	78%	Sell	$26	-17%	Sell	$36	13%
IDA	$94.22	4,769	5.09	5.44	5.80	5.99	6.28	5.10	5.42	5.79	6.06	6.40	–	–	–	(0.06)	(0.12)	18.5x	17.4x	16.3x	15.6x	14.7x	13%	15%	15%	18%	18%	4.2%	3.6%	62%	Buy	$109	19%	Buy	$107	17%
NWE	$48.63	2,978	3.05	3.52	3.73	3.92	4.11	3.24	3.55	3.71	3.87	3.96	(0.19)	(0.03)	–	0.05	0.16	15.0x	13.7x	13.1x	12.6x	12.3x	-8%	-9%	-7%	-5%	-2%	5.3%	5.4%	74%	Sell	$39	-14%	Neutral	$51	11%
UTL	$47.83	770	2.80	2.92	3.08	3.29	3.50	2.78	2.92	3.08	3.27	3.49	–	–	–	–	–	17.2x	16.4x	15.5x	14.6x	13.7x	6%	9%	10%	10%	10%	6.2%	3.5%	58%	Neutral	$45	-2%	Buy	$52	12%
POR	$40.25	4,070	2.63	3.05	3.21	3.38	3.55	2.64	3.05	3.20	3.33	3.46	–	–	–	0.05	0.09	15.2x	13.2x	12.6x	12.1x	11.6x	-7%	-13%	-11%	-9%	-7%	5.3%	4.9%	66%	Buy	$45	17%	Buy	$47	22%
		18,273																**15.7x**	**14.5x**	**13.8x**	**13.2x**	**12.6x**	**-3%**	**-4%**	**-2%**	**-1%**	**0%**	**5.8%**	**4.7%**	**68%**						
Mid/Large Cap Electric																																			
AEE	$76.27	20,019	4.38	4.67	5.05	5.40	5.68	4.38	4.69	5.02	5.35	5.66	–	–	–	0.05	–	17.4x	16.3x	15.2x	14.3x	13.5x	7%	8%	8%	8%	8%	6.6%	3.5%	57%	Neutral	$75	2%	Buy	$83	12%
AEP	$77.70	40,029	5.30	5.64	6.00	6.39	6.81	5.27	5.58	5.97	6.31	6.72	–	0.06	0.04	0.09	0.09	14.7x	13.9x	13.0x	12.3x	11.6x	-10%	-8%	-8%	-7%	-8%	6.0%	4.6%	64%	Buy	$85	14%	Buy	$87	17%
CMS	$55.60	16,222	3.12	3.41	3.65	3.91	4.26	3.10	3.34	3.61	3.87	4.14	–	0.07	0.04	0.04	0.12	17.9x	16.6x	15.4x	14.4x	13.4x	10%	10%	9%	8%	7%	8.1%	3.7%	63%	Neutral	$54	1%	Buy	$60	11%
CNP	$27.12	17,070	1.50	1.61	1.73	1.87	2.03	1.51	1.62	1.74	1.88	2.02	–	–	–	–	–	18.0x	16.7x	15.6x	14.4x	13.4x	11%	11%	11%	9%	7%	9.5%	2.9%	49%	Buy	$30	14%	Buy	$30	14%
D	$44.96	37,621	2.10	2.84	3.39	3.75	4.11	2.74	3.15	3.45	3.83	3.90	(0.64)	(0.31)	(0.06)	(0.08)	0.21	16.4x	14.3x	13.0x	11.8x	11.5x	1%	-5%	-8%	-11%	-8%	-0.4%	6.0%	87%	Buy	$45	6%	Neutral	$48	13%
DTE	$98.57	20,316	5.75	6.63	7.19	7.71	8.26	5.92	6.61	7.13	7.70	8.26	(0.17)	–	0.07	–	–	16.7x	14.9x	13.8x	12.8x	11.9x	2%	-1%	-2%	-3%	-5%	6.3%	4.1%	63%	Buy	$103	9%	Buy	$110	16%
DUK	$88.27	68,056	5.60	6.05	6.35	6.75	7.15	5.60	5.97	6.34	6.75	7.17	–	0.08	–	–	–	15.8x	14.8x	13.9x	13.1x	12.3x	-3%	-2%	-1%	-1%	-2%	6.3%	4.8%	71%	Buy	$99	17%	Buy	$97	15%
ED	$89.35	30,819	5.05	5.30	5.62	5.94	6.21	4.99	5.28	5.57	5.87	6.17	0.06	–	0.05	0.07	0.04	17.9x	16.9x	16.0x	15.2x	14.5x	10%	12%	14%	15%	16%	6.3%	3.7%	64%	Neutral	$84	-2%	Neutral	$89	3%
EIX	$63.72	24,441	4.71	4.98	5.48	5.71	6.03	4.70	5.11	5.62	5.97	6.26	–	(0.13)	(0.14)	(0.26)	(0.23)	13.5x	12.5x	11.3x	10.7x	10.2x	-17%	-17%	-20%	-19%	-19%	5.5%	4.8%	61%	Neutral	$66	8%	Buy	$73	19%
ES	$53.80	18,781	4.37	4.70	4.92	5.17	5.37	4.34	4.56	4.82	5.16	5.48	0.03	0.14	0.10	–	(0.11)	12.4x	11.8x	11.2x	10.4x	9.8x	-24%	-22%	-21%	-21%	-22%	5.6%	5.3%	63%	Neutral	$60	17%	Buy	$65	27%
ETR	$95.48	20,190	6.75	7.16	7.76	8.31	8.97	6.73	7.19	7.72	8.25	8.84	–	(0.03)	0.04	0.06	0.13	14.2x	13.3x	12.4x	11.6x	10.8x	-13%	-12%	-12%	-13%	-14%	6.9%	4.7%	63%	Buy	$103	13%	Buy	$108	18%
EVRG	$49.41	11,344	3.59	3.89	4.10	4.36	4.63	3.61	3.84	4.05	4.29	4.52	–	0.05	0.05	0.07	0.11	13.7x	12.9x	12.2x	11.5x	10.9x	-16%	-15%	-13%	-13%	-13%	4.3%	5.3%	68%	Buy	$54	15%	Buy	$55	16%
EXC	$39.43	39,205	2.36	2.50	2.74	2.93	3.10	2.36	2.51	2.72	2.92	3.10	–	–	–	–	–	16.7x	15.7x	14.5x	13.5x	12.7x	3%	4%	3%	2%	1%	6.4%	3.9%	62%	Buy	$44	16%	Buy	$44	16%
FE	$35.30	20,256	2.54	2.69	2.89	3.07	3.27	2.54	2.67	2.88	3.05	3.22	–	–	–	–	0.05	13.9x	13.2x	12.3x	11.6x	11.0x	-15%	-12%	-13%	-13%	-13%	6.3%	4.7%	62%	Buy	$38	12%	Buy	$39	15%
LNT	$48.57	12,275	2.90	3.08	3.27	3.50	3.67	2.88	3.07	3.27	3.49	3.69	–	–	–	–	–	16.8x	15.8x	14.8x	13.9x	13.2x	3%	5%	5%	5%	5%	6.1%	3.9%	63%	Neutral	$46	-1%	Buy	$53	14%
OGE	$33.97	6,804	2.07	2.16	2.25	2.37	2.48	2.04	2.14	2.26	2.40	2.51	0.03	–	–	–	–	16.7x	15.9x	15.0x	14.2x	13.5x	2%	5%	6%	7%	8%	2.8%	5.0%	81%	Neutral	$34	5%	Buy	$37	13%
PCG	$16.78	35,800	1.21	1.37	1.47	1.61	1.75	1.21	1.35	1.46	1.59	1.71	–	–	–	–	0.04	13.9x	12.5x	11.5x	10.6x	9.8x	-15%	-17%	-19%	-20%	-22%	9.7%	1.7%	22%	Buy	$19	15%	Buy	$18	10%
PEG	$61.61	30,750	3.45	3.70	4.22	4.38	4.68	3.46	3.69	4.07	4.25	4.48	–	–	0.15	0.13	0.20	17.8x	16.7x	15.1x	14.5x	13.8x	9%	11%	7%	9%	10%	6.2%	3.9%	65%	Buy	$64	8%	Buy	$65	9%
PNW	$70.46	7,984	4.20	5.00	5.15	5.25	5.40	4.23	4.95	5.18	5.35	5.54	(0.03)	0.05	–	(0.10)	(0.14)	16.6x	14.2x	13.6x	13.2x	12.7x	2%	-6%	-3%	-1%	2%	4.9%	5.0%	73%	Neutral	$73	9%	Neutral	$78	16%
PPL	$25.34	18,678	1.58	1.71	1.82	1.96	2.08	1.58	1.71	1.82	1.94	2.06	–	–	–	–	–	16.0x	14.9x	13.9x	13.1x	12.3x	-2%	-2%	-1%	-1%	-2%	8.1%	4.0%	60%	Buy	$27	11%	Buy	$28	15%
SO	$68.10	74,332	3.60	4.05	4.30	4.55	4.80	3.61	4.03	4.32	4.54	4.74	–	–	–	–	0.06	18.9x	16.9x	15.8x	15.0x	14.4x	16%	12%	12%	13%	15%	5.9%	4.2%	72%	Buy	$77	17%	Buy	$72	10%
WEC	$79.53	25,087	4.62	4.91	5.24	5.61	5.97	4.61	4.92	5.26	5.61	5.96	–	–	–	–	–	17.3x	16.2x	15.1x	14.2x	13.3x	6%	7%	7%	7%	6%	6.1%	4.1%	68%	Neutral	$84	10%	Buy	$89	16%
Mid/Lg Cap (excl. EIX, PCG)																		**16.3x**	**15.1x**	**14.1x**	**13.2x**	**12.5x**						**5.9%**	**4.4%**	**66%**						
SMID + Lg Cap		**614,351**																**16.2x**	**15.0x**	**14.0x**	**13.2x**	**12.5x**						**5.9%**	**4.5%**	**66%**						

Diversified	Price	Market Cap ($m)	Guggenheim EPS Ests 2023E	2024E	2025E	2026E	2027E	Consensus 2023E	2024E	2025E	2026E	2027E	Δ vs Consensus (>$0.02) 2023E	2024E	2025E	2026E	2027E	Implied P/E Multiple 2023E	2024E	2025E	2026E	2027E	Prem/(Disc) vs Mid/Lg Cap Utes 2023E	2024E	2025E	2026E	2027E	'22–'27 EPS	NTM Yield	Payout Ratio	Guggenheim Rating	Target	NTM Total Return	Consensus Rating	Target	NTM Total Return
NEE	$55.14	111,588	3.13	3.43	3.69	3.99	4.27	3.13	3.39	3.64	3.86	4.29	–	0.04	0.05	0.13	–	17.6x	16.3x	15.2x	14.3x	12.8x	8%	8%	8%	8%	3%	8%	3.7%	61%	Buy	$65	22%	Buy	$69	29%
SRE	$70.34	44,267	4.52	4.75	5.06	5.40	5.85	4.53	4.79	5.11	5.49	5.88	–	(0.04)	(0.05)	(0.09)	–	15.5x	14.7x	13.8x	12.8x	12.0x	-5%	-3%	-2%	-3%	-4%	-9%	4.6%	68%	Buy	$79	17%	Buy	$81	19%
		155,855																**16.6x**	**15.5x**	**14.5x**	**13.5x**	**12.4x**	**2%**	**2%**	**3%**	**2%**	**-1%**	**-0.3%**	**4.1%**	**64%**						
Gas LDCs																																				
NI	$25.00	10,335	1.57	1.68	1.82	1.95	2.07	1.59	1.69	1.82	1.95	2.10	–	–	–	–	–	15.8x	14.8x	13.7x	12.8x	11.9x	-3%	-2%	-3%	-3%	-5%	7%	4.3%	63%	Buy	$27	12%	Buy	$29	21%
CPK	$86.71	1,878	5.30	5.84	6.23	6.59	6.94	5.27	5.56	6.24	6.63	7.05	0.03	0.28	–	(0.04)	(0.11)	16.5x	15.6x	13.9x	13.1x	12.3x	1%	3%	-1%	-1%	-2%	7%	2.9%	45%	Neutral	$99	17%	Buy	$120	42%
NJR	$41.03	4,003	2.70	2.80	2.94	3.10	3.34	2.69	2.78	2.98	3.12	3.42	–	–	(0.04)	–	(0.08)	15.2x	14.7x	13.8x	13.1x	12.0x	-6%	-2%	-2%	-1%	-4%	6%	4.1%	60%	Neutral	$42	6%	Buy	$47	19%
NWN	$36.20	1,271	2.65	2.83	2.98	3.09	3.21	2.66	2.75	2.96	3.05	3.23	–	0.08	–	0.04	–	13.6x	13.2x	12.2x	11.9x	11.2x	-17%	-13%	-13%	-10%	-11%	5%	5.4%	72%	Neutral	$37	8%	Buy	$46	34%
OGS	$60.33	3,346	4.14	4.24	4.53	4.98	5.31	4.12	4.20	4.50	4.95	5.33	–	0.04	0.03	–	–	14.6x	14.4x	13.4x	12.2x	11.3x	-10%	-5%	-5%	-8%	-10%	10%	4.5%	65%	Neutral	$64	11%	Neutral	$68	17%
SR	$56.92	2,994	4.20	4.31	4.57	4.73	4.99	4.18	4.29	4.63	4.80	5.06	–	–	(0.06)	(0.07)	(0.07)	13.6x	13.3x	12.3x	11.8x	11.2x	-16%	-12%	-13%	-11%	-10%	5%	5.3%	70%	Neutral	$55	2%	Neutral	$62	15%
		23,826																**14.9x**	**14.3x**	**13.2x**	**12.5x**	**11.7x**	**-9%**	**-5%**	**-6%**	**-6%**	**-7%**	**6.7%**	**4.4%**	**62%**						
Regulated Water																																				
AWK	$122.79	23,908	4.82	5.14	5.59	5.98	6.45	4.81	5.15	5.60	6.04	6.46	–	–	–	(0.06)	–	25.5x	23.9x	21.9x	20.3x	19.0x	57%	58%	55%	54%	52%	7%	2.4%	58%	Neutral	$126	5%	Buy	$146	22%

IPPs	Price	Market Cap ($m)	Guggenheim EBITDA Ests 2023E	2024E	2025E	2026E	2027E	Consensus 2023E	2024E	2025E	2026E	2027E	Δ vs Consensus (>$20m) 2023E	2024E	2025E	2026E	2027E	Implied EV/EBITDA Multiple 2023E	2024E	2025E	2026E	2027E	Enterprise Value 2023E	2024E	2025E	2026E	2027E	'22–'25 Growth	NTM Yield	Payout Ratio	Guggenheim Rating	Target	NTM Total Return	Consensus Rating	Target	NTM Total Return
CEG	$121.77	38,891	3,525	3,951	4,125	3,971	4,213	3,688	4,083	4,090	4,013	4,160	(162)	(132)	35	(42)	53	12.0x	10.6x	10.1x	9.9x	9.1x	44,425	43,164	41,297	39,607	37,802	15.6%	1.0%	20%	Buy	$119	-1%	Buy	$129	7%
NRG	$45.55	10,284	3,248	3,418	3,311	3,324	3,377	3,138	3,319	3,333	3,358	3,460	110	99	(22)	(34)	(83)	6.3x	5.9x	5.7x	5.6x	5.3x	19,746	19,547	18,930	18,663	18,304	23.6%	3.6%	26%	Buy	$51	16%	Buy	$47	6%
VST	$34.48	12,328	4,050	3,906	3,997	3,822	3,513	3,940	4,254	4,184	4,079	4,318	109	(348)	(187)	(257)	(805)	6.0x	5.5x	5.4x	5.5x	5.0x	23,686	23,324	22,799	22,400	21,679	8.7%	2.6%	23%	Buy	$32	-5%	Buy	$39	16%
Other																																				
NEP	$23.61	2,206	1,902	2,021	2,080	2,099	2,118	1,915	2,014	2,020	2,045	2,126	–	–	60	54	–												15.7%	–	Buy	$42	94%	Buy	$33	54%
SMR	$2.09	160	(143)	(57)	8	96	n/a	(137)	(62)	1	144	452	–	–	–	(48)	–												–	–	Buy	$14	570%	Buy	$11	436%

Source: Guggenheim Securities, LLC estimates, Bloomberg LP.

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SEMPRA ENERGY (SRE)

We met with SRE CFO Trevor Mihalik, SIP President Justin Bird and other members of senior mgmt. SRE EEI updates focused on the prior week's equity issuance, inputs driving the 4Q capex update (10-20%) and the regulatory constructs that underpin growth. SRE mgmt. say they remain very confident in the reiterated growth guidance from 3Q and noted that the financing needs were contemplated as part of the planning parameters. Beyond the capex upside continuing to provide visibility into the 6-8% LT growth, cost of capital in CA and equity ratio improvement in TX could further result in improved performance at the top end for SRE. Mgmt. says it does not see accretive M&A opportunities outside of the Oncor minority equity buy-in, but says it does not see a willing seller at this time. SIP continues to progress slowly with the development queue, with the earnings mover projects being LNG (PA II, Cameron 4, ECA II), while CCS and E-methane provide some LT options to transition away from traditional gas molecules. Overall, SRE continues to exceed financial guidance and plan conservatively for future growth (reiterated at 6-8% not including SIP development projects other than ECA I).

- **The 3 key topics of discussion for our EEI meeting were (1) equity issuance and refinancing in the plan, (2) the capex and regulatory outlook, and (3) SIP project development updates; SRE is planning conservatively on all fronts.**

- **SRE pointed to the top end of 2023 EPS guidance; equity forward was contemplated in reiterated 6-8% LT growth guidance.** We questioned the need for "pre-funding" equity for a capex plan that will be updated on the 4Q call, but mgmt. reiterated the de-risking aspects of a forward equity sale agreement and noted the strong demand and low discount for the sale. Overall, we see the deal as taking some of the earnings tailwinds form recent years and lowering the financing volatility in the plan. **Mgmt. anticipates equity forward settlement in the late part of 2024** (i.e., somewhat mitigating the lag between capex and equity dilution). Mgmt. also noted that the SIP equity sales in past years enabled a recapitalization at the parent that leaves only a modest amount of refinancing risk and only 10% of parent debt at variable rates (CP program); **the net impact of a 50bp shift in interest rates is only 1-2c of EPS**. Mgmt. noted that credit rating agencies are getting more constructive on SRE's plans and appreciate the equity and the regulated profile as well as the overall credibility of mgmt. to issue equity or get equity content to support the capital structure. A lot of time has been spent to build credibility.

- **Regulatory outlook continues to highlight a premium picture in both CA and TX. Mgmt. acknowledged the constructive regulatory outcomes to date and some potential upsides in the near future.** CA remains constructive for SRE as the jurisdiction has low-risk constructs like decoupling, cost true-up and multiyear rate plans, as well as above-average cost of capital metrics (ROE / Cap Structure). CA could further

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benefit from the CCM adjustment that is currently in deliberation at the CPUC Energy Division. Mgmt. sees good cause for the CCM to trigger, as we have seen sustained interest rate increases (i.e., not a one-time event like a global pandemic). **While the contemplated 70bp increase in ROEs is within the LT 6-8% growth guidance, we certainly see how a constructive outcome could push EPS to the high end.** Mgmt. says it does not see the need to settle if there is a proceeding with the CPUC as the CCM construct is designed for the exact scenario that is playing out (i.e., higher-for-longer interest rates). **On the Texas side, load growth continues to support major capex upsides with limited impact on customer bills (a large portion of the $4-8B capex update on 4Q is attributable to Oncor in TX).** The regulatory mechanisms in TX support increased investment recovery, and mgmt. says it remains optimistic of a higher equity ratio (i.e., some support in the Oncor case for a 45% equity cap structure before the now-departed Chair pulled it back in the final decision). **The CNP Houston Electric rate case could be a bellwether for the PUCT thoughts on higher equity ratios**, and SRE noted that Oncor could go for an out-of-cycle rate case to raise the equity ratio if the commission goes down that path.

- **On the SIP side, mgmt. continues to see an acceleration of the global gas demand thesis; EPC capacity is available to continue project development and FID tracks on all projects.** Mgmt. reiterated the constructive expectations for LNG marketing and project financing structures. The PA II expansion project is now within sight of an FID track pending DOE authorizations (FERC review complete), Cameron 4 is seeing interest from project partners and ECA II is now within sights as the ECA I project continues on-time delivery (mgmt. noted recent mgmt. site visits and an upcoming board visit). **Mgmt. noted that EPC capacity for LNG is more than adequate, and that Bechtel is the natural builder for both phases of Port Arthur**, as continuous construction helps maximize labor and resource efficiency. From an earnings accretion standpoint, the non-FID projects are not in current plans, with LNG projects being the biggest contributors to a potential step-up. The more incipient projects like CCs and E-methane are not material contributors in the current planning timeframe but remain an important tool for future gas molecule transition both domestically and globally.

- **Strategically, mgmt. says it doesn't see any accretive M&A; focus remains on organic growth, but SRE would be a natural buyer of the Oncor minority equity stake.** SRE noted that there have been attempts at buying out the private owners of the Oncor minority equity during past asset sales and recapitalizations, but there was always a gap on valuation with the partners (TTI / OMERS, private / municipal pension).

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WEC ENERGY GROUP (WEC)

We met with Gale Klappa, executive chairman, Scott Lauber, CEO, Xia Liu, CFO, and Beth Straka, SVP communications and investor relations of WEC Energy, to discuss the company's updated five-year capital plan through 2028, accelerating asset base growth CAGR (now >8%) and confidence therein, and updated expectations heading into next year.

- **What's next for Gale?...** Gale Klappa's new non-executive chairman role (beginning after April 2024) has no specified end date, but his investor involvement in terms of NDRs and the like will depend on the needs of Scott Lauber, CEO, Mr. Klappa said.

- **Microsoft [NASDAQ:MSFT] announced an outline of their broader Wisconsin regional plan on Friday afternoon (link HERE),** which WEC mgmt. noted. The company is going from 315 acres to over 1,000 acres of planned footprint, and intends to invest "billions" (i.e., plural) vs. the $1bn of investment that it had previously guided to and which the current 5-year plan WEC has published supports. However, we note that even if MSFT wanted WEC to, the company indicated it likely would not be able to build any faster than what is envisioned in their current plan.

- **WEC provided incremental details on its rolled-forward 5-year capital plan.** The company now projects **~8.1% asset base growth through 2028 (vs. 7.4% through 2027),** resulting in an "e*stimated year-end average asset base*" of **$43.3bn in 2028**, vs. $29.4bn in 2023E. The company also projects **electric load growth of 4.5%-5.0% over 2026-2028**, vs. 0.7%-1.0% through 2027E previously. Natural gas sales growth forecasts remain unchanged at 0.7%-1.0%.

- **7% equity financed.** The plan includes equity financing for the first time in years, as mgmt. indicated that $1.8bn-$2.2bn of common equity is slated to be issued through 2028 via the DRIP, employee benefit plans, and ATM programs (but no block equity), and also guided to issuing **$100m-$200m** in **2024**, followed by 2025-2028's issuances being **tied ratably to the company's capex spending**, and **averaging ~$450m per year,** although we note that $100m-$200m will continue to be sourced from the company's internal programs over 2025-2028 (with $250m-$350m coming from the ATM over that period). **Mgmt. pointed out that 7% of capital is being financed via equity, 28% debt, and 65% internal cash flows. Of the 35% coming from external sources, equity makes up ~20% of it.** The current plan reportedly meets all requirements for maintaining their current credit metrics, mgmt. said. As we reflect back on S&P's report from earlier in the year regarding WEC, we had the impression that the rating agency wanted to see equity being issued, although we believe it's important for context purposes to recognize that there is a growing understanding among investors that the industry in general will need more equity.

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ALLIANT ENERGY (LNT)

We hosted Alliant's outgoing CEO John Larsen, incoming CEO and current COO Lisa Barton, CFO Robert Durian, and other members of the team for a detailed meeting on the company's capex roll and other regulatory items – including the PSCW's action late last week in the WPL case, and the fresh case filing in Iowa. Outside of these two key regulatory updates, our conversation also focused heavily on the ongoing repowering pathways and management transition. In our view, LNT's 5-7% EPS growth, 8% rate base growth, and degree of conservatism therein continues to screen attractively against the current backdrop.

- **WPL case resolution late last week sets the stage for more finality on the equity need and go-forward planning.** A significant portion of our meeting was devoted to the verbal order late last week from the PSCW in WPL's ongoing rate cases, resulting in a 9.8% ROE, 54% equity layer, and several other ancillary considerations. Starting first at a high level, management noted that the outcome to them reflected an ongoing emphasis on gradualism from the PSC, with a focus on customer rates in part informing and supporting the bifurcated increase (larger in year 2). Our impression from the conversation was that, like many other jurisdictions, the PSCW remains sensitive to customer pressure in an inflationary backdrop. On the ROE and layer, management noted that they had expected some puts and takes regarding the final outcome, with their expectations generally weighted towards an ROE decrement towards ~9.7% and layer improvement vs. the actual 9.8% and flat layer. Management indicated that the overall focus with regards to cases and capital remains customer rates at or below the rate of inflation, which by and large was achieved through the most recent cases. In terms of ancillary considerations, the deferral of solar project costs above target was our second area of focus – WPL plans to defer amounts above the current cost target, with management pointing to a current trajectory to potentially 10-12% elevated. A deferral filing could come before year-end – it is not dependent on the final order in the current case. The company could also go for a reopener in 2025, potentially alongside the next GRC filing (in '25 for '26/'27). The balance of the order outcomes (Edgewater 5, ESM) were decidedly less central to our conversation.

- **Tax credit transferability and WPL outcome continue to inform financing plan.** With finality on the potential shift in WPL's equity layer, management noted that it no longer planned to issue the prior up to ~$200M of equity alongside the ~$25M DRIP. The lowered equity need is also supported by transferability, with the team noting that demand has seemingly outstripped supply. The company is seeing favorable discount rates, with 2023 credits close to finalization. Our impression from the conversation is that the discounts are tracking slightly better than some investor expectations, with pricing well north of 90%.

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- **What about the change in CEOs?** Management struck a very consistent tone across our meeting, with outgoing CEO Larsen reiterating that this is a measured transition, not dissimilar to what investors have seen at other companies. To that end, he plans to still be very visible, leveraging his longstanding investor and stakeholder relationships to support the company. There is no timeline at this point for further actions.

- **Wind repowerings a key area of ongoing focus.** The recently announced ~500MW tranche of repowerings was the second key point of focus in our conversation, with management walking through both the individual mechanics and the quantum of the longer-term opportunity. To that end, the latest wave of repowerings is essentially the second round for customers to recognize tax credit benefits, with the initial tranche of sites tied to the 2008-2012 class of projects. The team noted that the choice between partial or full repowering is more site-specific, with some potential for uprates or efficiency improvements depending on the scale of the work. Our impression from the conversation was that even the partial repowerings would meet the IRS 80/20 rule for PTC qualification. The projects also present CF uplift from accelerated depreciation which, when put together with the PTC and potential CF improvements, presents an attractive option for customers. In terms of the longer-term opportunity, the same repowering-CF cycle will also exist in larger form later in the decade for the 2018-2019 class of projects as they hit 10 years of age.

- **Fresh case for IPL comes with several procedural data points and considerations.** With the IPL case still in early innings (still no schedule), the commentary was generally procedural and high level in our meeting. Management says they expect to have the process resolved by next summer (~10-month process), with the window for settlements potentially falling towards the 2Q24 period. In their view, while this is a newer IUB, the impression has been that they prefer to go faster.

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PORTLAND GENERAL ELECTRIC (POR)

We had a highly constructive meeting with Maria Pope, POR's President and CEO, and members of the IR team, with our latest conversations refining the details of last month's 3Q update, the key takeaways from the recent GRC finalization, select considerations for the 4Q call, growth and financing data points, and thoughts on the wildfire backdrop. We continue to see POR as one of the more attractive SMID names on the back of its strong underlying load growth, rider-eligible RFP opportunities, and associated focus on ROE lag reduction.

- **With the 2024 GRC case finalized, management looks towards a constructive new year and power volatility insulation.** A substantial portion of our meeting was spent recapping the recently finalized GRC, with management reviewing the key drivers, including O&M, capital, and power costs. To that end, the company framed the case as setting up 2024 well (in line with the guided 5-7% off 22A), alongside some de-risking on the wildfire spending side via the AAC. The PCAM reforms were a particular point of focus, with the team going through the mechanics of the triggers (see the new slides for helpful detail), with 2 of the 3 criteria visible to investors: 1) Mid-C pricing, and 2) RTO events. The remaining piece, resource adequacy assistance requests, will not be visible, as the company sees those as confidential. Under the mechanism, 80% of RCE costs are deferred and recovered outside of the PCAM, with the remaining 20% then flowing through to the normal sharing test (90/10 sharing outside of the deadband). **The company has also provided some backcast data for reference on 2020-2022; however, this came with a caveat that there are many ongoing differences that make that number less than equivalent going forward** (different grid conditions, hedging, etc.)

- **Next case timing remains fluid, but the batteries could tip the scales towards a 2026 GRC (filed next year).** While management was not in a position to discuss timing details, having only just coming off the most recent case, it was acknowledged in our meeting that the exclusion of the battery projects from the RAC could be a driver of the next case's timing. The smaller project, Constable (formerly Evergreen) comes online next year (~$150M), while the larger, Seaside, is in 2025. **As a reminder, the RCE mechanism also includes a sunset clause, with the next case likely to feature either a renewal or potential modification.**

- **Looking ahead to 4Q, we continue to expect more capex details, alongside incremental additions to the current plan.** Largely affirming some of our prior conversations, management indicated that run rate ~$800M base capex could see additional refinements around the types of disclosures, alongside new projects for both transmission and base distribution spend. We did not get the impression that the team would include a placeholder or illustrative assumption around RFP wins, something that some investors have asked about, given the optics of the company making

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early assumptions around what it could win. **Within the context of 2024 and ongoing planning, there were also several investor questions around equity and the balance sheet,** with the team acknowledging that issuing equity at such levels is less than desirable (e.g., the existing ATM). To that end, investors pressed on minimizing issuance in '24; however, management largely deferred on specifics. The company is also targeting significant transfers of tax credits in the near future (~$30M in '23, ~$100M next year).

- **What about wildfires?** The issue of wildfires remained a point of investor interest in our meeting, with the team speaking at length to the longstanding efforts at the company to proactively prepare and continually improve the planning process. As we have noted previously, POR has been a frontrunner in the PNW for fire planning, with almost a decade of ongoing work to establish a regulatory framework around its annual WMPs and the recent adjustment clause (the AAC) for ongoing spend. To that end, the company included an updated slide discussing some of the finer details of the work underway and risk mapping as it stands today (9% of its territory is high risk, serving ~2% of customers), supporting what we see as the company's differentiated risk profile within the region. **While we and others asked about federal efforts around a wildfire backstop, the data points were generally cursory – efforts remain ongoing at both the state and federal levels.**

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CON EDISON INC. (ED)

We met with ED CEO Tim Cawley, Treasurer Yukari Saegusa and other members of mgmt. The two core issues discussed in our meetings were the assumptions around planning inputs for 2024 (especially as a base for LT growth for 4Q23 earnings disclosures) and the capital opportunities outside of the CECONY GRC. The capex opportunities are largely agnostic to the offshore wind integration into the NY grid. ED reached settlements across all CECONY business lines, with several de-risking features that could provide more earnings stability in 2024, but items like lower O&M and weather-related spending will likely normalize in 2024. Cost of debt could create some lag in a rising interest rate environment. MVP construction is on track for 1Q24 in service, but ED noted that AFUDC booking will have a high threshold and strategic analysis will depend on the pipeline flowing gas (but ED reiterated it has no desire to be in the midstream gas business). Mgmt. plans to continue the analysis on equity needs in 2025, which could be impacted by the MVP strategic outcome. The balance of the issues included a discussion around energy transition, bill headroom and deferred cost resolution.

- **ED continues constructive signaling around 2023 updates; things like rate case outcomes, steam weather normalization, and a higher storm reserve in rates could help 2024 set a strong base for LT growth rate roll forward.** Tailwinds for 2023-2024 include the CECONY Steam settlement and rates starting in November 2023 (~$0.04c contributor for the year). While we see the Steam outcome and reset to earned ROEs contributing around $0.10 of earnings on an annual basis, mgmt. indicated the weather normalization mechanism would also help lower the amount of weather volatility in the planning process. Other factors impacting earnings are more one time in nature like lower healthcare costs, less non-deferable storm activity, earnings adjustment mechanisms and expectations around one-time O&M benefits. Mgmt. confirmed that all of these items would find it hard to make it into the planning process, i.e., a single-year outcome does not sway LT averages embedded in planning. **Some of the critical elements for 2024 include a reset on earnings adjustment mechanisms** (which were a very small 2023 contributor) that could grow over time, the **storm reserve revenues** in current rates are up from $25M to $50M per year, and **rates across CECONY** helping to support earned ROEs (we have previously raised or 2024 EPS expectations from $5.19 to $5.30).

- **Mgmt. is increasing focus on the clean energy future transition, which includes CECONY capex opportunities through the second half of the decade and some modest uplift for CET through the Propel NY project.** Propel NY is a $900M capex allocation to CET (combined NY Transco and NYPA project). CECONY is also working through various stages of approval and planning for Clean Cities projects, Energy hub projects and eastern Queens substation expansions. Mgmt. noted that while the projects may help with offshore wind integration, the projects as planned are agnostic to the timing of offshore wind constructions, as they are either reliability backbone

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projects, demand-driven or required for Peaker plant retirements (i.e., grid optimization).

- **MVP is back in the picture, but mgmt. is not taking any positions until gas is flowing; LT, the company does not want to be in the midstream gas business.** MVP remains a tailwind for earnings and value for ED, but mgmt. noted that the discretion to book AFUDC and include the project in planning has a high hurdle given the history of uncertainty. MVP investment was capped at $530M, and mgmt. plans to revisit the strategic direction for the asset once the pipeline is flowing gas (1Q24 per the project developer). Given the scarcity value of East Coast pipelines, any optimization could provide a modest offset to equity needs, which were last disclosed to be $900M in 2025 (ED prefers block equity as that has been the most efficient instrument historically).

- **While CECONY has some of the highest rates, mgmt. noted that bill headroom issues also get looked at on a wallet share** and aggregate average bill basis, both of which screen Con Ed in the bottom quartile (i.e., good affordability), with the major issue being low-income customers, which ED has addressed in rate design and customer credit allocations.

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NISOURCE INC. (NI)

We met with Lloyd Yates, CEO; Shawn Anderson, CFO; William (Bill) Jefferson, EVP, Operations and Chief Safety Officer; Michael Luhrs, EVP of Strategy and Risk and Chief Commercial Officer; Randy Hulen, VP, IR & Treasurer; Chris Turnure, Director, IR; and Michael Weisenburger, Lead Financial Analyst, IR, to discuss the company's recent guidance roll, thoughts around credit metrics, and the equity unit remarketing and its implications.

As a reminder, we were recently on the road with NI's C-Suite. For more, please see our note "*NI NDR: A Hidden Gem with Catalysts & Clearing Events Ahead*" (HERE).

- **Remarketing update … Could the results change NI's guidance? Still no.** We do not see a potential scenario where the remarketing either happening or not happening impacts NI's ability to hit its earnings guidance. While we do estimate that leaning on short-term borrowings instead of receiving $862.5m of equity proceeds from the remarketing could put **~90bps** of pressure (~10bps for every $100m of debt) on the company's FFO-to-debt metric in the near term, NI would still remain **within its targeted 14%–16% range** as planned, just towards the lower end vs. mgmt.'s prior guidance before the Q3 earnings call of being towards the high end of the range once the NIPSCO deal concluded. **With or without the remarketing, we see NI as being well above its 13% downgrade threshold once the NIPSCO minority stake sale closes;** however, we do see the potential for 2024 equity needs following further discussion with mgmt., compared with our Q3 note. As we previously highlighted in our NDR note (link above), while **the simple math regarding the remarketing not occurring would point to ~$0.06 of accretion in 2024 by replacing the issuance of ~35m shares with an after-tax short-term interest drag on $862.5m**, we remind investors that the company could also opt to be less aggressive in its cost mitigation measures, reducing this accretion potentially to zero. NI's newly rolled forward **base** guidance assumes the full $862.5m remarketing takes place this month, followed by no equity in 2024, and then **$200m-$300m of annual maintenance equity in 2025-2028 via the company's ATM program**. In the case of no remarketing, mgmt. **has highlighted that** that the company has a lot of flexibility in terms of the timing of raising replacement equity, meaning that it would not have to be either upfront or ratable, but, nonetheless, we continue to expect that in that scenario, the **ATM program in 2025 and beyond** (plus incremental 2024 financing) would likely be expanded in order to accommodate "substitute equity" in place of the $862.5m that would have been raised in 4Q23.

- NI recently released a rolled-forward 2024-2028 capital and financing plan that supports unchanged 8%-10% rate base growth and 6%-8% LT EPS growth (based on year-end results), **with no rebasing. NI increased capex by $1bn (now $16bn over the period), driving**

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continued 8%-10% rate base growth, as well as 6%-8% NOEPS growth after factoring in its financing plans (which were also rolled forward to 2028). Furthermore, the company highlighted $2bn of potential capex that would be incremental to the $16bn base capital plan, including **$400m from replacing tax equity with utility ownership** for NIPSCO's last two renewable projects (the base plan already includes this replacement of tax equity for two of the four remaining projects). This is part of the **$2bn of incremental CapEx** beyond the base plan of 8%-10% rate base growth — with more details to come on the 4Q23 call.

- **NI recently** reiterated its 2023E NOEPS guidance of being in the upper half of its $1.54-$1.60 range vs. Guggenheim/consensus estimates at $1.57/$1.58 and introduced 2024E NOEPS guidance of $1.68-$1.72 ($1.70 midpoint) vs. Guggenheim/consensus estimates at $1.68/$1.68. Mgmt. has highlighted the ongoing successes of Project Apollo in terms of cost management to date, and reaffirmed its commitment to flat O&M going forward. **We remain confident that a combination of O&M and certain capital levers should continue to allow NI to mitigate near-term macroeconomic headwinds as we head into 2024** and, along with the YE23 receipt of the proceeds from its NIPSCO transaction (FERC approval was received in October), we expect NI to comfortably stay within its reiterated (and also extended) 14%-16% annual FFO-to-debt guidance through 2028.

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CENTERPOINT ENERGY (CNP)

We met with the full CNP leadership team CEO Dave Lesar, incoming CEO Jason Wells and CFO Chris Foster. CNP continued to project the messages from the 3Q call with strength in the economic outlook, incremental capital spending and an 8%+ EPS growth trajectory. CNP announced its intention to turn on an ATM equity program in 2024 to support the most recent capex increases, but noted that future efficiencies in funding would continue to be assessed (incl. LDC monetization). The near-term focus for the company remains on regulatory outcomes and reducing risk. Mgmt. sees material ROE lag reduction from the Texas legislature, but also from more broad regulatory strategy. Mgmt. anticipates a CEHE rate case around May 2024 with a focus on O&M (which has seen material reductions), cost of capital and depreciation rates – with O&M offsetting other proposed increases. In MN and IN, CNP is focused on straightforward cases. We found mgmt. to be very in-tune with the growth strategy, customer-centric approach and investor value oriented (i.e., in line 3Q thoughts).

- **Our CNP meeting focus generally fell into 2 categories – incremental capex opportunities and regulatory strategy to minimize regulatory lag.**

- **CNP anticipates future capex updates to be more modular vs. big step-ups as opportunities get rolled in real time.** In Texas, CNP says it sees opportunities for gas with reliability work and the expansion of local transmission capacity, which is currently contracted with third-party shippers as a pass-through cost. On the electric side, Texas, particularly Houston, continue to see strong customer growth (supporting capex and lowering net bill increases, mgmt. noted no change in the average T&D charge vs. the last 10 years). The next step-up will likely come from a formal resiliency framework, which the PUCT is working to define (scheduled ~mid December 2023). CNP plans to subsequently file a proposal, and mgmt. noted that the benefits of the framework are both in volume of capex but also in ROE lag on recovery (the framework would allow deferred asset treatment). For reference, $300M of capex would result in ~$0.01 EPS accretion. Elements of resiliency will include undergrounding, higher wind ratings and composite pole replacements, as well as cyber IT investments – mgmt. noted a potential portfolio of modular projects.

- **From a funding perspective, mgmt. noted that LDC sales are still a consideration for efficient financing**, but 2023 was a bad year to market assets as there were competing forced sellers driving down asset values. In the absence of asset optimization, mgmt. plans to fund capex increases similar to prior equity needs (~50% for new capex). Mgmt. also views the higher retained earnings / lower dividend payout as an asset for strong earnings growth – i.e., better to fund capex with retained earnings vs. going to the equity markets in the current environment, but noted that dividend growth has been on pace with strong earnings growth (~10% trailing).

- **On the regulatory side, mgmt. is very active in reducing regulatory lag and pushing for a cost of capital improvement in Texas.** The Texas gas

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rate case will consolidate service territories to help smooth out customer bill impacts over the long term (a 10-15 year issue for mgmt.). **On the electric side, CEHE delayed the rate case filing to ~May 2024 to accommodate the new TCOS and DCRF timing.** This will effectively eliminate recovery of invested capital from the case and focus on O&M, cost of capital and depreciation. Mgmt. noted that O&M decreases are enough to fund a proposed cost of capital increase. Mgmt. will look to work through ROE and equity ratio in the rate case before the next legislative session in 2025 and also noted that given the timeframe for an outcome, it may be tough to present an early outlook on 3Q24 with a rate case outstanding. **In MN, the gas rate case is focused on reconciling invested capital,** and mgmt. says it sees little risk to cost of capital as the MN PUC has previously voiced the view that gas ROEs should remain above electric ROEs. The case proposes 2 revenue increases over the 2 test years to help smooth out earnings and help a potential 3-year rate case cycle (vs. 2 year currently), helping to reduce regulatory risk. **The IN rate case could be noisy** (per. Mgmt.) as the current rates were set on a 10.4% ROE, but noted that major capex elements like generation and solar builds have been pre-approved by the regulators.

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AMERICAN WATER (AWK)

We hosted AWK President/CEO Susan Hardwick, EVP/CFO John Griffith, EVP/COO Cheryl Norton, and other members of the team for a detailed discussion on PFAS, CERCLA, inorganic growth, and the latest capital and financing plans. In total, the scale and duration of AWK's pipe replacement and mitigation spend remains one of the longer capex runways in our coverage, supporting highly attractive top-tier 7-9% growth in an industry with a lower customer bill share vs. gas and electrics.

- **Emerging and established contaminants remain drivers of capital and potential M&A as core spending needs remain robust.** Our latest conversations with AWK management focused heavily on the newly debuted capital plan and the integration of $1B in PFAS associated spend, alongside some ~$0.50B in deferred spend. Per management, the company made several prioritizations as it went through the capital refresh cycle, with things like surface line replacements that may not have been reliability or water quality concerns pushed out. While these may add some time to the 120-year pipe cycle, the company saw the deferrals as prudent against the ongoing immediate need for PFAS spend, alongside a concurrent focus on customer bills and project bandwidth. The company remains extremely focused on affordability (average bills ~$55-60/month), with a customer bill increase targeted around 5-6%.

- **How was the PFAS spend scaled?** Management noted that NJ was first to come out and regulate PFAS, setting a precedent for the company to deploy capital and better understand the operational and investment needs of mitigation across other parts of the system. With the EPA setting the 4PPT threshold, it allowed the team to turn around and leverage the NJ expertise elsewhere in the system and determine the size of the latest program.

- **Which areas need the most treatment?** Per management, NJ and PA probably need the most. By EPA setting the limit to 4PPT, management noted that it would open up a lot of surface water plants to modification, which are higher volume plants and come with their own unique/additional costs. Other factors include the footprint of the existing plant site.

- **What about CERCLA?** The company is 'pushing hard' that water utilities be excluded from CERCLA rules - in their view, they are simply treating and taking out contaminant that someone else caused. Management noted that they had just spoken to the EPA last week to discuss and voice the view that they should be excluded from having to deal with the CERCLA rules.

- **Does PFAS present pressure on munis to sell?** In management's view, it may create more pressures, but right now it's still too early to make definitive calls. One issue is compliance — the EPA simply isn't prepared to police 50k+ water utilities. Penalties would be at least 10 years out given the compliance period may be 5 years from finalization, with attempts at workouts thereafter. Is there any case precedent of a muni getting an EPA

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fine? There have been fines for non-compliance with standards — it is typically done at the state level. **Is there upside to muni growth and the inorganic capex allocation?** Our impression is that the company may be taking a conservative approach, with significant ongoing uncertainty over how much pressure munis may actually face. In the company's view, many of the smaller systems have little idea what to do with the standards — they are not even near a point of evaluating investment needs that could potentially be drivers of decisions to sell. Finally, we note that the company is seeing quite a bit of follow-on capex from acquisitions that rolls into the organic plan — sometimes almost as large as the purchase price depending on the scale of the investment need — so acquisition spend has a multiplier effect on the organic growth.

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AMERICAN ELECTRIC POWER (AEP)

We met with Julie Sloat, Chair, President and CEO, Charles Zebula, EVP and CFO, Darcy Reese (VP IR), and other members of AEP mgmt. to discuss the company's updated 5-year plan, rolled forward capital plan, and ongoing sale processes.

- **EPS and credit metric guidance were reiterated.** Mgmt. reaffirmed its 6%-7% (6.5% midpoint) EPS growth and 14%-15% FFO/debt targets, but now with only 3% annual increases in customer rates contemplated (vs. 4% previously) being embedded in the plan. AEP introduced 2024 EPS guidance of $5.53-$5.73 ($5.63 midpoint), which represents 6.4% YoY growth off the original (and current) EPS guidance midpoint for 2023 of $5.29.

- **Rate base growth of 7.2% is now embedded in guidance,** vs 7.6% previously, while the amount of same-period equity is unchanged over 2024-2027, albeit with $200m shifted from 2024 into 2025/2026. $400m is now projected to be issued in 2024, $800m in 2025/2026, and then returning to the prior estimate of $700m in 2027 and 2028. Roughly $100m of equity is expected to come from the company's DRIP program, with the remainder from its ATM. **Mgmt. highlighted that a $1.7bn prospectus for its 3-year ATM will be filed later this week**. Dialogues between regulators and mgmt. have been constructive, the company said, and in certain cases have led to refinements of the capital plan in order to better allocate funds to the jurisdictions that need them and for the purposes the regulators most want to support, **which we view positively.**

- **Asset sale proceeds of $700m are now embedded in the capital plan, although these represent book equity, and we note that the final transaction value could defer.** If the operating units that are up for sale were not sold (hypothetically), they would be expected to generate approximately $0.12/share of EPS in 2024, although mgmt. immediately followed this comment up by stating that any lost earnings resulting from the sale is also **expected to be fully offset in the 2024 plan**.

- **Where do credit metrics go from here?** Collateral payments, fuel deferrals, and even 40bps from weather in the first half of 2023 all combined to drive down FFO to debt over the past year. AEP recently introduced new disclosures that show a clear upwards trajectory, along with the specific components expected to drive a **180bps-190bps** improvement in 4Q23, followed by another **110bps** of improvement in 1Q24. **We continue to expect AEP's FFO to debt to be above 14% by the beginning of 2024** (vs. a TTM value of 11.4% as of September 30, 2023). Mgmt. is then guiding to being comfortably in the company's targeted 14%-15% range going forward, albeit with some lumpiness driven by large construction projects over the forecast period. As Moody's downgrade threshold for AEP's Baa2 rating is 13%, and as we

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wrote in our Q3 earnings note before the same-period equity issuance level was reaffirmed, **we see the company's current FFO-to-debt trajectory as being demonstrative of no additional equity needs** beyond those in plan.

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DUKE ENERGY CORP (DUK)

We met with Lynn Good, Chairman, President & CEO, Brian Savoy, EVP & CFO, Preston Gillespie, EVP, Chief Generation Officer and Enterprise Operational Excellence, Abby Motsinger, DUK's head of IR, Chris Jacobi, Director, IR, among others, to discuss thoughts around the company's long-term confidence, lack of rebasing, and upcoming roll forward of its capex and financing plans (including equity), as Duke positions itself for strong, clean-energy driven growth in the years ahead.

- **No block equity, no forwards…** Looking ahead to the Q4 capital plan roll forward, **we expect to see growth equity in the plan**, and mgmt. reiterated at dinner that a balanced financing approach would be along the lines of **"*30% to 50%*"** equity funding, depending on the outcome of **pending guidance from the Treasury on nuclear PTCs (expected in early 2024)** and the **transferability market** as well. Mgmt. was crystal clear that **DUK is not looking at block equity,** and would be planning to use ATM/DRIP equity, but seemed open to potentially considering further asset sales in place of equity as well. Investors will recall that for the company's **current $65bn capital plan through 2027**, DUK recently reiterated its current guidance of targeting 13%-14% FFO/debt by the end of 2023 (**above its downgrade thresholds**) and then 14% FFO/debt through 2027.

- **No rebasing (for the 5%-7% LT EPS CAGR and/or into 2024)…** After accounting for puts and takes, **$5.65 remains the right base number for 2023 to grow from**, mgmt. said. This includes YTD results continuing to be impacted by weather ($-0.19) as well as weaker volumes, with -1.2% weather-normalized retail volumes on a T12M basis, largely driven by softening industrial load (**noting weakness in textiles and paper, as well as a generally consistent messaging from customers that they are working through existing inventory and have therefore temporarily scaled back production**). Meanwhile, substantial savings programs continue to produce robust offsets, with ~$0.15 of perpetual cost savings expected to be carried forward from the 2023 cost mitigation program. Longer-term, line of sight on 7,000 GWh to 9,000 GWh by the end of 2027 provides not only confidence in DUK's reaffirmed 0.5%-1.0% load growth guidance for 2022-2027, but **confidence that this figure is actually very much on the conservative side, mgmt. said at dinner last night.**

- **Strong tailwinds in 2024… Although 2024 guidance will not be released until February 2024,** the company spoke to the plethora of qualitative drivers initially introduced in its 3Q23 slides. While load (volumes) and interest rates represent general tail risks linked to the overall economy, tailwinds abound, as 2024 will benefit from new rates in North Carolina under DEC & DEP's first multi-year rate plans (where we continue to assume DEC is authorized the same ROE/cap structure as its sister company, DEP), and **where mgmt. expects to be able to target earnings close to the company's authorized levels (plus, we**

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note the ability to earn up to 50bps above authorized ROEs as well), as well as rate relief in Florida and Kentucky, grid investment riders **in** the Midwest, and a mix of rate cases and riders at the gas businesses. We also highlight that mgmt. expects **2024 O&M to be lower than 2023**'s level, and recently mentioned that it will be "***significantly below***" 2022's spending level. Ongoing cost control efforts will play into this, as 100% of the 2022 cost initiative for 2023 (totaling $300m) will continue to be sustainable after 2023, as will 50% ($0.15 according to mgmt. last night) of the additional $300m of business agility measures undertaken to offset weather/volume driven weakness in 2023.

- **What's driving the capex roll?...** DUK will roll forward its 5-year capital plan in February, with its future capex primarily being a factor of the IRPs the company filed this year in the Carolinas and Indiana, as well as the upcoming Florida multi-year rate plan update and continued growth in the gas business. Although the utilities are still navigating through regulatory approval processes at the moment, mgmt. noted that in the Carolinas in particular, they see a clear need for increased capacity because of population growth, economic development and a higher reserve margin due to the region's winter-peaking nature. We note that while DUK does not want to be a first mover on SMRs, mgmt. noted that the Carolinas remain strong supporters of nuclear power**. Mgmt. also highlighted that DUK shares a board member with Ontario Power Generation (OPG) [PRIVATE], which is actively looking at SMRs as well.**

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COMPANY VALUATION/RISKS

AEP

Valuation: We arrive at our $85 price target by employing our 14x regulated group target multiple, which is based on a regression model of electric utility valuations and forward interest rate expectations over the past 30+ years, plus a 1x premium to account for incremental growth not yet reflected in earnings estimates, applied to our 2025 EPS estimate of $6.00, and finally discounted back one year.

Risks: Downside risks include poor regulatory outcomes, ongoing renewable supply chain disruptions, delays to transmission buildout, and 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.

AWK

Valuation: Water utilities continue to be ascribed higher multiples vs. electric/gas utility counterparts given higher growth prospects and less risk around capex, which haven't slowed and are not expected to anytime soon, and lower perceived risk vs. electric/gas peers. To arrive at our $126 PT for AWK, we apply a ~10x P/E premium, which we believe captures the narrowing spread at which water utilities should trade vs. electric/gas counterparts, to our regulated group multiple of 14x and apply the combined 24x multiple to our 2025 EPS estimate of $5.59. We derive our regulated utility group target multiple from our regression model, which uses the correlation between electric utility valuations and forward interest rate expectations over the past 30+ years. We then discount back one year.

Risks: Risks to our rating and valuation for AWK mainly encompass traditional risk factors inherent with regulated utilities including: (1) rate case risk - a lower/higher allowed ROE can impact our earned return assumptions, (2) lower/increased capex outlook, and (3) interest rate changes above or below what we account for in our regression model.

CNP

Valuation: We arrive at our valuation utilizing a consolidated P/E target multiple on 2025 EPS estimates. We now use our base regulated multiple of 14x P/E and ascribe a 3.5x premium (up from 2.5x) for CNP's constructive jurisdictions, sector-leading growth, and increasing visibility on incremental resiliency spending not in plan. We discount the equity value for 1 year to achieve our 12-month forward PT and arrive at our $30 PT.

Risks: Outside of potential midstream volatility, risks for CNP mainly encompass traditional risk factors inherent with regulated utilities including: (1) rate case risk, (2) lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

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DUK

Valuation: We arrive at our $93 price target by employing our 14x regulated group target multiple, which is based on a regression model of electric utility valuations and forward interest rate expectations over the past 30+ years, plus a 1.5x premium to account for long-term incremental spending from ongoing implementation of the Carbon Plan and anticipated ratemaking benefits of the new ratemaking components of NC's HB 951 legislation which are not already captured in estimates. We then apply this combined multiple to our $6.35 2025 EPS estimate and discount back one year.

Risks: Downside 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.

ED

Valuation: We arrive at our valuation utilizing a 14x P/E multiple and a 2x premium for limited financing and regulatory risks in the near term. We apply this multiple to our 2025E EPS, discounted for 1 year to achieve our 12-month forward PT of $84.

Risks: Upside/Downside risks mainly encompass traditional risk factors inherent with all electric utilities, including: (1) constructive/negative rate case and other regulatory outcomes, (2) higher/lower capex outlook, and (3) interest rate changes below/above what we account for in our regression model.

LNT

Valuation: We arrive at our $46 price target by applying our 14x 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 to our 2025 EPS estimate of $3.27 and discount back one year. We now apply a 1x premium to our multiple to reflect our improved views on LNT's jurisdictions (PSCW overhang receding), management, and incremental capex not yet reflected in our estimates.

Risks: Risks to our valuation for LNT mainly encompass traditional risk factors inherent with all regulated utilities, including: (1) rate case risk, (2) lower capex outlook, and (3) interest rate changes above what we account for in our regression model. Upside risks to our PT estimate include: (1) favorable regulatory settlements; (2) opportunities around ATC; and (3) higher capex outlook.

NI

Valuation: We arrive at our $27 price target by employing our 14x regulated group target multiple, which is based on a regression model of electric utility valuations and forward interest rate expectations over the past 30+ years, plus a 1.5x premium to reflect top-quartile rate base growth through the forecast period, as well as incremental growth opportunities and strategic initiatives that aren't

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currently being captured in our estimates. Applied together to our 2025 $1.82 EPS estimate and discounted back by 1 year, we arrive at our 12-month PT.

Risks: Downside risks to our thesis include renewable supply chain disruptions, as well as traditional risk factors inherent with all regulated utilities, including: (1) rate case risk, (2) potential for a lower capex outlook, and (3) interest rate changes above/below what we account for in our regression model.

POR

Valuation: We apply our electric target multiple of 14x, plus a one-turn premium to reflect potential incremental growth not included in our current model (transmission and IRP opportunities), to our 2025 EPS estimate of $3.21 and discount it back to arrive at our $45 12- month PT.

Risks: The primary risks on the regulated utility encompass the traditional risk factors inherent with all utilities, including: (1) unfavorable rate case risk, (2) lower capex outlooks than we include in our plan, and (3) interest rate changes above what we account for in our regression model.

SRE

Valuation: We derive our valuation through our SOTP analysis: (1) ~$25/share (up from $24) when we apply a 14x P/E and a 1.5x premium for long-term growth (improved vs. prior on constructive regulatory outcomes) above peer average to our 2025E; (2) ~$21/share (up from $19) value for SoCalGas utilizing our 14x regulated electric P/E multiple and a 1.5x premium (improved vs. prior on constructive regulatory outcomes) for growth above peer average to our 2025E; (3) ~$24/share for Oncor, applying our 14x regulated multiple plus 3.0x premium to our 2025E for incremental upside from TX legislation, anticipated capital upsides and load/customer growth; (4) ~$21/share for SRE's ownership of SIP based on a 12x EBITDA multiple applied to our 2025E, net of attributed debt; (5) $0/share for development projects as we take a conservative stance on project FIDs; and (6) ~($7)/ share for parent drag. Taking a sum of the segments and discounting for 1 year to reach our 12-month PT, we arrive at our $79 PT. (Note: sum may not round to SOTP exactly.)

Risks: Outside of exposure to the wildfires and potential delays around Cameron, risks to our valuation 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.

WEC

Valuation: We arrive at our $84 price target by employing our 14x regulated group target multiple, which is based on a regression model of electric utility valuations and forward interest rate expectations over the past 30+ years, plus a 3.0x premium for WEC's historically superior regulatory environment and the positive economic outlook in its service territories, as well as some growth opportunities not being reflected in our EPS forecasting and finally coupled with

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a “strong management team” added to our 2025 EPS estimate of $5.24 and discounting back one year.

Risks: Upside risks include: (1) rate case outcomes that are more constructive than expected (including favorable ROE/equity ratio decisions), (2) higher capex outlook (including development projects not currently in plan), and (3) interest rate changes below what we account for in our regression model. Downside risks 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.

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GUGGENHEIM

Power & Utilities

November 20, 2023

EEI: Wandering Desert Ridge, Parched for Alpha…

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Ticker	Price	Rating
AEE	77.12	Neutral
AEP	77.39	Buy
ALE	55.74	Sell
AVA	35.09	Sell
AWK	132.10	Neutral
CMS	57.40	Neutral
CNP	27.80	Buy
D	46.76	Buy
DTE	103.60	Buy
DUK	90.01	Buy
ED	91.36	Neutral
EIX	65.93	Neutral
ES	58.51	Neutral
ETR	99.11	Buy
EVRG	50.39	Buy
EXC	38.95	Buy
FE	37.18	Buy
LNT	49.23	Neutral
NEE	57.37	Buy
NEP	23.26	Buy
NI	26.08	Buy
NWE	51.27	Sell
OGE	34.78	Neutral
PCG	17.92	Buy
PEG	63.75	Buy
PNW	71.97	Neutral
POR	41.31	Buy
PPL	26.09	Buy
SO	69.77	Buy
SRE	72.26	Buy
WEC	81.74	Neutral

Key Message: EEI 2023 marked another year of ongoing volatility across utilities, as rising rates continue to cascade across the group and investors sensitize themselves to the 2024 macro backdrop, C-suite changes, and individual company-specific strategic and regulatory developments. Our investor and C-Suite conversations were arguably the most polarized they have been in years, with investors decidedly more wary of the overarching sector tailwinds (decarbonizing growth, ability to ride through refinancings, control of customer rates) than many of the management teams in our meetings. Emblematic of that dichotomy, we continue to view our coverage as somewhat barbelled between premium low-noise execution stories, and value opportunities with strategic and regulatory overhangs. To that end, our meetings ranged from **Best** (DTE, DUK, D, ED, ES, EXC, NEE/NEP, PPL, SRE,) to **Defensive** (AEP, EVRG, OGE), with the balance falling, unsurprisingly, inline or somewhere in between these bookends. **This note brings together the 3 flash notes we wrote over the 3 day EEI conference to highlight key items and trends, as well as stock related items including placing each meeting into specific categories ranging from Best to Defensive.**

Below we lay out how our meetings fell on a range, from "Best" (e.g., exceeded expectations) **to "Inline"** (nothing incremental on either ends of the spectrum) **to "Defensive"** (C-Suite was either curtailing expectations and/or "defending" already rebased expectations and/or growth issues), **with a focus on either ends of the barbel…** We are also consolidating and recapping our three days of meetings with a series of summaries below, including additional color since our meetings (regulatory and financing activity).

We met with 30 companies over three days of nonstop meetings, all but 6 of which were with the *full* C-Suite… Key themes from our meetings were highly consistent coming off the 3Q calls, alongside several incremental/fresh events (e.g., WPL GRC order, NI's remarketing process, etc.). These themes included:

- **2024 and broader EPS growth rate considerations to the:**
  - **downside** (AEP, EVRG, OGE,)
  - **or just hard to interpret** (AVA, EIX)
  - **upside/reinforced confidence** (AEE, ALE, DTE, SRE, ED, ETR, EXC, LNT, NEE/NEP, PCG, PPL)
- **constructively quiet meetings:** (ALE, AWK, PEG, POR)
- **strategic processes** (AEP, D, CNP, DTE, ED/MVP, ES, NEP),
- **capex plan upsides** (AWK, CNP, CMS, DTE, DUK, ED, ETR, NI, PNW, PPL, SO, SRE), and other items.

As a reminder, our individual Guggenheim EEI Takeaways are available here: Day One (note HERE)… Day Two (note HERE)… Day Three (note HERE)…

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BEST MEETINGS

DTE – We met with DTE CEO Jerry Norcia, CFO Dave Ruud, and other senior members of mgmt. DTE remains in deliberation of a capex update, 2024 guidance and roll forward of the 6-8% LT EPS growth rate pending the outcome of the electric rate case in MI. Mgmt. believes that there is a constructive outcome possible as the MPSC recognizes the need for rebuilding the grid and hardening against increasingly more volatile weather patterns. DTE remains constructively positioned on capex given no changes to the resource plans and distribution grid plans but noted that there needs to be visibility on earning allowed returns (i.e., a workable rate case outcome). The recent MI energy legislation could result in some capex pull-forward, and mgmt. noted some marginal capex upsides starting to emerge. From a financing standpoint, DTE credit metrics remain strong and the current plan is supported without external equity. That said, emerging capex upsides could benefit from the recently media reported strategic process for RNG assets within DTE Vantage. Mgmt. noted that the fundamental backdrop in MI remains strong for the service territories and there continues to be a multi-pronged effort to improve resiliency, policy alignment, and affordability.

DUK – Our key takeaway from the well-attended dinner we hosted with DUK's CEO Lynn Good, CFO Brian Savoy, and other members of senior management was that the 30%-50% portion of new capex which would be financed with equity in the Q4 plan as it was rolled forward, could come from asset sales (i.e., additional minority interest stakes, etc.) or ATM/DRIP programs, but would NOT be coming from block equity or forwards. DUK will roll forward its 5-year capital plan in February, with its future capex primarily being a factor of the IRPs the company filed this year in the Carolinas and Indiana, as well as the upcoming Florida multi-year rate plan update and continued growth in the gas business. Although the utilities are still navigating through regulatory approval processes at the moment, mgmt. noted that in the Carolinas in particular, they see a clear need for increased capacity because of population growth, economic development and a higher reserve margin due to the region's winter-peaking nature. Finally, mgmt. was very clear that there will be no rebasing (for either the 5%-7% LT EPS CAGR and/or into 2024), and that even after accounting for YTD puts and takes, $5.65 remains the right base number for 2023 to grow from.

D – We met with Dominion's Chairman, President, and CEO Bob Blue, SVP and CFO Steven Ridge, EVP and COO Diane Leopold. Our EEI meeting was largely in line with the 3Q disclosures and our muted expectations given the ongoing strategic review, but positive on the back of management messaging reinforcing the degree of confidence in the wind process and expectations for pro-rata risk sharing therein. Given the depth of the call update and the guardrails of the review, we viewed our takeaways from the C-suite as modest positives to the positive quarterly update, buoyed by the recent election day outcome in which the Democrats captured both chambers of the General Assembly – clearing a pathway to reconstituting the SCC and removing the overhang of further VCEA tweaks. Additional note: shortly following our meeting DEV reached a settlement in the biennial review, agreeing to no change in base rates for '24/'25.

ED – We met with ED CEO Tim Cawley, Treasurer Yukari Saegusa and other members of mgmt. The two core issues discussed in our meetings were the assumptions around planning inputs for 2024 (especially as a base for LT growth for 4Q23 earnings disclosures) and the capital opportunities outside of the CECONY GRC. The capex opportunities are largely agnostic to the offshore wind

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integration into the NY grid. ED reached settlements across all CECONY business lines, with several de-risking features that could provide more earnings stability in 2024, but items like lower O&M and weather-related spending will likely normalize in 2024. Cost of debt could create some lag in a rising interest rate environment. MVP construction is on track for 1Q24 in service, but ED noted that AFUDC booking will have a high threshold and strategic analysis will depend on the pipeline flowing gas (but ED reiterated it has no desire to be in the midstream gas business). Mgmt. plans to continue the analysis on equity needs in 2025, which could be impacted by the MVP strategic outcome. The balance of the issues included a discussion around energy transition, bill headroom and deferred cost resolution.

ES – We met with ES President and CEO Joe Nolan, Treasurer & CFO John Moreira, and other members of the team. Our conversations with ES reiterated many of the key points laid out on the 3Q call regarding the wind sale and credit metric improvements, while yielding some incremental color on the sale process itself. The NT focus remains on closing the bifurcated sale of South Fork and Revolution by YE, with Sunrise to follow sometime next year. Details around Sunrise and potential impairments on the project remained relatively unchanged from the call, with clarity on the RFP re-bidding process still forthcoming. While we also discussed the backdrop in CT at length (including storm deferrals), pathways forward there remain longer dated, but management provided a useful mosaic of ways in which it is seeking to improve stakeholder relationships.

EXC – We hosted EXC President and CEO Calvin Butler, EVP and CFO Jeanne Jones, ComEd CEO Gil Quiniones, BGE President and CEO Carim Khouzami, EVP of Utility Operations David Velazquez, and other members of the team. With resolution in IL still pending and the planning cycle still underway ahead of the 4Q update, our meeting with EXC's C-suite provided additional valuable insight into the Illinois MYP process, the landscape for incremental transmission work in PJM, and thoughts on financing and the balance sheet. In our view, our latest update fully supported our ongoing view that EXC is on a pathway to a deserved premium. Of note, several days after our meeting the final order was issued in AEE's IL gas case, with a 45bps cut to the ROE from Staff's recommended 9.89%. While the scale of the cut was somewhat unexpected, our impression from our meeting with the team was that the 6-8% EPS guide was well-insulated, with the team reminding us on both sides of IL that the relative rate bases are <30% of the consolidated rate base. While some investors have flagged the ICC action on gas as potentially presaging a similar action on the electric side, we remain sympathetic to the technical issues raised in AEE and EXC's briefs on exception, and while we understand the argument that MYPs may be less risky and thus afforded a lower cost of capital, we continue to believe from a policy perspective it would be illogical for the ICC to solve for an electric ROE so dislocated from gas.

NEE/NEP – We met with NEE CEO John Ketchum and FPL CEO Armando Pimentel as well as other NEE/NEP senior mgmt. NEE continued strong messaging from the 3Q call with further detail on financing trajectory and NEER fundamentals. We also touched on NEP strategy to get sustainable dividend growth, and FPL's work to move past rate case remand and political contribution headwinds. The meeting continued building confidence in mgmt. taking active control of the messaging and disclosures, outlining fundamentals and reinforcing strategy for both NEE/NEP. Mgmt. defended NEE's continued growth at or above the 6-8% guidance range and the value recognition of tax equity and

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transferability instruments. On the NEP side, mgmt. has line of sight to 6% growth and no DPS rebasing, as well as having strategic options around LT financing (incl. strong demand for equity participation from existing private equity partners). Between the strong fundamentals at NEE and constructive messaging from the entire mgmt. team, we believe NEE/NEP was one of the better meetings for day 3 of EEI.

PPL – Our meeting with PPL management (CEO, etc.) provided additional helpful color on the limited need for CPCN capital backfilling following the prior week's order, alongside several key data points on 1) the potential regulatory cycle (KY/PA in '25), and 2) areas of incremental capital beyond the KY generation (e.g., transmission). In totality, PPL delivered the update we were looking for on the back of the CPCN order, with positive incremental messaging around the Brown 12 deferral, the KY political backdrop, Rhode Island, and other areas supporting a mosaic even more constructive than our expectations heading into the event. Additional note: a settlement in the Talen (TLNE) litigation remains possible in the coming months.

SRE – We met with SRE CFO Trevor Mihalik, SIP President Justin Bird and other members of senior mgmt. SRE EEI updates focused on the prior week's equity issuance, inputs driving the 4Q capex update (10-20%) and the regulatory constructs that underpin growth. SRE mgmt. say they remain very confident in the reiterated growth guidance from 3Q and noted that the financing needs were contemplated as part of the planning parameters. Beyond the capex upside continuing to provide visibility into the 6-8% LT growth, cost of capital in CA and equity ratio improvement in TX could further result in improved performance at the top end for SRE. Mgmt. says it does not see accretive M&A opportunities outside of the Oncor minority equity buy-in but says it does not see a willing seller at this time. SIP continues to progress slowly with the development queue, with the earnings mover projects being LNG (PA II, Cameron 4, ECA II), while CCS and E-methane provide some LT options to transition away from traditional gas molecules. Overall, SRE continues to exceed financial guidance and plan conservatively for future growth (reiterated at 6-8% not including SIP development projects other than ECA I).

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INLINE MEETINGS

AEE – We met with AEE Chairman, President & CEO Marty Lyons, SEVP & CFO Michael Moehn, SVP & Chief Sustainability, Diversity & Philanthropy Officer Gwen Mizell, Chairman and President of Ameren Missouri Mark Birk, SVP & Chief Accounting Officer Theresa Shaw, and other members of the team. Our latest meeting with AEE management focused heavily on the IL case process and ongoing transmission opportunity set, with messaging and data points very supportive of both the 6-8% LT growth guide and the underlying plan – despite some ongoing noise in IL. While we gained incremental insight into both the IL MYP and transmission work, the update was generally in line with our expectations and somewhat deferential to the 4Q update. Of note, several days after our meeting the IL Gas final order was issued with a 45bps cut to the ROE from Staff's recommended 9.89%. While the scale of the cut was somewhat unexpected, our impression from our meeting with the team was that the 6-8% EPS guide was well-insulated, with the team reminding us on both sides of IL that the relative rate bases are <30% of the consolidated rate base. While some investors have flagged the ICC action on gas as potentially presaging a similar action on the electric side, we remain sympathetic to the technical issues raised in AEE and EXC's briefs on exception, and while we understand the argument that MYPs may be less risky and thus afforded a lower cost of capital, we continue to believe from a policy perspective it would be illogical for the ICC to solve for an electric ROE so dislocated from gas.

ALE – We met with ALLETE's Chair, President & CEO Bethany Owen, SVP & CFO Steve Morris, ALLETE Corporate Development and ACE Strategy Officer Jeff Scissons, and other members of the team. In totality, ALE remains focused on execution ahead of the 4Q roll, with the recently-filed MN Power case and ongoing transmission work occupying a significant portion of our data-heavy discussion. We entered the meeting with modestly positive expectations given recent data points coming off the 3Q call, with management providing some incremental color on the post-arbitration cash backdrop (looking to minimize equity in '24) and ACE, alongside more informational details on the case and procedural gates.

AVA – Avista will be addressing the ERM in its Q1 2024 multiyear rate case filing in Washington, citing peers who have been asking regulators to do away with the equivalent of their dead bands, something which AVA intends to do as well. In our view, this would certainly help to de-risk a significant driver of earnings volatility if regulators are amenable to it. AVA recently moved away from its historical practice of forecasting flat capex over a three year period and is now guiding to a capex profile which better supports its 4%-6% rate base growth guidance (with a bias towards the midpoint, mgmt. indicated). We see this as a clear improvement vs. prior disclosures, as it enhances investors' understanding of both rate base growth and capital needs, thereby increasing confidence in earnings forecasts and projected sources and uses.

AWK – We met with AWK President/CEO Susan Hardwick, EVP/CFO John Griffith, EVP/COO Cheryl Norton, and other members of the team. Our latest meeting with the full C-suite was generally consistent with our expectations – not a negative thing, but rather an affirmation of all of the attributes investors appreciate in the name – strong management, top-tier steady growth, and one of the more attractive LT capex profiles within our comp set. To that end our meeting with the team was decidedly focused, with an emphasis on unpacking the most

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recent capex roll (with a particular focus on the PFAS capex estimate) and understanding the backdrop for ongoing inorganic growth.

CMS – We met with CMS CEO Garrick Rochow, CFO Rejji Hayes, and other senior members of mgmt. For CMS, the message is more of the same: high growth mode, a strong decarbonization trend, and lean operating practices. The tailwinds continue piling up, but mgmt. continues to point to a "strengthen and lengthen" business planning strategy. While CMS has already pointed to a high end of 6-8% growth in the future, the next revision catalyst will likely be a capex roll forward and inclusion of renewable expectations and distribution grid spending. Mgmt. proactively managed financing and, while 2025 had ~$350M of equity needs expected, mgmt. is looking at tax credit monetization and Moody's hybrid debt equity credit as offsetting factors (no block equity). CMS continues strong execution in 2023, with a commitment to rebase off actuals for prompt year guidance.

CNP – We met with the full CNP leadership team CEO Dave Lesar, incoming CEO Jason Wells and CFO Chris Foster. CNP continued to project the messages from the 3Q call with strength in the economic outlook, incremental capital spending and an 8%+ EPS growth trajectory. CNP announced its intention to turn on an ATM equity program in 2024 to support the most recent capex increases but noted that future efficiencies in funding would continue to be assessed (incl. LDC monetization). The near-term focus for the company remains on regulatory outcomes and reducing risk. Mgmt. sees material ROE lag reduction from the Texas legislature, but also from more broad regulatory strategy. Mgmt. anticipates a CEHE rate case around May 2024 with a focus on O&M (which has seen material reductions), cost of capital and depreciation rates – with O&M offsetting other proposed increases. In MN and IN, CNP is focused on straightforward cases. We found mgmt. to be very in-tune with the growth strategy, customer-centric approach and investor value oriented (i.e., in line 3Q thoughts).

EIX – We met with EIX CFO Maria Rigatti and other senior members of management. The core message of our EIX meeting focused on the sustainability of rate base growth and earnings commitment of 5-7% growth through 2025 and 2028 (as previously guided). EIX remains in a heavy regulatory litigation mode with the 2025 GRC in early stages, CCM trigger under review, and the first tranche of wildfire claims recovery picking up steam (all potential tailwinds) among other regulatory processes. While there is a net accretive impact vs. guidance, in our view, mgmt. noted the intention to revisit the impacts upon completion of regulatory outcomes and substantially reinvest upsides into LT customer benefits (i.e., more sustainable LT growth). Mechanically, there is a lot of work beyond the headline EPS and balance sheet impacts like redeploying efficiencies and capital structure operations, but mgmt. believes there will be line of sight to execute in time.

ETR – We met with ETR CEO Drew Marsh, CFO Kimberly Fontan, Utilities Group President Rod West, and other members of management. Key issues addressed in our meeting were capex updates, regulatory strategy and outlook around C&I / economic development in ETR service territories. Capex updates and category shifts remain supportive of customer goals for resiliency and service expansion, with a step up in rate base expectations in 2026. Management noted constructive regulatory outcome and working through another leg of upside capex in resiliency filings, which have been welcomed by stakeholders. ETR has substantially

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resolved 2024 equity needs through forward sales and 2025-2026 equity needs remain unchanged from the Analyst day at $1.4B despite a higher capex outlook.

FE – Our meeting with FE's C-suite and other members of senior management reinforced our expectations, hence viewing the meeting as in line, although we had feedback that there may have been some confusion from other meetings about Signal Peak's contribution to EPS. To clarify from our meeting, mgmt. said that Signal Peak is expected to contribute ~$0.25/share in 2023, followed by ~$0.12-$0.13 in 2024, and then a "de minimis" amount in 2025 and beyond. We remain confident in FE's longer-term guidance of 6%-8% annual EPS growth and expect its new capital plan (coming on February's Q4 call) to be supportive of this level of growth as well. Mgmt. indicated that the plan will reflect the ongoing pickup in longer-term industrial/datacenter demand which FE (and other utilities across the country) are seeing, and will only include projects which the company either already has approvals for, or a clear line of sight on.

LNT – We met with Alliant's outgoing CEO John Larsen, incoming CEO and current COO Lisa Barton, CFO Robert Durian, and other members of the team. Our first meeting with incoming CEO Lisa Barton and the rest of the C-Suite focused heavily on the durability of the LT 5-7% EPS guide, alongside the puts and takes on the pending utilization of significant tax credit generation and transferability - minimizing the equity need in the current plan. To that end, the company remains well-positioned to capitalize on additional IRA upside in years just beyond the latest role, courtesy of the repowering opportunity around the 2018/19 vintage wind assets and associated credit generation/monetization – supporting an elongated run rate of rate base growth, cash generation, and rate stability for customers.

NI – Our meeting with NI's C-suite was in line with the messaging on the Q3 call when the company rolled forward its 5yr plan and increased capex by $1bn (now $16bn over the period), driving continued 8%-10% rate base growth, as well as 6%-8% NOEPS growth after factoring in financing as well. Since then, the company updated its financing guidance to remove the $862.5m of 2023 remarketing-linked equity and replaced it with $600m of ATM usage in 2024 vs. the prior plan of no equity in 2024. We also note that the equity shouldn't be assumed to be evenly distributed throughout the year and is more likely to be back-end loaded, as the company's need for equity doesn't actually arise until closer to the end of the year, mgmt. told us.

NWE – NWE rolled forward its capital plan at EEI, now guiding to $2.5bn for 2024-2028, vs $2.4bn for 2023-2027, previously. Despite overall capex being largely unchanged, we do note that shifts occurred between the various buckets. In particular, we highlight the 6% increase in transmission investment (with transmission referring to both electric and gas, mgmt. clarified), as well as a pickup at Generation & Supply. This comes on the heels of NWE's 3Q23 call, where the company provided both 2023 and 2024 guidance, and raised its LT EPS CAGR to 4%-6% (vs. 3%-6% previously), a figure which is much more aligned with peer norms.

PCG – We met with PG&E CEO Patti Poppe along with other members of senior mgmt. Key aspects of our meetings focused on the General Rate Case and the need for continued investment (incl. undergrounding), cost of capital and the regulatory outlook in CA. Overall, mgmt. believes there is consistent advocacy for improved service, risk management and stable regulatory constructs in CA as PCG works to restore stakeholder confidence and get to a consistent trajectory on execution (i.e., stable earnings growth, a strong balance sheet and improving

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customer experience). **After our meetings, the CPUC voted 5-0 to approve the APD Revision 2.** We believe this is enough to keep the EPS growth trajectory for PG&E intact, but as a reminder there remain incremental proceedings on certain wildfire related spend moving into another proceeding, SB410 and 10 year undergrounding plans that will address certain incremental items. PCG maintains a plan to update investors with the results of the APD embedded in plan. Mgmt. noted a 1-2 week period for the update, which at this point would be after the Thanksgiving holiday. Our expectations for the update are guidance on rate base, dividend policy and a reiterated EPS growth expectation of 10-9-9 through 2026. Given the upside potential on the escalation factors, we expect rate base to be back at the midpoint of the prior range and an improvement on the FFO/Debt metrics tracker.

PEG – We met with PEG CEO Ralph LaRossa and CFO Dan Cregg, along with other members of mgmt. PEG meetings were focused on the continuation of 3Q23 disclosures (new cadence of planning updates running through December and January on capex and growth rate), anticipation of the general rate case filing in December and broader regulatory constructs. Overall, mgmt. says it does not see any material changes in planning assumptions from a year ago, with teams generally focused on execution. The quiet execution story is helped by modest capex upsides, stable regulatory jurisdiction and nuclear asset ownership. 2024 is set up to be a relatively derisked year as the GRC rates will likely be effective in 2025 (9- to 12-month process), albeit mgmt. needs the GRC outcome to reconcile capital investment recovery. Mgmt. is optimistic on future settlement discussions as PSE&G has settled all rate cases in recent history.

PNW – The company's C-suite and President of APS encouraged investors to watch for Staff's reply briefs on Nov. 21st, and were hopeful that Staff may change its current position on the SRB, perhaps seeing it more as a useful bridge between the current regulatory framework and the eventual end result of the ACC's consideration of forward test years and the like. Following the conclusion of APS' current ROE-focused rate case, we would expect the company to want to allow at least six months of new rates being in effect before filing for another increase in order to spread out the bill pressure and prevent rate shock. Mgmt. acknowledged that the $400m-$500m of 2024 (i.e., post-APS rate case) equity range has been out there for quite a while and didn't rule out potentially revising it. We came away with the impression that an equity forward is mgmt.'s preferred approach to meeting at least the initial equity need, which would, of course, enable minimizing dilution while also drawing down cash specifically when needed. That said, an ATM is not off the table or, in our view, could be used to either supplement the equity forward, or for ongoing equity needs after the initial, more sizable equity need has been met.

POR – We met with Maria Pope, POR's President and CEO, and members of the IR team. As with other inline names, our meeting with POR's CEO was generally in line with our expectations – not a surprise to us given the timing of EEI within the company's 2H23 catalyst calendar: coming on the heels of the GRC finalization, and ahead of more tangible data points in the 2023 RFP process next spring. Our meeting was marked by two-way dialogue with investors on cost of capital and growth.

SO – We met with SO's C-suite and came away with a consistent set of expectations around February's updated 5-year capital plan and rolled forward LT guidance on the Q4 call, as well as the likely further refinement of 2024 guidance, which is currently $3.95-$4.10 (~$4.03 midpoint). Also consistent with

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prior messaging, mgmt. reiterated an expectation of being at ~17% FFO/debt and reminded investors of the company's ability to generate ~$350m-$400m per year through its DRIP. If needed, this could be further augmented by an ATM program, mgmt. said, with no need for block equity, even to maintain 17% FFO/debt going forward. Our most important takeaway from the discussion around financing was that SO's goal when financing any incremental capital in the new 5yr plan will be to stay where the company otherwise would have been in terms of credit metrics.

WEC – We hosted two meetings with WEC's C-suite and Executive Chairman, Gale Klappa, an early Sunday meeting to kick off EEI, and a dinner on Tuesday evening to close out the conference. WEC provided incremental details on its rolled-forward 5-year capital plan. The company now projects ~8.1% asset base growth through 2028 (vs. 7.4% through 2027), resulting in an "estimated year-end average asset base" of $43.3bn in 2028, vs. $29.4bn in 2023E. The company also projects electric load growth of 4.5%-5.0% over 2026-2028, vs. 0.7%-1.0% through 2027E previously. Natural gas sales growth forecasts remain unchanged at 0.7%-1.0%. The plan includes equity financing for the first time in years, as mgmt. indicated that $1.8bn-$2.2bn of common equity is slated to be issued through 2028 via the DRIP, employee benefit plans, and ATM programs (but no block equity), and also guided to issuing $100m-$200m in 2024, followed by 2025-2028's issuances being tied ratably to the company's capex spending, and averaging ~$450m per year, although we note that $100m-$200m will continue to be sourced from the company's internal programs over 2025-2028 (with $250m-$350m coming from the ATM over that period). Mgmt. pointed out that 7% of capital is being financed via equity, 28% debt, and 65% internal cash flows. Of the 35% coming from external sources, equity makes up ~20% of it.

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DEFENSIVE MEETINGS

AEP – We give credit to AEP's CEO, Julie Sloat, who gave considerable floor time to members of her senior management team to answer questions from investors. Feedback from investors however, suggests that many felt those answers could have been a bit more clear. While EPS and credit metric guidance were reiterated, the comparably small increase to the 5-year capex plan YoY disappointed many investors vs. those introduced by several of AEP's peers, as did the step down in rate base growth to 7.2% from 7.6%. The company did come across as much more in tune with their regulators' priorities, in our view, and the projected customer bill increases of ~3%/yr (down from 4% previously) should help with smoother regulatory proceedings as well.

EVRG – We hosted Evergy's President and CEO David Campbell, EVP and CFO Kirk Andrews, and other members of the team. Coming off the Kansas outcome and associated growth deceleration, our meeting with EVRG's C-suite was inherently defensive, in our view, with a substantial portion of our meeting spent explaining the backdrops to those two events. While the team did a good job of laying out the ways in which they will seek prospective policy improvement in Kansas, and the double leverage question is now bookend by the next case, the amount of actual traction the company will get this coming winter remains TBD. Investors in our conversations during the conference were somewhat skeptical on that last point, with several questioning whether the KCC is ultimately going to solve for rates in future cases regardless of an outcome on double leverage.

OGE – We met with OGE CEO Sean Trauschke, CFO Bryan Buckler, and other members of management. OGE messaging remains constructive on the economic development and load growth in Oklahoma, with management focused on the 4Q financial plan update tentatively moving up capex run rates with the inclusion of awarded projects and programs. Mgmt. noted that the full plan is still being analyzed but noted that the assumptions of 17-18% FFO/Debt metrics would allow for incremental capex without equity (i.e., no equity repairs needed on current plans). That said, an increased plan could require a modest equity need but we don't see an impediment to a consolidated 5-7% growth guidance. The load growth and regulatory backdrop continues to point to a strong 2024 and we continue to see incremental opportunities to deliver well within the 5-7% EPS growth guidance range at the OpCo and for the company to initiate a consolidated 5-7% growth rate on the 4Q call.

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GUGGENHEIM'S POWER & UTILITY COMP SHEET

11/17/2023		Market	Guggenheim EPS Ests					Consensus					Δ vs Consensus (>$0.02)					Implied P/E Multiple					Prem/(Disc) vs Mid/Lg Cap Utes					'22–'27	NTM	Payout	Guggenheim		NTM Total	Consensus		NTM Total
	Price	Cap ($m)	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	EPS	Yield	Ratio	Rating	Target	Return	Rating	Target	Return
Small Cap Electric																																			
ALE	$55.74	3,204	4.35	4.17	4.56	4.87	5.07	4.19	4.12	4.29	4.72	5.03	0.16	0.05	0.27	0.15	0.04	13.3x	13.5x	13.0x	11.8x	11.1x	-20%	-13%	-10%	-13%	-14%	8.4%	5.1%	68%	Sell	$41	-21%	Neutral	$59	11%
AVA	$35.09	2,715	2.28	2.49	2.61	2.67	2.73	2.29	2.47	2.59	2.64	2.71	–	–	–	0.03	–	15.3x	14.2x	13.6x	13.3x	12.9x	-8%	-8%	-6%	-2%	1%	5.2%	5.4%	78%	Sell	$26	-20%	Sell	$36	7%
IDA	$97.47	4,933	5.09	5.44	5.80	5.99	6.28	5.10	5.42	5.80	6.06	6.40	–	–	–	(0.06)	(0.12)	19.1x	18.0x	16.8x	16.1x	15.2x	14%	16%	16%	18%	18%	4.2%	3.4%	62%	Buy	$109	15%	Buy	$107	13%
NWE	$51.27	3,140	3.05	3.52	3.73	3.92	4.11	3.24	3.55	3.71	3.87	3.96	(0.19)	(0.03)	–	0.05	0.16	15.8x	14.4x	13.8x	13.3x	13.0x	-5%	-7%	-4%	-3%	1%	5.3%	5.1%	74%	Sell	$39	-19%	Neutral	$51	5%
UTL	$49.51	797	2.80	2.92	3.08	3.29	3.50	2.79	2.92	3.08	3.29	3.50	–	–	–	–	–	17.8x	17.0x	16.1x	15.0x	14.1x	6%	10%	11%	11%	10%	6.2%	3.3%	n/a	Neutral	$45	-6%	Buy	$52	8%
POR	$41.31	4,177	2.63	3.05	3.21	3.38	3.55	2.64	3.05	3.20	3.33	3.46	–	–	–	0.05	0.09	15.6x	13.5x	12.9x	12.4x	11.9x	-7%	-13%	-11%	-9%	-7%	5.3%	4.8%	66%	Buy	$45	14%	Buy	$47	19%
		18,966																**16.2x**	**15.1x**	**14.4x**	**13.7x**	**13.1x**	**-3%**	**-3%**	**-1%**	**0%**	**1%**	**5.8%**	**4.5%**	**70%**						
Mid/Large Cap Electric																																			
AEE	$77.12	20,242	4.38	4.67	5.05	5.40	5.68	4.38	4.69	5.02	5.36	5.66	–	–	–	0.04	–	17.6x	16.5x	15.4x	14.4x	13.6x	5%	6%	6%	6%	6%	6.6%	3.5%	57%	Neutral	$75	1%	Buy	$83	11%
AEP	$77.39	39,869	5.30	5.64	6.00	6.39	6.81	5.27	5.58	5.96	6.30	6.68	–	0.06	0.04	0.09	0.13	14.7x	13.9x	13.0x	12.3x	11.6x	-12%	-11%	-10%	-10%	-10%	6.0%	4.6%	64%	Buy	$85	14%	Buy	$87	17%
CMS	$57.40	16,747	3.12	3.41	3.65	3.91	4.26	3.10	3.34	3.61	3.87	4.14	–	0.07	0.04	0.04	0.12	18.5x	17.2x	15.9x	14.8x	13.9x	11%	11%	10%	9%	8%	8.1%	3.6%	63%	Neutral	$54	-2%	Buy	$60	8%
CNP	$27.80	17,498	1.50	1.61	1.73	1.87	2.03	1.51	1.62	1.74	1.88	2.02	–	–	–	–	–	18.5x	17.1x	16.0x	14.8x	13.7x	10%	11%	10%	9%	7%	9.5%	2.9%	49%	Buy	$30	11%	Buy	$30	12%
D	$46.76	39,128	2.10	2.84	3.39	3.75	4.11	2.74	3.15	3.45	3.83	3.91	(0.64)	(0.31)	(0.06)	(0.08)	0.20	17.1x	14.9x	13.5x	12.2x	12.0x	2%	-4%	-6%	-10%	-7%	-0.4%	5.7%	87%	Buy	$45	2%	Neutral	$48	8%
DTE	$103.60	21,353	5.75	6.63	7.19	7.71	8.26	5.93	6.61	7.12	7.70	8.26	(0.18)	–	0.07	–	–	17.5x	15.7x	14.5x	13.5x	12.5x	4%	1%	0%	-1%	-3%	6.3%	3.9%	63%	Buy	$103	3%	Buy	$110	10%
DUK	$90.01	69,398	5.60	6.05	6.35	6.75	7.15	5.60	5.97	6.34	6.75	7.17	–	0.08	–	–	–	16.1x	15.1x	14.2x	13.3x	12.6x	-4%	-3%	-2%	-2%	-2%	6.3%	4.7%	71%	Buy	$99	15%	Buy	$98	14%
ED	$91.36	31,512	5.05	5.30	5.62	5.94	6.21	4.99	5.29	5.58	5.84	6.12	0.06	–	0.04	0.10	0.09	18.3x	17.3x	16.4x	15.6x	14.9x	9%	11%	13%	15%	16%	6.3%	3.7%	64%	Neutral	$84	-4%	Neutral	$88	0%
EIX	$65.93	25,289	4.71	4.98	5.48	5.71	6.03	4.71	5.11	5.63	5.97	6.26	–	(0.13)	(0.15)	(0.26)	(0.23)	14.0x	12.9x	11.7x	11.0x	10.5x	-16%	-17%	-19%	-19%	-18%	5.5%	4.7%	61%	Neutral	$66	5%	Buy	$73	16%
ES	$58.51	20,425	4.37	4.70	4.92	5.17	5.37	4.34	4.56	4.82	5.16	5.48	0.03	0.14	0.10	–	(0.11)	13.5x	12.8x	12.1x	11.3x	10.7x	-19%	-17%	-16%	-17%	-17%	5.6%	4.9%	63%	Neutral	$60	7%	Buy	$65	17%
ETR	$99.11	20,957	6.75	7.16	7.76	8.31	8.97	6.73	7.19	7.71	8.25	8.84	–	–	0.05	0.06	0.13	14.7x	13.8x	12.9x	12.0x	11.2x	-12%	-11%	-11%	-12%	-13%	6.9%	4.6%	64%	Buy	$103	8%	Buy	$108	14%
EVRG	$50.39	11,569	3.59	3.89	4.10	4.36	4.63	3.61	3.84	4.05	4.29	4.52	–	0.05	0.05	0.07	0.11	14.0x	13.1x	12.5x	11.7x	11.2x	-17%	-15%	-14%	-14%	-13%	4.3%	5.2%	68%	Buy	$54	12%	Buy	$55	14%
EXC	$38.95	38,728	2.36	2.50	2.74	2.93	3.10	2.36	2.51	2.72	2.92	3.10	–	–	–	–	–	16.5x	15.5x	14.3x	13.4x	12.5x	-1%	0%	-1%	-2%	-3%	6.4%	4.0%	62%	Buy	$44	17%	Buy	$44	17%
FE	$37.18	21,334	2.54	2.69	2.89	3.07	3.27	2.54	2.67	2.88	3.05	3.22	–	–	–	–	0.05	14.7x	13.9x	12.9x	12.2x	11.5x	-12%	-10%	-11%	-10%	-10%	6.3%	4.4%	62%	Buy	$38	7%	Buy	$39	9%
LNT	$49.23	12,441	2.90	3.08	3.27	3.50	3.67	2.88	3.07	3.27	3.49	3.69	–	–	–	–	–	17.1x	16.0x	15.0x	14.1x	13.3x	2%	3%	4%	4%	4%	6.1%	3.9%	63%	Neutral	$46	-3%	Buy	$53	12%
OGE	$34.78	6,966	2.07	2.16	2.25	2.37	2.48	2.05	2.14	2.27	2.40	2.51	–	–	–	(0.03)	(0.03)	17.0x	16.3x	15.3x	14.5x	13.9x	2%	5%	6%	6%	8%	2.8%	4.9%	80%	Neutral	$34	3%	Buy	$37	11%
PCG	$17.92	38,232	1.21	1.37	1.47	1.61	1.75	1.21	1.35	1.46	1.59	1.71	–	–	–	–	0.04	14.9x	13.3x	12.3x	11.3x	10.5x	-11%	-14%	-15%	-17%	-19%	9.7%	1.6%	22%	Buy	$19	8%	Buy	$18	3%
PEG	$63.75	31,818	3.45	3.70	4.22	4.38	4.68	3.46	3.69	4.07	4.26	4.49	–	–	0.15	0.13	0.19	18.4x	17.3x	15.7x	15.0x	14.2x	10%	11%	8%	10%	10%	6.2%	3.8%	65%	Buy	$64	4%	Buy	$65	6%
PNW	$71.97	8,155	4.20	5.00	5.15	5.25	5.40	4.23	4.95	5.18	5.36	5.53	(0.03)	0.05	–	(0.11)	(0.13)	17.0x	14.5x	13.9x	13.4x	13.0x	2%	-6%	-4%	-1%	1%	4.9%	4.9%	73%	Neutral	$73	6%	Buy	$78	13%
PPL	$26.09	19,231	1.58	1.71	1.82	1.96	2.08	1.58	1.71	1.82	1.94	2.06	–	–	–	–	–	16.5x	15.3x	14.3x	13.5x	12.7x	-1%	-1%	-1%	-1%	-2%	8.1%	3.9%	60%	Buy	$27	7%	Buy	$28	12%
SO	$69.77	76,155	3.60	4.05	4.30	4.55	4.80	3.61	4.03	4.32	4.54	4.74	–	–	–	–	0.06	19.3x	17.3x	16.1x	15.4x	14.7x	16%	12%	11%	13%	14%	5.9%	4.1%	72%	Buy	$77	14%	Buy	$72	8%
WEC	$81.74	25,784	4.62	4.91	5.24	5.61	5.97	4.61	4.92	5.26	5.61	5.96	–	–	–	–	–	17.7x	16.6x	15.5x	14.6x	13.7x	6%	7%	7%	7%	7%	6.1%	4.0%	68%	Neutral	$84	7%	Buy	$89	13%
Mid/Lg Cap (excl. EIX, PCG)																		**16.7x**	**15.5x**	**14.5x**	**13.6x**	**12.9x**						**5.9%**	**4.3%**	**66%**						
SMID + Lg Cap		**631,798**																**16.6x**	**15.4x**	**14.5x**	**13.6x**	**12.9x**						**5.9%**	**4.3%**	**67%**						

		Market	Guggenheim EPS Ests					Consensus					Δ vs Consensus (>$0.02)					Implied P/E Multiple					Prem/(Disc) vs Mid/Lg Cap Utes					'22–'27	NTM	Payout	Guggenheim		NTM Total	Consensus		NTM Total
Diversified	Price	Cap ($m)	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	EPS	Yield	Ratio	Rating	Target	Return	Rating	Target	Return
NEE	$57.37	116,100	3.13	3.43	3.69	3.99	4.27	3.13	3.39	3.64	3.86	4.30	–	0.04	0.05	0.13	–	18.3x	16.9x	15.8x	14.9x	13.4x	10%	9%	9%	9%	4%	8%	3.5%	61%	Buy	$65	17%	Buy	$69	24%
SRE	$72.26	46,714	4.52	4.75	5.06	5.40	5.85	4.54	4.79	5.11	5.49	5.88	–	(0.04)	(0.05)	(0.09)	–	15.9x	15.1x	14.1x	13.2x	12.3x	-5%	-3%	-2%	-3%	-4%	-9%	4.5%	68%	Buy	$79	14%	Buy	$81	16%
		162,814																**17.1x**	**16.0x**	**14.9x**	**14.0x**	**12.8x**	**2%**	**3%**	**3%**	**3%**	**-0%**	**-0.3%**	**4.0%**	**64%**						
Gas LDCs																																			
NI	$26.08	10,782	1.57	1.68	1.82	1.95	2.07	1.59	1.69	1.82	1.95	2.10	–	–	–	–	–	16.5x	15.4x	14.3x	13.3x	12.4x	-2%	-1%	-1%	-2%	-3%	7%	4.1%	63%	Buy	$27	8%	Buy	$29	16%
CPK	$93.66	2,028	5.30	5.84	6.23	6.59	6.94	5.24	5.49	6.21	6.66	7.05	0.06	0.35	–	(0.07)	(0.11)	17.9x	17.1x	15.1x	14.1x	13.3x	7%	10%	4%	3%	3%	7%	2.7%	46%	Neutral	$99	8%	Buy	$120	31%
NJR	$43.01	4,196	2.70	2.80	2.94	3.10	3.34	2.69	2.78	2.98	3.12	3.42	–	–	(0.04)	–	(0.08)	16.0x	15.4x	14.5x	13.8x	12.6x	-5%	-0%	-0%	1%	-2%	6%	3.9%	60%	Neutral	$42	2%	Buy	$47	13%
NWN	$37.22	1,306	2.65	2.83	2.98	3.09	3.21	2.66	2.75	2.96	3.05	3.23	–	0.08	–	0.04	–	14.0x	13.5x	12.6x	12.2x	11.5x	-16%	-13%	-13%	-10%	-10%	5%	5.3%	72%	Neutral	$37	5%	Buy	$46	30%
OGS	$61.68	3,420	4.14	4.24	4.53	4.98	5.31	4.12	4.20	4.50	4.95	5.33	–	0.04	0.03	–	–	15.0x	14.7x	13.7x	12.5x	11.6x	-11%	-5%	-5%	-8%	-10%	10%	4.4%	65%	Neutral	$64	8%	Neutral	$68	15%
SR	$61.36	3,228	4.05	4.35	4.61	4.85	5.05	4.18	4.30	4.59	4.83	5.05	(0.13)	0.05	–	–	–	14.7x	14.3x	13.4x	12.7x	12.2x	-12%	-8%	-8%	-7%	-6%	6%	4.9%	70%	Neutral	$55	-5%	Neutral	$62	6%
		24,961																**15.7x**	**15.1x**	**13.9x**	**13.1x**	**12.3x**	**-6%**	**-3%**	**-4%**	**-4%**	**-5%**	**6.7%**	**4.2%**	**62%**						
Regulated Water																																			
AWK	$132.10	25,721	4.82	5.14	5.59	5.98	6.45	4.81	5.15	5.60	6.04	6.46	–	–	–	(0.06)	–	27.5x	25.7x	23.6x	21.9x	20.4x	64%	65%	63%	61%	59%	7%	2.3%	58%	Neutral	$126	-2%	Buy	$144	12%

		Market	Guggenheim EBITDA Ests					Consensus					Δ vs Consensus (>$20m)					Implied EV/EBITDA Multiple					Enterprise Value					'22–'25	NTM	Payout	Guggenheim		NTM Total	Consensus		NTM Total
IPPs	Price	Cap ($m)	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	Growth	Yield	Ratio	Rating	Target	Return	Rating	Target	Return
CEG	$121.69	38,866	3,525	3,951	4,125	3,971	4,213	3,688	4,083	4,090	4,013	4,160	(162)	(132)	35	(42)	53	12.0x	10.6x	10.1x	9.9x	9.1x	44,399	43,138	41,271	39,582	37,776	15.6%	1.0%	20%	Buy	$119	-1%	Buy	$129	7%
NRG	$48.08	10,855	3,248	3,418	3,311	3,324	3,377	3,138	3,319	3,333	3,097	3,460	110	99	(22)	227	(83)	6.5x	6.1x	5.9x	6.2x	5.5x	20,317	20,118	19,501	19,234	18,875	23.6%	3.4%	26%	Buy	$51	9%	Buy	$47	0%
VST	$34.86	12,464	4,050	3,906	3,997	3,822	3,513	3,940	4,254	4,184	4,079	4,318	109	(348)	(187)	(257)	(805)	6.0x	5.5x	5.5x	5.5x	5.1x	23,822	23,460	22,935	22,536	21,814	8.7%	2.6%	23%	Buy	$32	-6%	Buy	$39	14%
Other																																			
NEP	$23.26	2,173	1,902	2,021	2,080	2,099	2,118	1,915	2,014	2,020	2,045	2,126	–	–	60	54	–												15.9%	–	Buy	$42	97%	Buy	$33	56%
SMR	$2.50	192	(143)	(57)	8	96	n/a	(146)	(82)	(20)	144	452	–	26	28	(48)	–												–	–	Buy	$14	460%	Buy	$10	300%

Source: Guggenheim Securities, LLC estimates, Bloomberg LP.

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AMEREN (AEE)

We hosted AEE Chairman, President & CEO Marty Lyons, SEVP & CFO Michael Moehn, SVP & Chief Sustainability, Diversity & Philanthropy Officer Gwen Mizell, Chairman and President of Ameren Missouri Mark Birk, SVP & Chief Accounting Officer Theresa Shaw, and other members of the team for a conversation on the remaining process in the Illinois MYP case, the backdrop for ROFR legislation in the new year, the ongoing transmission work at MISO, and other key data points across the business.

- **Illinois in focus as the MYP enters its final phases.** Our meeting with management understandably kicked off with a discussion of the Illinois rate case, with management, providing an overview of its latest brief discussing why they took issue with the ALJ's ROE calculation. Like their neighbors to the north, management noted that the backdrop to a final order is somewhat unprecedented given the testimony today and this being the first multi-year plan. Investors in our meeting again asked about differences between gas and electric ROEs, and why the former is afforded a higher rate than the latter, with management noting that they are not clear themselves. In our view, this has been a repeated point of confusing policy in the state, given the decarbonization efforts underway, and while some investors posited that the spread may be due to the simplicity of the multi-year structure versus the normal forward year case structure, we are sympathetic to the view that it should be higher. To that end, management reiterated the parameters of the brief it filed on November 2 (9.85%) while also noting that, in total, the outcome could be slightly lower growth overall in Illinois versus the past — around 5%. We asked about the potential for the company to seek a rehearing or court appeal, however, management said they were largely deferential to the process. They noted that appeals courts are typically fairly deferential to the regulator, but there could be an argument that what the ALJ did was a technical error to some degree. As a reminder, IL is only 18% of the consolidated business.
- **One of the other key areas of discussion in our meeting was on the ongoing efforts around ROFRs in Illinois and Missouri,** with management providing details on how it intends to tackle the process in both jurisdictions in the new year. In their view, the value proposition of the mechanism remains strong, providing both time savings (could be 2 years faster) and cost savings (the components are bid, and there are existing AEE assets and/or ROWs in many cases). In MO, the team was of the view that they had made good progress earlier this year, but legislation just didn't get to a vote as it had gained more traction mid-session and some stakeholders/legislators were not quite as fully up to speed. Per the company, they have been working with a lot of landowners and established stakeholders to build understanding and support for the concept. Stakeholders/lawmakers are working on pre-filing in December, with the session running through spring. In Illinois, the situation is somewhat different given a bill that passed and was subsequently vetoed by the governor; however, the company noted that the proposal has strong support from labor, and they continue to work on getting the message across around the benefits of the policy to customers. Pathways forward in the new year could include modifying

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the legislation to include the entire state, and/or involving environmental groups or other stakeholders to expand the scope and build broader support for the policy as part of a broader package.

- **What about Tranche 2?** There were a few new incremental updates on the process at MISO, with the RTO still grappling with some of the key technical details of the process, such as modeling. The company still thinks the total projects could be over $20 billion; however, details remain TBD. Given visibility on the potential projects won't be coming until at least the middle of next year, management noted in response to our questioning that they won't be including any Tranche 2 placeholder in the 4Q update early next year. In addition, many of those projects will likely fall outside of the formal role-forward timeframe (to 2028).
- **Financing and looking ahead to the 4Q update.** While Tranche 2 will not make it into the next plan, some of the IRP-associated spend will (~$1.5B), alongside the normal course updates. In terms of the financing, guardrails and equity, management reiterated its 40%-45% target for equity to total cap, alongside a desire to maintain the roughly 21% HoldCo debt ratio over time. Aside from reiterating those key data points, the team also spoke highly of ATMs as an equity tool. Finally, we note that the company continues to target flat O&M to make sure cases are focused more around capital vs. expenses.

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AMERICAN ELECTRIC POWER (AEP)

We met with Julie Sloat, Chair, President and CEO, Charles Zebula, EVP and CFO, Darcy Reese (VP IR), and other members of AEP mgmt. to discuss the company's updated 5-year plan, rolled forward capital plan, and ongoing sale processes.

- **EPS and credit metric guidance were reiterated.** Mgmt. reaffirmed its 6%-7% (6.5% midpoint) EPS growth and 14%-15% FFO/debt targets, but now with only 3% annual increases in customer rates contemplated (vs. 4% previously) being embedded in the plan. AEP introduced 2024 EPS guidance of $5.53-$5.73 ($5.63 midpoint), which represents 6.4% YoY growth off the original (and current) EPS guidance midpoint for 2023 of $5.29.

- **Rate base growth of 7.2% is now embedded in guidance,** vs 7.6% previously, while the amount of same-period equity is unchanged over 2024-2027, albeit with $200m shifted from 2024 into 2025/2026. $400m is now projected to be issued in 2024, $800m in 2025/2026, and then returning to the prior estimate of $700m in 2027 and 2028. Roughly $100m of equity is expected to come from the company's DRIP program, with the remainder from its ATM. **Mgmt. highlighted that a $1.7bn prospectus for its 3-year ATM will be filed later this week**. Dialogues between regulators and mgmt. have been constructive, the company said, and in certain cases have led to refinements of the capital plan in order to better allocate funds to the jurisdictions that need them and for the purposes the regulators most want to support, **which we view positively.**

- **Asset sale proceeds of $700m are now embedded in the capital plan, although these represent book equity, and we note that the final transaction value could defer.** If the operating units that are up for sale were not sold (hypothetically), they would be expected to generate approximately $0.12/share of EPS in 2024, although mgmt. immediately followed this comment up by stating that any lost earnings resulting from the sale is also **expected to be fully offset in the 2024 plan**.

- **Where do credit metrics go from here?** Collateral payments, fuel deferrals, and even 40bps from weather in the first half of 2023 all combined to drive down FFO to debt over the past year. AEP recently introduced new disclosures that show a clear upwards trajectory, along with the specific components expected to drive a **180bps-190bps** improvement in 4Q23, followed by another **110bps** of improvement in 1Q24. **We continue to expect AEP's FFO to debt to be above 14% by the beginning of 2024** (vs. a TTM value of 11.4% as of September 30, 2023). Mgmt. is then guiding to being comfortably in the company's targeted 14%-15% range going forward, albeit with some lumpiness driven by large construction projects over the forecast period. As Moody's downgrade threshold for AEP's Baa2 rating is 13%, and as we wrote in our Q3 earnings note before the same-period equity issuance level was reaffirmed, **we see the company's current FFO-to-debt trajectory as being demonstrative of no additional equity needs** beyond those in plan.

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ALLETE (ALE)

We hosted ALLETE's Chair, President & CEO Bethany Owen, SVP & CFO Steve Morris, ALLETE Corporate Development and ACE Strategy Officer Jeff Scissons, and other members of the team for an in-depth discussion of the freshly filed rate case, the capex backdrop, potential incremental transmission work, and nonregulated growth at ACE and New Energy. In total, we came away with the impression that management continues to control the levers within its control well, with a differentiated small-cap rate base growth profile (>11%) juxtaposed against the somewhat structural macro exposure via the customer base (taconite).

- **The rate case takes center stage as management proposes a new spin on a sales stabilization mechanism.** MN Power's recently filed case was a key area of focus for our conversation, with management reiterating several of the core components and going into greater detail on the nuances of this particular request. The ~$89M net ask is primarily split between O&M recovery (~$27M) and sales true-ups (~$20M), with those two items alone constituting the bulk of the ~$64M interim rate increase. As a reminder, those rates are set at the prior authorized ROE/cap structure (9.65% ROE). The case also includes ~$10M of NOX allowances tied to expected EPA regulations around Good Neighbor, alongside some $4M of costs around reagents (the former is not in interim rates). In total, the case screens to us as relatively straightforward, with management noting the O&M underlying the prior case was built off a budget set in early to mid 2021 – missing much of the recent inflationary backdrop from 2022-2023. The company is also seeking to increase headcount by ~120 personnel – a touch point at the commission through existing reporting pathways. With the parameters of the case well-delineated, we also asked about the general backdrop in the state, and at the MN PSC, in light of several recent case outcomes, with the general messaging from the team positive, in our view, in light of ongoing interactions and MN Power's track record of affordability.
- **What's in the rate stabilization proposal?** A 5% trigger is intended to help dampen the impact of large customer variability. Our conversations on the latest rate stabilization proposal point to an iterative improvement over the ROE true-up from the 2016 case and the prior +/- $10M band from the 2021 case, with the mechanism intended at a high level to dampen variability up and down around the 35M-ton taconite volume target. In our view, this has been a structural issue for some investors on the name, and not dissimilar in some ways to the exogenous revenue/expense issues we have seen with some other smaller utility mechanisms (e.g., power costs in the west). In management's view, this differentiated proposal may have more traction given that some of the commentary from the PUC in the prior case was open/favorable.
- **Puts and takes on the financing plan continue to skew positively ahead of the 4Q roll/update.** Alongside the substantial arbitration proceeds in the most recent quarter, the company continues to look at tax credit monetization and other offsets to equity within the 2023-2027 plan. **Much of the step-up in transmission capex and RFP-driven**

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spend accelerates into the back half of the plan, with management noting in our meetings little equity needs for 2024 thanks to the combination of the shape plus NT cash uplifts. In addition to those known cash helps, the team also reminded us that they remain opportunistic on raising capital through irregular divestments/transactions, with everything potentially on the table. In our view, ongoing build-own-transfers at ACE could be an avenue for that. Finally, the team also noted that the process of creating a holdco remains on hold in light of the ongoing MN Power case.

- **What about ACE and New Energy?** The core guardrails of the plans at ACE and NEE remain largely unchanged based on our latest conversation, with sentiment on ACE slightly improved, in our view, versus prior conversations on the back of ongoing rationalization in the market on returns and supply chain. As with commentary on more recent quarterly calls, the team continues to look at repowerings, with the legacy fleet presenting significant optionality for both reinvestment or build-own-transfer. Of NT projects, Whitetail is probably the closest to a NT data point, per our conversation. We asked about potential incremental updates on the segment as soon as the 4Q call; however, management noted that work remains ongoing, and we got the impression it may still be too early.
- **With regards to NEE,** the core facets of the story remain highly attractive – the prior ~10% growth target remains intact, with few issues on panels or the development pipeline at this time. That ~2GWs of opportunity remains skewed towards community solar projects (~75% vs. ~25% C&I), which, in our view, screens somewhat more attractively. Management also noted that the company has proven to be somewhat of a political asset as well, with its existing footprint of projects in the state and relationships proving helpful in the ongoing dialogue between stakeholders and policymakers around decarbonization.

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AVISTA CORP. (AVA)

We met with Kevin Christie, SVP, CFO, Treasurer and Regulatory Affairs Officer, Heather Rosentrater, President and COO, Jason Lang, Director of Finance and Assistant Treasurer, and Stacey Wenz, IR Manager, to discuss succession planning, the upcoming Washington multiyear rate case, structural lag targets for 2025 and beyond, and the company's recent uptick in its capex plan.

- **Succession planning:** We didn't get a chance to meet with Dennis Vermillion, Chairman and CEO, but were assured by mgmt. in attendance that AVA maintains a heavy focus on succession planning. Despite this, it was "too soon to say" whether Mr. Vermillion (upon his eventual retirement) might stay on in the capacity of Executive Chairman or something similar. We came away with a positive first impression of Heather Rosentrater, who is now both President and COO of Avista Corp. **We also continue to view Kevin Christie, SVP & CFO, as a very constructive addition to the team.** Together, they represent a welcome 'changing of the guard' in our view, and both were well received by investors, which hasn't always been the case with certain members of AVA's mgmt. team (excluding Dennis Vermillion, who many investors we've spoken with view quite positively).
- **What's next in Washington?**... AVA will be addressing the ERM in its Q1 2024 multiyear rate case filing, citing peers who have been asking regulators to do away with the equivalent of their dead bands, something which AVA intends to do as well. **In our view, this would certainly help to de-risk a significant driver of earnings volatility if regulators are amenable to it**. While tax credits were used as part of the prior case to help reduce the impact of rate increases on customers, we do not expect to see this happen again in the upcoming case. We remind investors that the roll-off of those credits will be beneficial for AVA's cash flows and credit metrics, although they also represent another source of bill pressure for customers at the same time.
- **How should we think about AVA's "clean" 2025 earnings base?:…** Mgmt. recently said on the company's 3Q23 call that 2025 would be an appropriate year to serve as a base for projecting AVA's 4%-6% EPS growth off of going forward. This is due to an anticipation of Avista Utilities being able to earn much closer to its authorized return level following the implementation of new rates, assuming a constructive outcome in the company's upcoming WA case. Mgmt. clarified that this **clean base number assumes ~70bps of structural lag, but not the additional ~80bps of timing lag** which is present at the moment.
- **Revamped approach to capex guidance improves rate base growth visibility:** AVA recently moved away from its historical practice of forecasting flat capex over a three year period and is now guiding to a capex profile which better supports its 4%-6% rate base growth guidance (with a bias towards the midpoint, mgmt. indicated). We see this as a clear improvement vs. prior disclosures, as it enhances investors' understanding of both rate base growth and capital needs, thereby increasing confidence in earnings forecasts and projected sources and uses. **Although it would be nice to have corresponding**

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financing guidance, we note that debt/equity need projections are **unlikely to extend beyond the current guidance period of one year**, due in part to the inherent cash flow volatility and uncertainty caused by the ERM in its current state, among other factors.

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AMERICAN WATER (AWK)

We hosted AWK President/CEO Susan Hardwick, EVP/CFO John Griffith, EVP/COO Cheryl Norton, and other members of the team for a detailed discussion on PFAS, CERCLA, inorganic growth, and the latest capital and financing plans. In total, the scale and duration of AWK's pipe replacement and mitigation spend remains one of the longer capex runways in our coverage, supporting highly attractive top-tier 7-9% growth in an industry with a lower customer bill share vs. gas and electrics.

- **Emerging and established contaminants remain drivers of capital and potential M&A as core spending needs remain robust.** Our latest conversations with AWK management focused heavily on the newly debuted capital plan and the integration of $1B in PFAS associated spend, alongside some ~$0.50B in deferred spend. Per management, the company made several prioritizations as it went through the capital refresh cycle, with things like surface line replacements that may not have been reliability or water quality concerns pushed out. While these may add some time to the 120-year pipe cycle, the company saw the deferrals as prudent against the ongoing immediate need for PFAS spend, alongside a concurrent focus on customer bills and project bandwidth. The company remains extremely focused on affordability (average bills ~$55-60/month), with a customer bill increase targeted around 5-6%.
- **How was the PFAS spend scaled?** Management noted that NJ was first to come out and regulate PFAS, setting a precedent for the company to deploy capital and better understand the operational and investment needs of mitigation across other parts of the system. With the EPA setting the 4PPT threshold, it allowed the team to turn around and leverage the NJ expertise elsewhere in the system and determine the size of the latest program.
- **Which areas need the most treatment?** Per management, NJ and PA probably need the most. By EPA setting the limit to 4PPT, management noted that it would open up a lot of surface water plants to modification, which are higher volume plants and come with their own unique/additional costs. Other factors include the footprint of the existing plant site.
- **What about CERCLA?** The company is 'pushing hard' that water utilities be excluded from CERCLA rules - in their view, they are simply treating and taking out contaminant that someone else caused. Management noted that they had just spoken to the EPA last week to discuss and voice the view that they should be excluded from having to deal with the CERCLA rules.
- **Does PFAS present pressure on munis to sell?** In management's view, it may create more pressures, but right now it's still too early to make definitive calls. One issue is compliance — the EPA simply isn't prepared to police 50k+ water utilities. Penalties would be at least 10 years out given the compliance period may be 5 years from finalization, with attempts at workouts thereafter. Is there any case precedent of a muni getting an EPA fine? There have been fines for non-compliance with standards — it is typically done at the state level. **Is there upside to muni growth and the inorganic capex allocation?** Our impression is that the company may be taking a conservative approach, with significant ongoing uncertainty over how much pressure munis may actually face. In the company's view, many of the smaller systems have little idea what to do with the standards — they are not

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even near a point of evaluating investment needs that could potentially be drivers of decisions to sell. Finally, we note that the company is seeing quite a bit of follow-on capex from acquisitions that rolls into the organic plan — sometimes almost as large as the purchase price depending on the scale of the investment need — so acquisition spend has a multiplier effect on the organic growth.

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CMS ENERGY (CMS)

We met with CMS CEO Garrick Rochow, CFO Rejji Hayes, and other senior members of mgmt. For CMS, the message is more of the same: high growth mode, a strong decarbonization trend, and lean operating practices. The tailwinds continue piling up, but mgmt. continues to point to a "strengthen and lengthen" business planning strategy. While CMS has already pointed to a high end of 6-8% growth in the future, the next revision catalyst will likely be a capex roll forward and inclusion of renewable expectations and distribution grid spending. Mgmt. proactively managed financing and, while 2025 had ~$350M of equity needs expected, mgmt. is looking at tax credit monetization and Moody's hybrid debt equity credit as offsetting factors (no block equity). CMS continues strong execution in 2023, with a commitment to rebase off actuals for prompt year guidance.

- **We met with CMS CEO Garrick Rochow, CFO Rejji Hayes, and other senior members of mgmt.** Mgmt. continued the 3Q message of strong utility fundamentals and consistent regulatory outcomes, with a new tailwind coming from the MI energy legislation. Increased RPS targets should create significant opportunity for more renewable resources that would either result in CMS' direct investment or PPA agreements with FCM earnings (both accretive for LT growth). Mgmt. noted that the legislated RPS requirements would double the deployment from the current renewables plan for CMS. The way the crediting for RPS works, CMS would be open to other MISO states with better wind/solar resources to satisfy the new requirements. While we are waiting for a 4Q update to get the capex plan updates, mgmt. noted that it is reasonable to see an increase. Mgmt. would also need to put consideration into plan on capital priorities in renewables vs. distribution (i.e., the near term may have more PPAs vs. ownership). **Planning inputs continue seeing tailwinds, but mgmt. remains steadfast in the "strengthen and lengthen" approach for the growth rate.**
- **The capex increase would result in a recalculation of financing needs, but mgmt. sees more offsets than increases.** CMS previously had up to $350M of equity needs starting in 2025, but mgmt. is now looking at tax credit monetization and, if Moody's approach to equity content form hybrid debt changes for the better, we could see equity needs coming down. Mgmt. noted that there is no expectation of block equity needs resulting from the changing parameters.
- **Regulatory process continues: CMS needs a litigated outcome to get the right recovery mechanisms in place; reliability conversation in full swing, and mgmt. sees undergrounding as a critical tool going forward.** CMS noted that the current discussions in the rate case are on track, but a settlement may not be the ideal outcome. Given the proposals for the investment recovery mechanisms, a black box settlement would not codify the regulatory constructs, and CMS would have to relitigate next year.
- **CMS highlighted the benefits of undergrounding in MI;** including a low-cost, single-phase, directional-drilling approach. MI soil conditions allow for easy directional drilling for single-phase undergrounding in the range of $300,000/mile vs. PCG's $2-3M/mile.

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CENTERPOINT ENERGY (CNP)

We met with the full CNP leadership team CEO Dave Lesar, incoming CEO Jason Wells and CFO Chris Foster. CNP continued to project the messages from the 3Q call with strength in the economic outlook, incremental capital spending and an 8%+ EPS growth trajectory. CNP announced its intention to turn on an ATM equity program in 2024 to support the most recent capex increases, but noted that future efficiencies in funding would continue to be assessed (incl. LDC monetization). The near-term focus for the company remains on regulatory outcomes and reducing risk. Mgmt. sees material ROE lag reduction from the Texas legislature, but also from more broad regulatory strategy. Mgmt. anticipates a CEHE rate case around May 2024 with a focus on O&M (which has seen material reductions), cost of capital and depreciation rates – with O&M offsetting other proposed increases. In MN and IN, CNP is focused on straightforward cases. We found mgmt. to be very in-tune with the growth strategy, customer-centric approach and investor value oriented (i.e., in line 3Q thoughts).

- **Our CNP meeting focus generally fell into 2 categories – incremental capex opportunities and regulatory strategy to minimize regulatory lag.**
- **CNP anticipates future capex updates to be more modular vs. big step-ups as opportunities get rolled in real time.** In Texas, CNP says it sees opportunities for gas with reliability work and the expansion of local transmission capacity, which is currently contracted with third-party shippers as a pass-through cost. On the electric side, Texas, particularly Houston, continue to see strong customer growth (supporting capex and lowering net bill increases, mgmt. noted no change in the average T&D charge vs. the last 10 years). The next step-up will likely come from a formal resiliency framework, which the PUCT is working to define (scheduled ~mid December 2023). CNP plans to subsequently file a proposal, and mgmt. noted that the benefits of the framework are both in volume of capex but also in ROE lag on recovery (the framework would allow deferred asset treatment). For reference, $300M of capex would result in ~$0.01 EPS accretion. Elements of resiliency will include undergrounding, higher wind ratings and composite pole replacements, as well as cyber IT investments – mgmt. noted a potential portfolio of modular projects.
- **From a funding perspective, mgmt. noted that LDC sales are still a consideration for efficient financing**, but 2023 was a bad year to market assets as there were competing forced sellers driving down asset values. In the absence of asset optimization, mgmt. plans to fund capex increases similar to prior equity needs (~50% for new capex). Mgmt. also views the higher retained earnings / lower dividend payout as an asset for strong earnings growth – i.e., better to fund capex with retained earnings vs. going to the equity markets in the current environment, but noted that dividend growth has been on pace with strong earnings growth (~10% trailing).
- **On the regulatory side, mgmt. is very active in reducing regulatory lag and pushing for a cost of capital improvement in Texas.** The Texas gas rate case will consolidate service territories to help smooth out customer bill impacts over the long term (a 10-15 year issue for mgmt.). **On the electric side, CEHE delayed the rate case filing to ~May 2024 to accommodate the new TCOS and DCRF timing.** This will effectively eliminate recovery of

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invested capital from the case and focus on O&M, cost of capital and depreciation. Mgmt. noted that O&M decreases are enough to fund a proposed cost of capital increase. Mgmt. will look to work through ROE and equity ratio in the rate case before the next legislative session in 2025 and also noted that given the timeframe for an outcome, it may be tough to present an early outlook on 3Q24 with a rate case outstanding. **In MN, the gas rate case is focused on reconciling invested capital,** and mgmt. says it sees little risk to cost of capital as the MN PUC has previously voiced the view that gas ROEs should remain above electric ROEs. The case proposes 2 revenue increases over the 2 test years to help smooth out earnings and help a potential 3-year rate case cycle (vs. 2 year currently), helping to reduce regulatory risk. **The IN rate case could be noisy** (per. Mgmt.) as the current rates were set on a 10.4% ROE, but noted that major capex elements like generation and solar builds have been pre-approved by the regulators.

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DOMINION ENERGY (D)

We hosted Dominion's Chairman, President, and CEO Bob Blue, SVP and CFO Steven Ridge, EVP and COO Diane Leopold, and other members of the team for a discussion of the company's ongoing strategic review and the most recent data points from the 3Q call. To that end, our conversation largely reiterated many of those points, with management expanding on key areas around the sale process and potential risk sharing.

- **Sale process data points largely in line with the 3Q call.** As in prior meetings, the company reiterated that the plan would be rolled out on the finalization of the wind sale process, with the schedule driven by management's desire for a robust process for regulators, shareholders, and customers, with multiple parties involved at the moment. In response to investor questions on the cash inflows expected with a sale, the team noted that the company expects to receive their share of their costs to that date, followed by pro-rata capital calls thereafter. While we asked about the potential for the 4Q23 call to serve as a bookend to the process, management largely declined to discuss further specifics as the process remains ongoing.
- **On risk sharing for CVOW,** management noted that it is still negotiating with counterparties, with the company communicating what is important to potential buyers in the process: 1) any premium that would benefit customers, 2) pro-rata risk sharing, 3) the ability to finance, and 4) the ability to close. **That said, the team noted that those things are not binary, and it continues to evaluate offers during the process.** For example, the risk sharing could be constructed in a certain way, while the premium could be evaluated in a certain way — all of this is part of the process. To that end, the team reiterated several times that they are not willing to publicly draw a line in the sand right now with those conversations ongoing. Any flowback of a potential premium also remains subject to SCC determination.
- **On the CVOW supply chain,** management noted that they have been visiting with all of their suppliers in recent weeks, including Siemens Gamesa [FWB:ENR], who some investors noted has had issues with new factory stand-ups and production schedules. Management noted that Dominion insisted on production slots at existing factories and procured the steel in advance, with Siemens performing under the contract. As it stands, Siemens are one of the only suppliers to not have started to fabricate — they are on schedule for the middle of next year as the turbines are one of the later steps. All other suppliers are on schedule and budget, including the monopiles, cables, and offshore substations. On the construction vessel, we note that management again reiterated the key data points of the construction process, with no updated/incremental thoughts on the potential for a sale of the vessel after CVOW. Finally, the company expects the remainder of the project cost lock to proceed more gradually going forward, with onshore transmission to see another contract in a few months, with potential PJM upgrades somewhat longer dated.
- **Other key data points were largely reiterated coming off the 3Q call,** including the dividend commentary (potential to grow into a target payout

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over time with lower/slower growth), 2025 as a base, and general commentary about ongoing historically elevated capex. Between now and the next update, we also expect the SCC could see new appointees, with the team noting that the Democratic majority in Virginia in both chambers now clears the way to selecting candidates — potentially within the first 30 days of the new year/session.

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DTE ENERGY (DTE)

We met with DTE CEO Jerry Norcia, CFO Dave Ruud, and other senior members of mgmt. DTE remains in deliberation of a capex update, 2024 guidance and roll forward of the 6-8% LT EPS growth rate pending the outcome of the electric rate case in MI. Mgmt. believes that there is a constructive outcome possible as the MPSC recognizes the need for rebuilding the grid and hardening against increasingly more volatile weather patterns. DTE remains constructively positioned on capex given no changes to the resource plans and distribution grid plans, but noted that there needs to be visibility on earning allowed returns (i.e., a workable rate case outcome). The recent MI energy legislation could result in some capex pull-forward, and mgmt. noted some marginal capex upsides starting to emerge. Mgmt. noted that the fundamental backdrop in MI remains strong for the service territories and there continues to be a multi-pronged effort to improve resiliency, policy alignment, and affordability.

- **We met with DTE senior mgmt., including CEO Jerry Norcia and CFO Dave Ruud. The cautious message from 3Q continues to point to the Electric rate case as a gating item for guidance and capex updates.** DTE has made a strong case for a more constructive outcome vs. the ALJ recommendation in exception filings with the MPSC that would be necessary to support Michigan's increased resiliency needs. DTE mgmt. believes the MPSC understands the importance of constructive regulatory outcomes to ensure DTE is able to address the increasing reliability needs in light of more volatile weather events. Mgmt. noted that the staff recommendation was a level of revenue that would be workable, but would stress the plan for 2024. From a customer bill pressure standpoint, mgmt. referred to the aggregate rate increases dating back to 2020 being at or below inflationary levels of growth and the 2024 revenue increase to be a catch-up year. **From a planning perspective, outside of the rate case, mgmt. has embedded parent refinancing costs on near-term maturities into the plan, which would be offset by growth from the business lines.**

- **Moving pieces on capex support the 6-8% trajectory, and mgmt. is starting to see accretive opportunities from the recent energy bill package as well as base capex.** DTE noted that Michigan clean energy legislation is modestly accretive but could require some regulatory process to firm up capex. While DTE is executing on the settled IRP outcome, the codified renewable energy requirements would create an opportunity to pull forward more renewables into the next 7 years (i.e., 2030 goals). Additionally, to shore up resource adequacy, generation needs are starting to show an opportunity to upsize the CCS CCGT that DTE proposed in the prior IRP. There are multiple ways to reconcile the plan changes, but mgmt. anticipates incremental clarity from regulatory proceedings (or just including incremental spending in serial rate case filings). While we anticipate the capex plan to move up with the December investor update, we do not see material equity needs as mgmt. pointed to using the same planning parameters and focusing on internal cash flows for funding.

- **Storm audits, PBR and the need for increased resiliency is apparent for DTE; mgmt. sees a constructive outcome in the end.** Mgmt. noted that the increased storm activity is slow to get rolled into rates since the regulatory

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approach is a 5-year trailing average. However, DTE could look at a storm tracker or reconciliation mechanisms that wouldn't be available until a 2025 rate case. The PBR process is moving slowly with workshops running through next year, but DTE sees a balanced outcome in the end. The overarching approach to address storm audit findings and reliability needs is incremental investment, and DTE sees grid automation and undergrounding as major tools for improvement. Mgmt. noted that only 15% of the system is currently upgraded with automation, since most of the system did not require it (unlike coastal states with hurricanes), but new weather patterns are creating a need. Undergrounding is also an important tool, with only 1/3 of the DTE system currently underground. Mgmt. sees an opportunity to underground the 4kv systems as those get replaced, but noted that the work is a substantial undertaking that could last for 10-15 years.

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DUKE ENERGY CORP (DUK)

We met with Lynn Good, Chairman, President & CEO, Brian Savoy, EVP & CFO, Preston Gillespie, EVP, Chief Generation Officer and Enterprise Operational Excellence, Abby Motsinger, DUK's head of IR, Chris Jacobi, Director, IR, among others, to discuss thoughts around the company's long-term confidence, lack of rebasing, and upcoming roll forward of its capex and financing plans (including equity), as Duke positions itself for strong, clean-energy driven growth in the years ahead.

- **No block equity, no forwards…** Looking ahead to the Q4 capital plan roll forward, **we expect to see growth equity in the plan**, and mgmt. reiterated at dinner that a balanced financing approach would be along the lines of **"*30% to 50%*"** equity funding, depending on the outcome of **pending guidance from the Treasury on nuclear PTCs (expected in early 2024)** and the **transferability market** as well. Mgmt. was crystal clear that **DUK is not looking at block equity,** and would be planning to use ATM/DRIP equity, but seemed **open to potentially considering further asset sales in place of equity as well**. Investors will recall that for the company's **current $65bn capital plan through 2027**, DUK recently reiterated its current guidance of targeting 13%-14% FFO/debt by the end of 2023 (**above its downgrade thresholds**) and then 14% FFO/debt through 2027.

- **No rebasing (for the 5%-7% LT EPS CAGR and/or into 2024)…** After accounting for puts and takes, **$5.65 remains the right base number for 2023 to grow from**, mgmt. said. This includes YTD results continuing to be impacted by weather ($-0.19) as well as weaker volumes, with -1.2% weather-normalized retail volumes on a T12M basis, largely driven by softening industrial load (**noting weakness in textiles and paper, as well as a generally consistent messaging from customers that they are working through existing inventory and have therefore temporarily scaled back production**). Meanwhile, substantial savings programs continue to produce robust offsets, with ~$0.15 of perpetual cost savings expected to be carried forward from the 2023 cost mitigation program. Longer-term, line of sight on 7,000 GWh to 9,000 GWh by the end of 2027 provides not only confidence in DUK's reaffirmed 0.5%-1.0% load growth guidance for 2022-2027, but **confidence that this figure is actually very much on the conservative side, mgmt. said at dinner last night.**

- **Strong tailwinds in 2024… Although 2024 guidance will not be released until February 2024,** the company spoke to the plethora of qualitative drivers initially introduced in its 3Q23 slides. While load (volumes) and interest rates represent general tail risks linked to the overall economy, tailwinds abound, as 2024 will benefit from new rates in North Carolina under DEC & DEP's first multi-year rate plans (where we continue to assume DEC is authorized the same ROE/cap structure as its sister company, DEP), and **where mgmt. expects to be able to target earnings close to the company's authorized levels (plus, we note the ability to earn up to 50bps above authorized ROEs as well)**, as well as rate relief in Florida and Kentucky, grid investment riders **in** the Midwest, and a mix of rate cases and riders at the gas businesses. We also highlight that mgmt. expects **2024 O&M to be lower than**

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2023's level, and recently mentioned that it will be "***significantly below***" 2022's spending level. Ongoing cost control efforts will play into this, as 100% of the 2022 cost initiative for 2023 (totaling $300m) will continue to be sustainable after 2023, as will 50% ($0.15 according to mgmt. last night) of the additional $300m of business agility measures undertaken to offset weather/volume driven weakness in 2023.

- **What's driving the capex roll?...** DUK will roll forward its 5-year capital plan in February, with its future capex primarily being a factor of the IRPs the company filed this year in the Carolinas and Indiana, as well as the upcoming Florida multi-year rate plan update and continued growth in the gas business. Although the utilities are still navigating through regulatory approval processes at the moment, mgmt. noted that in the Carolinas in particular, they see a clear need for increased capacity because of population growth, economic development and a higher reserve margin due to the region's winter-peaking nature. We note that while DUK does not want to be a first mover on SMRs, mgmt. noted that the Carolinas remain strong supporters of nuclear power**. Mgmt. also highlighted that DUK shares a board member with Ontario Power Generation (OPG) [PRIVATE], which is actively looking at SMRs as well.**

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CONEDISON INC. (ED)

We met with ED CEO Tim Cawley, Treasurer Yukari Saegusa and other members of mgmt. The two core issues discussed in our meetings were the assumptions around planning inputs for 2024 (especially as a base for LT growth for 4Q23 earnings disclosures) and the capital opportunities outside of the CECONY GRC. The capex opportunities are largely agnostic to the offshore wind integration into the NY grid. ED reached settlements across all CECONY business lines, with several de-risking features that could provide more earnings stability in 2024, but items like lower O&M and weather-related spending will likely normalize in 2024. Cost of debt could create some lag in a rising interest rate environment. MVP construction is on track for 1Q24 in service, but ED noted that AFUDC booking will have a high threshold and strategic analysis will depend on the pipeline flowing gas (but ED reiterated it has no desire to be in the midstream gas business). Mgmt. plans to continue the analysis on equity needs in 2025, which could be impacted by the MVP strategic outcome. The balance of the issues included a discussion around energy transition, bill headroom and deferred cost resolution.

- **ED continues constructive signaling around 2023 updates; things like rate case outcomes, steam weather normalization, and a higher storm reserve in rates could help 2024 set a strong base for LT growth rate roll forward.** Tailwinds for 2023-2024 include the CECONY Steam settlement and rates starting in November 2023 (~$0.04c contributor for the year). While we see the Steam outcome and reset to earned ROEs contributing around $0.10 of earnings on an annual basis, mgmt. indicated the weather normalization mechanism would also help lower the amount of weather volatility in the planning process. Other factors impacting earnings are more one time in nature like lower healthcare costs, less non-deferable storm activity, earnings adjustment mechanisms and expectations around one-time O&M benefits. Mgmt. confirmed that all of these items would find it hard to make it into the planning process, i.e., a single-year outcome does not sway LT averages embedded in planning. **Some of the critical elements for 2024 include a reset on earnings adjustment mechanisms** (which were a very small 2023 contributor) that could grow over time, the **storm reserve revenues** in current rates are up from $25M to $50M per year, and **rates across CECONY** helping to support earned ROEs (we have previously raised or 2024 EPS expectations from $5.19 to $5.30).
- **Mgmt. is increasing focus on the clean energy future transition, which includes CECONY capex opportunities through the second half of the decade and some modest uplift for CET through the Propel NY project.** Propel NY is a $900M capex allocation to CET (combined NY Transco and NYPA project). CECONY is also working through various stages of approval and planning for Clean Cities projects, Energy hub projects and eastern Queens substation expansions. Mgmt. noted that while the projects may help with offshore wind integration, the projects as planned are agnostic to the timing of offshore wind constructions, as they are either reliability backbone projects, demand-driven or required for Peaker plant retirements (i.e., grid optimization).

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- **MVP is back in the picture, but mgmt. is not taking any positions until gas is flowing; LT, the company does not want to be in the midstream gas business.** MVP remains a tailwind for earnings and value for ED, but mgmt. noted that the discretion to book AFUDC and include the project in planning has a high hurdle given the history of uncertainty. MVP investment was capped at $530M, and mgmt. plans to revisit the strategic direction for the asset once the pipeline is flowing gas (1Q24 per the project developer). Given the scarcity value of East Coast pipelines, any optimization could provide a modest offset to equity needs, which were last disclosed to be $900M in 2025 (ED prefers block equity as that has been the most efficient instrument historically).
- **While CECONY has some of the highest rates, mgmt. noted that bill headroom issues also get looked at on a wallet share** and aggregate average bill basis, both of which screen Con Ed in the bottom quartile (i.e., good affordability), with the major issue being low-income customers, which ED has addressed in rate design and customer credit allocations.

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EDISON INTERNATIONAL (EIX)

We met with EIX CFO Maria Rigatti and other senior members of management. The core message of our EIX meeting focused on the sustainability of rate base growth and earnings commitment of 5-7% growth through 2025 and 2028 (as previously guided). EIX remains in a heavy regulatory litigation mode with the 2025 GRC in early stages, CCM trigger under review, and the first tranche of wildfire claims recovery picking up steam (all potential tailwinds) among other regulatory processes. While there is a net accretive impact vs. guidance, in our view, mgmt. noted the intention to revisit the impacts upon completion of regulatory outcomes and substantially reinvest upsides into LT customer benefits (i.e., more sustainable LT growth). Mechanically, there is a lot of work beyond the headline EPS and balance sheet impacts like redeploying efficiencies and capital structure operations but mgmt. believes there will be line of sight to execute in time.

- **Consistent message from EIX to the 3Q call; focus is on clearing legacy wildfire liabilities, regulatory activity in 2024 and managing conservatively to 5-7% guidance.** Much of our meeting revolved around mgmt. recommitting to 5-7% EPS growth rates through 2025 and 2028 while providing a quantum of headline EPS and balance sheet benefits from ongoing regulatory requests. Mgmt. sees 9c of EPS tailwind from $1B of claims recovery ($2.4B currently under review) and a 39c EPS tailwind form the CCM trigger. Beyond the headline impacts, mgmt. is also working on operating improvements like bringing AI in SCE workspaces like call centers and getting more efficient on costs after an accelerated grid expansion and wildfire mitigation plan work (i.e., with risk mitigation in place, there can be more focus on work optimization).
- **Mgmt.** noted that planning assumptions remain largely in line with prior iterations, as interest costs have landed in line with prior updates, but externalities like CCM would be highly supportive of current guidance. Mgmt. had a lot of conviction around the CCM formulaic approach and doesn't believe there to be any material delays in CPUC deliberations (unlikely that the 120 day suspension will be fully utilized). Mgmt. plans to update some thoughts around CCM on the 4Q call in February, especially if there is a final verdict.
- **On the wildfire claims recoveries, mgmt. is looking for an 18 month process, and we are waiting on a scope and schedule from the CPUC.** As the outcome gets closer, mgmt. is thinking around potential scenarios on aligning SCE regulatory capital structure vs. potential recoveries and would utilize the appropriate capital structure waivers (i.e., EIX doesn't see any major issues around claims recoveries, moving debt attribution between claims and rate base or parent vs. holdco).

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EVERSOURCE (ES)

We hosted ES President and CEO Joe Nolan, Treasurer & CFO John Moreira, and other members of the team for an update on the wind sale process, Connecticut, and associated cash flow and financing considerations. Management continues to emphasize that the sale process is nearing at least partial closure by YE, with a line of sight to marked credit metric improvements and a return to focusing on the fully regulated profile.

- **Our latest meeting with Eversource management focused heavily on the details of the ongoing wind sale process as laid out on the 3Q call,** with the team reiterating the latest plan to bifurcate the sale process into a sale of the first two projects, followed by Sunrise. The team indicated in our meeting that the sale of the first two projects could come with an announcement by year end with the name of the buyer and terms. Per management, the buyer has been a partner of Orsted's (CPH:ORSTED) before, with the ongoing buyer-Orsted process cited as a contributing factor to the duration of the overall process. The team indicated that the deal for the first two projects will hopefully close by the first quarter of next year. Concurrent to that, the first project, South Fork, is expected to reach completion by the end of January. In terms of Revolution, management struck a confident tone on both the health of the imbedded contingency and the questions from investors around potential future write-offs on the project.
- **With more certainty on South Fork and Revolution, our focus invariably turned to Sunrise,** with management providing data points for consideration on the process ahead. To that end, the team noted that in their view the new NY RFP will be supportive of mature projects, with the state initially saying they wanted bidders to cancel projects – however, management now thinks they could file *notice of intent,* but then resubmit. In management's view, the process was centered on the technicality of the PSC trying to avoid setting precedence, and not so much price, as the OREC adjustment would have taken the project to $139/MWh, still below the average price of recent awards at ~$145/MWh. Procedurally, the team indicated that the RFI is the next key datapoint followed by bids, potentially at the end of January and an announcement/award in the first quarter. The uncertainty over the rebid process feeds into the prospects for another impairment/write-off for Sunrise, with investors in our meeting pressing on the timing aspect of the process and the potential for a cancellation to trigger a write-off. To that end, the team noted that they continue to monitor, with the reporting period dislocation for the PSC OREC decision giving more time to see how the NY process develops (Orsted by contrast had to assess immediately). The team noted that their partner had recently commented on a $425M breakage fee related to their 50% stake in Sunrise. We also asked again about what would happen if Sunrise were to not win in the new RFP process, with the team noting there is still significant value there (consistent with prior comments), while at the same time emphasizing that is not their expectation - they need to see the RFP through.
- **What about Connecticut?** The team continues to work on its grassroots efforts to improve stakeholder relations in Connecticut, including

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employee engagement with legislators and direct engagement with the governor's office. Alongside a description of those efforts, the team also noted that PURA is currently facing a significant number of lawsuits (26), that the AG only has two attorneys covering at this point. For now, the improving supply backdrop also remains a modest positive for customers in the state, as customers will see a step down in rates year over year.

- **Alongside all these discussions was a focus on the credit metrics in light of the recent downgrade in the ongoing uncertainty around the cell process.** To that end, management reiterated the 15% FFO/debt by end of 2024 commentary from the third-quarter call, built on: 1) closing on the projects by end of first half - receiving proceeds and stopping outflows, 2) tax equity inflows for South Fork, 3) business uplifts, including rate adjustments in Massachusetts, the reliability tracker in Connecticut, and the recovery of storm costs in Massachusetts, and New Hampshire, and 4) potential equity, although the team noted it would like to see how the market reacts to the wind details given current valuation levels, and whether an improvement would allow them to be opportunistic for the balance of the ATM. Finally, on the CT storm deferrals, we note that the company is working on a $650M prudency filing (auditors looking at it now), with the team emphasizing a strong track record of recovery - 90% of the costs are outside crews. The company expects to make a filing EOY - there is no statutory timeline, but it will probably take a year.

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ENTERGY (ETR) DINNER

We met with ETR CEO Drew Marsh, CFO Kimberly Fontan, Utilities Group President Rod West, and other members of management. Key issues addressed in our meeting were capex updates, regulatory strategy and outlook around C&I / economic development in ETR service territories. Capex updates and category shifts remain supportive of customer goals for resiliency and service expansion, with a step up in rate base expectations in 2026. Management noted constructive regulatory outcome and working through another leg of upside capex in resiliency filings, which have been welcomed by stakeholders. ETR has substantially resolved 2024 equity needs through forward sales and 2025-2026 equity needs remain unchanged from the Analyst day at $1.4B despite a higher capex outlook.

- **Consistent message from ETR management on growth and regulatory priorities, and resiliency re-think continue driving capex upside; Overall strong fundamental story sets a path for inflection.** Mgmt. spoke in detail around the new expectations for C&I load growth (6-7% CAGR through 2026), which presents an industry leading position for industrial expansion. Mgmt. also highlighted the diversity of new load, which now includes more than just legacy Gulf Coast industries like solar manufacturing and data centers. ETR capex updates were robust with a $19.6B 2024-2026 capex plan and mgmt. noted certain shifts in capex mix, including a new focus on CCGT with carbon capture. Resiliency updates included a long-term vision for cost reduction and reliability improvement ($15B, 2023-2036 plan) with capex ramping up in the second half of the current decade. Qualitatively speaking, ETR mgmt. believes the current capital plan is highly customer outcome focused, which helps alignment with stakeholders and regulators. Additionally, mgmt. noted that the ability to allocate and manage capital categories has been pushed down to the operating companies, which is creating opportunities for more efficient recovery (higher earned ROE and cash flow impacts). PTCs for nuclear could also become credit accretive depending on IRS guidance and gas price benchmarks.

- **Once again mgmt. highlighted the ability to achieve desirable regulatory outcomes and filter through the noise; The upside from new regulatory approach could help with earned ROEs and balance sheet.** The aforementioned capital management approach helps ETR operating companies manage within existing FRPs and rider mechanisms. Outcomes on FRPs and other proceedings have been constructive, with ETR-NO FRP settled and approved without much noise and mgmt. seeing good alignment with stakeholders on resiliency proposals (including a potential to have an LPSC global settlement on recovery mechanisms and resiliency plans). ETR has multiple regulatory decision pathways, but mgmt. sees everything converging around similar FRP/rate case mechanisms to existing structures (whether through separate proceedings or through settled outcomes). Mgmt. also believes SERI debates are ripe for another shot at settlement with ETR-NO as ETR-AR settled and FERC affirmed its prior determinations (i.e., ETR-NO is the next biggest interest in the SERI case and the pro-rata settlement could be a good tool for customer refunds / bill mitigation). The net impact of realigning regulatory mechanisms, getting timely recovery and earned ROE improvements could take ETR to a 15% FFO/Debt level over the planning

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term (i.e., cushion vs. mgmt. 14% target for 2023 year-end) and the PTC support could further lift the credit metrics.

- **Unique service territory opportunities starting to materialize in a meaningful way including CCS, blue hydrogen and resiliency.** ETR highlighted that the service territories in the Gulf Cost are unique in the emerging hydrogen economy (half of the announced blue hydrogen projects in the US reside near ETR). ETR sees a lot of activity related to hydrogen and sees major energy players working to move and sequester CO2. CCGT with CCs technology becomes a more viable solution for ETR, and mgmt. sees the tax credits taking care of the majority of the cost difference vs. other decarbonization solutions. The shift in solar as part of the mix is also impacted by MISO seasonal capacity recognition dropping to 9% in the winter for solar.

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EVERGY (EVRG)

We hosted Evergy's President and CEO David Campbell, EVP and CFO Kirk Andrews, and other members of the team for a detailed discussion of the recent growth stepdown, Kansas case outcomes, and go-forward regulatory and policy work. Efforts to improve Kansas will begin in earnest early next year, with management providing some useful data points on the process and how the next regulatory cycle is taking shape, ahead of the full capital/financing plan early next year.

- **Kansas' legislative and regulatory policy efforts to ramp up following the final conclusion of the cases later next month.** Building on the commentary from the 3Q call, management indicated that they intend to make a full-court effort on both the regulatory and legislative fronts, with a focus on not only general messaging around the investment climate in the state, but also key specifics of the most recent case, like the cap structure (double leverage) issues that emerged over the course of the case. The team spoke at length in our meeting about their appreciation for how the utilities have delivered well for customers, but not necessarily for shareholders, in the period since the original merger. To that end, the company plans to seek to leverage the centrality of a strong utility to economic growth in the state, with development conversations one of the more frequent touch points with lawmakers and the governor's office.
- **Why did they settle the case, then, with such overhangs?** Investors in our meeting were curious to know why the company decided to settle and leave the question of cap structure open for another case, with the team noting that it was the risk/reward as they saw it — a tactical decision as they described it — to settle this year and deal with some of the primary concerns in the months and quarters ahead. Specifically, the company noted that staff testimony had put the commission in the position of potentially owning a rate increase above what staff had recommended, with several complicated issues in the case creating some additional noise (e.g., COLI). The team also expressed a view that achieving a settlement was a modest positive for political dialogues going forward to potentially effectuate additional change. The legislative window this coming cycle presents the most immediate opportunity for that, with the relevant energy committees meeting through February and March. The prospects for a regulatory pathway are bookended by management's commentary around potentially filing a case in 2025, with the team noting that case may be simpler, providing a backstop opportunity to litigate on double leverage and permanently address the issue. We note that management struck a very confident tone on the quality of their arguments against staff's cap structure proposals, with the team highlighting regional cost of capital differences as a point of upcoming discussion with regulators, stakeholders, and lawmakers.
- **4-6% growth is the new go-forward as the plan remains without equity through 2026.** In response to investor questions, management noted that they decided to go out with the growth stepdown on the third-quarter call given the settlement was out and investors wanted to know. Underpinning the new guide is demand growth of 0.5 to 1.0%, with

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management noting that it has seen some higher strength in recent quarters in different customer classes alongside some regular items (e.g., large industrial outages/returns). The company continues to target $960m of O&M in 2025, which would put them in the top quartile for many of the key operating verticals. In terms of pacing, management noted that they are slightly ahead. The demand growth and cost savings come alongside ongoing transmission investment in Kansas, a MO West case next year, and the abbreviated limited case in KS. Management indicated as noted above that the earliest they would probably look to return in KS is 2025. Looking ahead, the team noted that they continue to see some structural lag in Kansas. It plans to invest prudently in the distribution side as a result. As with the call, the expectation around 6% rate, base growth, and potential upside was reiterated, as was management's confidence in FFO metrics through 2026. Finally, we note that the team expects to issue the Missouri storm securitization in the first half of the new year as a key date passed in the legal process for OPC to make a final appeal.

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EXELON (EXC)

We hosted EXC President and CEO Calvin Butler, EVP and CFO Jeanne Jones, ComEd CEO Gil Quiniones, BGE President and CEO Carim Khouzami, EVP of Utility Operations David Velazquez, and other members of the team for a conversation on the Illinois MYP, BGE, transmission upside, and overall financing thoughts. In total, EXC remains focused on execution and consistency as the team continues to work towards a premium valuation, with incremental transmission and IL/MD regulatory finality providing attractive adjuncts to the forthcoming 4Q plan updates.

- **Illinois is in focus coming off ALJ PO, with management laying out a helpful series of data points for consideration heading into the balance of the process.** The team reiterated its displeasure with the ROE and pension asset treatments in the PO, with its recently filed brief on exception providing the company's response ahead of 11/20 reply briefs and oral arguments thereafter. In running through the brief itself, management noted that it proposed two options for correcting issues with the ALJ's ROE: 1) the ALJ appeared to have cobbled together parts of testimony to get the 9.28% number — the company offered counterpoints (a look at others) that a 9.91% is supported by record; and 2) if the ICC wanted to keep the ALJ method, then the data need to be fixed (e.g., beta), pointing towards 9.59%. Alongside the ROE concerns was the return on the pension asset, with the team reiterating prior reviews around shareholder contributions and a prior track record of getting allowed a debt return. The company continues to ask for WACC, while also noting in our meeting that even the AG agreed on a debt-like return. A final order is due on or about 12/14, with the potential for very minor slippage (1-2 days) if there are drafting delays. We asked about the prospects for a rehearing request in the event the ALJ order held as is, with the team generally declining to speak to a specific path. That said, they did note that, in their view, the use of the formula rate would be a violation of the language in the law underpinning the MYP process. Finally, we note that the company continues to work with stakeholders on potential mitigation and/or planning around the end of the CMCs in 2027, which could lead to a high-single-digit bill increase on current curves.
- **Incremental transmission remains a 2023 success story as management speaks to additional longer-dated opportunities.** Our meeting featured a lengthy recap of recent transmission wins in PJM, including 1) the Brandon Shores mitigation work, $810M, and 2) the DOM zone open window, $850M. FERC approved the former last week, with the latter slated for PJM board approval in December. The projects are both weighted towards the back of the decade, with the first in service by 2028 and the latter in service by 2030. Per management, 40-50% of the spend for many of the projects falls in the 2 years before in-service, with a ramping of the balance in the years ahead of that, meaning some will come in the 4Q roll early next year. Beyond these NT wins and the opportunities we have highlighted elsewhere, the team also provided some interesting data points on the BGE and COMED zones. Specifically, BGE may see significant future transmission investment as the zone experiences significant capacity losses to retirements (e.g.,

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Brandon Shores, Wagner) *before* the retirement of the resources the system was bumping up against, importing ~60% of peak load in certain events. Meanwhile, in ComEd, management highlighted that it is seeing significant data center and high-load industrial growth, with ~5.6GW of data center in advanced planning (having made deposits for engineering work) and another ~8GW of potential demand from a combination of additional data centers, EV plants, battery factories, and other intensive customers. Spend associated with supporting some of that (e.g., the 5.6GW) may be positioned for potential inclusion in the next capex roll on the 4Q call.

- **Looking ahead to the 4Q update, management outlined the components of its normal-course roll (this time to 2027)** in our meeting, with go-forward capital still funded in a similar manner to today — we expect there may be some modest amounts of new equity associated with the roll to the new year, a normal course funding process, in our view. Per our conversation, the *current* $425m remains targeted for ’23-25, with management speaking favorably of the programmatic nature of ATMs as an avenue. The team also largely reiterated the core components of the credit pathway, which remains anchored to not getting the repairs deduction. To that end, the company continues to work the process, with the team reminding investors in our meeting that interrelated depreciation items were in the original bill. As with the 3Q call, the team reiterated that they would do the $425M regardless of whether they got a deduction. Finally, we note that PECO plans to go back in for a case next year as part of its normal cadence.

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FIRSTENERGY CORP (FE)

We met with Brian Tierney, President and CEO, Jon Taylor, SVP, CFO, Irene Prezelj, VP, IR & Communications, and other members of mgmt. as we discussed FE's ongoing search for new OpCo leadership, what's next for the balance sheet and credit metrics, and thoughts ahead of 4Q23's capital plan roll forward and introduction of 2024 guidance.

As reminder, we will be hosting FE's CFO for lunch on December 6th in our NYC office. Please contact your Guggenheim sales representative for more details.

- **How is the dialogue in Ohio?:** Mgmt. said they took a 'straightforward approach' when the opportunity arose to speak with PUCO on the topic of HB6. The messaging apparently acknowledged that while it was PUCO and FE at the heart of HB6, **it wasn't the current mgmt. team, nor was it the current PUCO commissioners**. Both sides have inherited a legacy issue they had no involvement in creating, **however, FE is not looking to skirt responsibility**, with mgmt. telling the commission that FE will take responsibility the way it did in the Deferred Prosecution Agreement (DPA), and that it will be transparent as it works to solve the outstanding issues in the (currently temporarily stayed) investigation dockets which PUCO still has open at this time. With that groundwork established, mgmt. looked to refocus the conversation on **ESP V, the upcoming May 2024 Ohio rate case**, and other highly pertinent regulatory proceedings which each warrant both the company's and the commission's attention in order to achieve an outcome which is best for ratepayers and for economic development in the region. Separately, while the company has no additional insights into potential timing, mgmt. spoke to its ongoing interactions with **Ohio AG Dave Yost.** FE is approaching those interactions from a perspective of positive engagement and aiming to reach a settlement (**without another DPA**), which finally puts the HB6 issue to bed once and for all.

- **Credit Metrics and the Balance Sheet:** We continue to see a viable path for FE to reach its FFO/debt target of 14%-15% next year, particularly due to the second FET stake sale to Brookfield, which is expected to result in FE receiving ~$3.5bn of capital over the course of 2024. Specifically, FE intends to equitize its operating companies while investing in regulated operations going forward, but focusing in on **paying down high-cost revolver borrowings**, **reducing HoldCo debt**, **retiring certain utility debt**, and/or **deferring other utility debt issuances** which would have resulted in **additional regulatory lag** until their respective OpCo's next rate case. In our view, it's worth noting FE's **light debt maturity schedule** through 2025, as well as the company's disclosure of **interest rate sensitivities**, with a **100bps increase in interest rates** expected to result in only a **$-0.01/sh** drag on **2024E EPS**, and **$-0.02/sh** for **2025E**. The influx of **FET proceeds**, **minimal refinancing needs**, and expected **total debt issuances of ~$2.1bn** (excluding $1.3bn of non-earnings impactful, formula-rate covered issuances at the standalone transmission companies), when viewed in aggregate with the company's **ongoing pace of rate increases** resulting from its **active regulatory schedule**, do not leave us worried about FE's ability to hit its FFO/debt target. The company also recently

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stated on its Q3 earnings call that it has run its plans by the **ratings agencies** as well. Moody's is waiting on the FET deal to close, and assuming that the deal closes as planned, **mgmt. sees a reasonable likelihood of being upgraded by both Moody's and S&P in Q2 2024.** Furthermore, S&P has indicated to the company that once FE is through the probationary period stipulated in its DPA with the DOJ (i.e., **July 2024**), then there is once again a decent likelihood of **an additional upgrade as well**. This would take FE **from a BB+ to a BBB rating**, while all of **the utilities would go from BBB to A-.**

- **Looking ahead to the 4Q23 roll forward:** We remain focused on FE's longer-term growth prospects and the 4Q23 roll forward of the capital plan, while reminding investors of mgmt.'s statement on the Q3 call: "***There's going to be no change in the long-term EPS CAGR.***" We remain confident in FE's longer-term guidance of **6%-8% annual EPS growth** and expect its new capital plan to be supportive of this level of growth as well. Mgmt. indicated that the plan will reflect the **ongoing pickup in longer-term industrial/datacenter demand** which FE (and other utilities across the country) are seeing, and will **only include projects which the company either already has approvals for, or a clear line of sight on**. The forecast period's time horizon (e.g., 5 years, etc.) remains unclear for the time being, however, as mgmt. stated they are in the middle of the forecasting process at the moment and have not yet decided on the time period for the new capital plan.
- **Tailwinds abound in 2024:** A significant uptick in revenue is expected next year, primarily at the distribution companies, but also as a result of FE's normal transmission capex. This uptick includes a reversal of the ~$-0.18/share drag from YTD weather vs. normal, expected new rates from the utilities' 2023 rate cases, as well as distribution rider program contributions of ~$0.10–$0.12/share in aggregate, and spanning across all five of FE's states. Finally, transmission capex has gone up in both 2023 and 2024, which should be expected to drive incremental earnings growth at that segment as well. Partially offsetting that growth will be a slight increase in O&M due to some timing issues; recall that FE accelerated some work out of 2023 and the very end of 2022, and will have to restore that work in 2024. **Signal Peak is expected by mgmt. to contribute ~$0.25/share in 2023, followed by ~$0.12-$0.13 in 2024 (half of 2023's contribution), and then a "de minimis" amount in 2025 and beyond.**

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ALLIANT ENERGY (LNT)

We hosted Alliant's outgoing CEO John Larsen, incoming CEO and current COO Lisa Barton, CFO Robert Durian, and other members of the team for a detailed meeting on the company's capex roll and other regulatory items – including the PSCW's action late last week in the WPL case, and the fresh case filing in Iowa. Outside of these two key regulatory updates, our conversation also focused heavily on the ongoing repowering pathways and management transition. In our view, LNT's 5-7% EPS growth, 8% rate base growth, and degree of conservatism therein continues to screen attractively against the current backdrop.

- **WPL case resolution late last week sets the stage for more finality on the equity need and go-forward planning.** A significant portion of our meeting was devoted to the verbal order late last week from the PSCW in WPL's ongoing rate cases, resulting in a 9.8% ROE, 54% equity layer, and several other ancillary considerations. Starting first at a high level, management noted that the outcome to them reflected an ongoing emphasis on gradualism from the PSC, with a focus on customer rates in part informing and supporting the bifurcated increase (larger in year 2). Our impression from the conversation was that, like many other jurisdictions, the PSCW remains sensitive to customer pressure in an inflationary backdrop. On the ROE and layer, management noted that they had expected some puts and takes regarding the final outcome, with their expectations generally weighted towards an ROE decrement towards ~9.7% and layer improvement vs. the actual 9.8% and flat layer. Management indicated that the overall focus with regards to cases and capital remains customer rates at or below the rate of inflation, which by and large was achieved through the most recent cases. In terms of ancillary considerations, the deferral of solar project costs above target was our second area of focus – WPL plans to defer amounts above the current cost target, with management pointing to a current trajectory to potentially 10-12% elevated. A deferral filing could come before year-end – it is not dependent on the final order in the current case. The company could also go for a reopener in 2025, potentially alongside the next GRC filing (in '25 for '26/'27). The balance of the order outcomes (Edgewater 5, ESM) were decidedly less central to our conversation.
- **Tax credit transferability and WPL outcome continue to inform financing plan.** With finality on the potential shift in WPL's equity layer, management noted that it no longer planned to issue the prior up to ~$200M of equity alongside the ~$25M DRIP. The lowered equity need is also supported by transferability, with the team noting that demand has seemingly outstripped supply. The company is seeing favorable discount rates, with 2023 credits close to finalization. Our impression from the conversation is that the discounts are tracking slightly better than some investor expectations, with pricing well north of 90%.
- **What about the change in CEOs?** Management struck a very consistent tone across our meeting, with outgoing CEO Larsen reiterating that this is a measured transition, not dissimilar to what investors have seen at other companies. To that end, he plans to still be very visible, leveraging his longstanding investor and stakeholder

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relationships to support the company. There is no timeline at this point for further actions.

- **Wind repowerings a key area of ongoing focus.** The recently announced ~500MW tranche of repowerings was the second key point of focus in our conversation, with management walking through both the individual mechanics and the quantum of the longer-term opportunity. To that end, the latest wave of repowerings is essentially the second round for customers to recognize tax credit benefits, with the initial tranche of sites tied to the 2008-2012 class of projects. The team noted that the choice between partial or full repowering is more site-specific, with some potential for uprates or efficiency improvements depending on the scale of the work. Our impression from the conversation was that even the partial repowerings would meet the IRS 80/20 rule for PTC qualification. The projects also present CF uplift from accelerated depreciation which, when put together with the PTC and potential CF improvements, presents an attractive option for customers. In terms of the longer-term opportunity, the same repowering-CF cycle will also exist in larger form later in the decade for the 2018-2019 class of projects as they hit 10 years of age.
- **Fresh case for IPL comes with several procedural data points and considerations.** With the IPL case still in early innings (still no schedule), the commentary was generally procedural and high level in our meeting. Management says they expect to have the process resolved by next summer (~10-month process), with the window for settlements potentially falling towards the 2Q24 period. In their view, while this is a newer IUB, the impression has been that they prefer to go faster.

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NEXTERA ENERGY / NEXTERA ENERGY PARTNERS (NEE/NEP)

We met with NEE CEO John Ketchum and FPL CEO Armando Pimentel as well as other NEE/NEP senior mgmt. NEE continued strong messaging from the 3Q call with further detail on financing trajectory and NEER fundamentals. We also touched on NEP strategy to get sustainable dividend growth, and FPL's work to move past rate case remand and political contribution headwinds. The meeting continued building confidence in mgmt. taking active control of the messaging and disclosures, outlining fundamentals and reinforcing strategy for both NEE/NEP. Between the strong fundamentals at NEE and constructive messaging from the entire mgmt. team, we believe NEE/NEP was one of the better meetings for day 3 of EEI.

- **Constructive messaging from 3Q earnings call continues for NEE, while NEP strategy becomes more defined; we continue to get confidence in mgmt. ability to right the ship.** Mgmt. provided an overview of the improved disclosures from 3Q and clearly articulated value drivers and strategic direction. Mgmt. also highlighted a proactive review of FPL headwinds, with **FPL CEO having spoken with 4 of 5 FPSC commissioners on concerns and priorities where the feedback has been that FPL is clear of issues around ratepayer funds misuse** and the commission being focused on affordable and reliable service. The FPSC plans to address the FPL rate case remand in the 1Q24 timeframe as the commission has given direction to re-write the settlement approval order and could use the supreme court opinion on the DUK remand as a base to remove litigation risks (mgmt. would anticipate a 12-month process after resubmission, so 1Q25 resolution). **Overall, FPSC datapoints in active proceedings have been constructive for FPL.**

- **NEP not out of the woods yet, but strategic direction well defined as mgmt. highlights incremental options to grow and keep the financing vehicle functional.** Mgmt. reiterated the core actions that were taken to shore up the 6% distribution growth and remove financing headwinds for NEP. The STX sale, net of CEPF buyouts and project debt gives NEP ~$750M of cushion for revolver paydown and offset refinancing in 2024. Mgmt. acknowledged the potential uptick of interest costs on the debt due in 2024 but noted that the team is actively looking at options to get a better deal (as well as having a level of drag expectations in the current plan). **The balance sheet capacity at NEP can be used for 2025-2026 growth at NEP in support of the DPS trajectory** (i.e., there are accretive drop downs / deals to be had) and **mgmt. highlighted repowering as a very accretive business case** (legacy repowering was done as low as 6x EBITDA). While the current trajectory does require NEP stock to work by 2026, mgmt. is not sleeping on alternatives; **NEP confirmed that there have been inbounds from existing CEPF partners (i.e., private equity) for financing needs**, demonstrating strong demand for the assets. **Another alternative mgmt. covered was doing CEPF inside NEP, or effectively getting an external capital pool under longer-term conditions** instead of straight NEP equity (like a 15-year fund with a preset return).

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- **Fundamentals at NEE maintain a constructive outlook. FPL is going strong in terms of growth, with real zero vision requiring a steep increase in solar deployment, aligned with the new site plans.** NEER growth likewise remains solid in 2023 with record levels of origination, which would have been higher if not for a conservative pullback of NYSERDA projects. **Mgmt. highlighted that the projects will be re-bid and doesn't see a disadvantaged position for NEER, especially as the projects are effectively shovel ready in a tough development region.** The project economics remain very competitive for NEER, with **mgmt. calling out mid-teens renewables returns and as high as 20% for storage and wind.** Mgmt. reiterated comfort with the interest rate hedging program and headwinds from rate volatility (noting that the 3-5c sensitivity from 3Q was based on 50bp and a 5% base rate). NEE and NEER will have the ability to have a variety of structures on tax monetization with both tax equity and transferability as options. **NEE called out the sophistication of NEE accounting groups as a competitive advantage for monetizing credits** with a range of parties at minimal discounts (ranging from energy, to tech, to retail third parties). **NEE does not see any technology issues from either solar or wind supply chains** and continues having conversations with diverse suppliers making sure that NEER remains an anchor customer.

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NISOURCE INC. (NI)

We met with Lloyd Yates, CEO; Shawn Anderson, CFO; William (Bill) Jefferson, EVP, Operations and Chief Safety Officer; Michael Luhrs, EVP of Strategy and Risk and Chief Commercial Officer; Randy Hulen, VP, IR & Treasurer; Chris Turnure, Director, IR; and Michael Weisenburger, Lead Financial Analyst, IR, to discuss the company's recent guidance roll, thoughts around credit metrics, and the equity unit remarketing and its implications.

As a reminder, we were recently on the road with NI's C-Suite. For more, please see our note "*NI NDR: A Hidden Gem with Catalysts & Clearing Events Ahead*" (HERE).

- **Remarketing update … Could the results change NI's guidance? Still no.** We do not see a potential scenario where the remarketing either happening or not happening impacts NI's ability to hit its earnings guidance. While we do estimate that leaning on short-term borrowings instead of receiving $862.5m of equity proceeds from the remarketing could put **~90bps** of pressure (~10bps for every $100m of debt) on the company's FFO-to-debt metric in the near term, NI would still remain **within its targeted 14%–16% range** as planned, just towards the lower end vs. mgmt.'s prior guidance before the Q3 earnings call of being towards the high end of the range once the NIPSCO deal concluded. **With or without the remarketing, we see NI as being well above its 13% downgrade threshold once the NIPSCO minority stake sale closes;** however, we do see the potential for 2024 equity needs following further discussion with mgmt., compared with our Q3 note. As we previously highlighted in our NDR note (link above), while **the simple math regarding the remarketing not occurring would point to ~$0.06 of accretion in 2024 by replacing the issuance of ~35m shares with an after-tax short-term interest drag on $862.5m**, we remind investors that the company could also opt to be less aggressive in its cost mitigation measures, reducing this accretion potentially to zero. NI's newly rolled forward **base** guidance assumes the full $862.5m remarketing takes place this month, followed by no equity in 2024, and then **$200m-$300m of annual maintenance equity in 2025-2028 via the company's ATM program**. In the case of no remarketing, mgmt. **has highlighted that** that the company has a lot of flexibility in terms of the timing of raising replacement equity, meaning that it would not have to be either upfront or ratable, but, nonetheless, we continue to expect that in that scenario, the **ATM program in 2025 and beyond** (plus incremental 2024 financing) would likely be expanded in order to accommodate "substitute equity" in place of the $862.5m that would have been raised in 4Q23.
- NI recently released a rolled-forward 2024-2028 capital and financing plan that supports unchanged 8%-10% rate base growth and 6%-8% LT EPS growth (based on year-end results), **with no rebasing. NI increased capex by $1bn (now $16bn over the period), driving continued 8%-10% rate base growth, as well as 6%-8% NOEPS growth after factoring in its financing plans (which were also rolled forward to 2028).** Furthermore, the company highlighted $2bn of potential capex that would be incremental to the $16bn base capital plan,

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including **$400m from replacing tax equity with utility ownership** for NIPSCO's last two renewable projects (the base plan already includes this replacement of tax equity for two of the four remaining projects). This is part of the **$2bn of incremental CapEx** beyond the base plan of 8%-10% rate base growth — with more details to come on the 4Q23 call.

- **NI recently** reiterated its 2023E NOEPS guidance of being in the upper half of its $1.54-$1.60 range vs. Guggenheim/consensus estimates at $1.57/$1.58 and introduced 2024E NOEPS guidance of $1.68-$1.72 ($1.70 midpoint) vs. Guggenheim/consensus estimates at $1.68/$1.68. Mgmt. has highlighted the ongoing successes of Project Apollo in terms of cost management to date, and reaffirmed its commitment to flat O&M going forward. **We remain confident that a combination of O&M and certain capital levers should continue to allow NI to mitigate near-term macroeconomic headwinds as we head into 2024** and, along with the YE23 receipt of the proceeds from its NIPSCO transaction (FERC approval was received in October), we expect NI to comfortably stay within its reiterated (and also extended) 14%-16% annual FFO-to-debt guidance through 2028.

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NORTHWESTERN ENERGY (NWE)

We met with Brian Bird, President & CEO, Crystal Lail, VP & CFO, and Travis Meyer, IR Officer and Director of Corporate Finance, to discuss the company's rolled forward 5yr capex plan, its recently raised EPS CAGR, and newly issued annual guidance through 2024, among other topics.

- **What's new?... NWE rolled forward its capital plan at EEI**, now guiding to $2.5bn for 2024-2028, vs $2.4bn for 2023-2027, previously. Despite overall capex being largely unchanged, we do note that shifts occurred between the various buckets. In particular, we highlight the 6% increase in transmission investment (with transmission referring to both electric and gas, mgmt. clarified), as well as a pickup at Generation & Supply. This comes on the heels of NWE's 3Q23 call, where the company provided both 2023 and 2024 guidance, and **raised its LT EPS CAGR to 4%-6%** (vs. 3%-6% previously), a figure which is much more aligned with peer norms.
- **Elaborating on picking the 2022 base:** NWE's 4%-6% EPS growth through 2027 is being guided to as a **CAGR off of 2022's actual result of $3.18**. Several investors we've spoken with had **questioned the choice of 2022** as a base year given that it only contains a few months of interim rates. After putting this question to mgmt., they indicated a desire to remain consistent with past practices, along with other reasons centered on avoiding an overreliance on projected figures, as would be the case if both near-term annual guidance and the base for EPS growth guidance were derived from the same set of forecasted (vs. actual) data.

NWE's recently issued EPS guidance vs. Guggenheim and consensus estimates

	2022A	2023E	2024E	2025E	2026E	2027E	CAGR '22–'27
6% CAGR off 2022 →	$3.18	$3.37	$3.57	$3.79	$4.01	$4.26	**6.0%**
Midpoint of 4%-6% →	$3.18	$3.34	$3.51	$3.69	$3.87	$4.07	**5.1%**
4% CAGR off 2022 →	$3.18	$3.31	$3.44	$3.58	$3.72	$3.87	**4.0%**
Guggenheim forecasts →	$3.18	$3.05	$3.52	$3.73	$3.92	$4.11	**5.3%**
Consensus →	$3.18	$3.24	$3.55	$3.71	$3.87	$3.96	**4.5%**

Source: Company reports, Bloomberg, and Guggenheim Securities, LLC estimates.

- Finally, while we are not taking a view beyond the company's 5yr forecast period, we note that this **4%-6% EPS CAGR is specifically being guided to through 2027** rather than presented as applicable over the LT in general. For example, mgmt. expects **some of the earnings growth during the period** to come from reducing the current level of regulatory lag as the utilities strive to earn their authorized returns. This is significant as rate base growth is also currently being guided to growing at 4%-6%, and EPS growth should naturally trail rate base growth given the need for equity/debt financing.

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OGE ENERGY (OGE)

We met with OGE CEO Sean Trauschke, CFO Bryan Buckler, and other members of management. OGE messaging remains constructive on the economic development and load growth in Oklahoma, with management focused on the 4Q financial plan update tentatively moving up capex run rates with the inclusion of awarded projects and programs. Mgmt. noted that the full plan is still being analyzed but noted that the assumptions of 17-18% FFO/Debt metrics would allow for incremental capex without equity (i.e., no equity repairs needed on current plans). The load growth and regulatory backdrop continues to point to a strong 2024 and we continue to see incremental opportunities to deliver well within the 5-7% EPS growth guidance range at the OpCo and for the company to initiate a consolidated 5-7% growth rate on the 4Q call.

- **We met with OGE CEO Sean Trauschke and CFO Bryan Buckler and continue to see upside to the OK load growth and generation spending ramp-up story.** The core message from management in our EEI meeting was a continuation of 3Q disclosures with anticipated capex increases, regulatory ramp up in OK and strong fundamentals going into 2024. The current capex plan has some level of allocation of generation spending and incremental spending could be smoothed out with shifting other capex categories to provide a consistent trajectory for spending, financing and customer rate increases.
- **Mgmt. sees a constructive roll forward of 2024 and 5 year plan on 4Q, helped by generation capex and strong load growth.** OGE is still on track for an OK rate review in late 2023, as well as continuing formula rate filings in AR/OK. OGE financing needs remain manageable even with a slight headwind from rising rates vs. the 2023 original guidance as the incremental growth offsets the drag (although the full financial update is still pending the 4Q23 update). Mgmt. reinforced commitment to a strong balance sheet position currently trending in the 17-18% FFO/Debt range, with a zero equity financial plan currently. From a financing standpoint, 100bp of FFO to debt would equate to roughly $500M of holdco debt capacity. Assuming the capacity is used to backfill equity needs in support of higher capex, the debt capacity would be enough to fully fund $1B capex increase assuming ~50% equity ratio at the OpCo. Future equity needs will be determined by the magnitude of potential capex increases and commitment to the above-average FFO/Debt for the sector.
- **On the political and administrative end of the spectrum, management sees status quo or improved outlooks.** The OCC commissioners saw some minor turnover with commissioner terms running out in the next few years, but OGE noted that the commission appreciates the need for constructive and timely outcomes on regulatory matters and OGE works well with their stakeholders. PBR has been a point of discussion, but so far remains in an educational phase (mgmt. does eventually see implementation of some level of PBR in the future, but it is not currently a material driver of plans).

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PG&E CORP. (PCG)

We met with PG&E CEO Patti Poppe along with other members of senior mgmt. Key aspects of our meetings focused on the General Rate Case and the need for continued investment (incl. undergrounding), cost of capital and the regulatory outlook in CA. Mgmt. is still waiting on a GRC outcome to issue a business update and determine a dividend policy (GRC PD are on the agenda this week for the CPUC, with a revised APD with 50% escalation). Overall, mgmt. believes there is consistent advocacy for improved service, risk management and stable regulatory constructs in CA as PCG works to restore stakeholder confidence and get to a consistent trajectory on execution (i.e., stable earnings growth, a strong balance sheet and improving customer experience).

- **We met with PG&E CEO Patti Poppe along with other members of senior mgmt., and we believe our key topics of discussion shifted to more qualitative assessments of regulatory proceedings, outcomes and relationships and, to a degree, expectations around financial de-risking.**
- **All eyes are on the GRC for datapoints on the CA regulatory environment; PG&E has advocated for increased alignment of spending to customer needs.** Mgmt. sees the GRC PD/APD revisions as constructive signs that the commission recognizes the need for healthy utilities and the need to provide consistent regulatory recovery. After our meeting the CPUC posted a revised APD which adopts 50% of the inflationary escalation factor (vs. 25% prior) and removed the optionality to file advice letters based on a CPI index. PCG says it believes the CPUC's views on the cash flow impacts of regulatory actions are shifting to be more aligned with PG&E needs and that the improvements would go beyond the GRC proceeding but also to SB410 implementation, WMCE recovery, cost of capital, etc. While the 3Q call was critical of the PD/APD, and mgmt. still believes there could be a better outcome, mgmt. stressed that there are layers of financial protection that enabled a reiterated EPS growth projection. PCG committed to a post-decision business update that would take a week or two as the company would need to analyze the full impacts of the final decision. PCG reiterated the dividend eligibility, but opted to wait for the GRC impacts to be finalized before making capital allocation decisions. The PacGen approval process is in the final innings of regulatory approval, after which there would be formal marketing, with mgmt. noting robust interest in the equity stake from investors.
- **Cost of capital, undergrounding and other regulatory proceedings remain a work in progress.** The CCM trigger and advice letter process is progressing as mgmt. expected. The protests and replies have been filed, and PCG says it sees a strong case for the CCM but, procedurally, CPUC staff needed the 120-day suspension to make their determination. Mgmt. also anticipates the commission to be well informed on credit metric impacts and the needs for PG&E to get to investment grade. PCG says it doesn't see a need for settlement, as the CCM issues are well defined and present a strong case in favor of adjustment, but mgmt. does not plan to have earnings accretion from a constructive outcome, but rather reinvest incremental earnings into system needs (no change from prior disclosures).

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- **In terms of undergrounding, 2023 marks strong accomplishments and preparation for 2024 regardless of the GRC outcome; despite effective risk mitigation in 2023, undergrounding is still necessary for risk reduction and reliability improvement in a cost-effective manner.** Mgmt. reiterated the goal of 10,000 miles of undergrounding, which represents 8% of PG&E's system. The majority of the miles being currently targeted have defined cost benefit from lower vegetation management costs. 2023 miles completed are on target, with costs tracking at ~$3,000/mile, and PG&E maintains a 2026 goal of $2,500/mile. Half of the 2024 targeted miles are going to be engineered for deployment by year end, and PG&E is working to get buy-in from the CPUC on the ability to get O&M savings and improve reliability. Mgmt. noted that there were still too many outages for customers, and the undergrounding solution is still the way to get the most benefit for customers.

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PINNACLE WEST CAPITAL CORPORATION (PNW)

We met with Jeff Guldner, CEO, Andrew Cooper, CFO, Ted Geisler, President of Arizona Public Service, and Amanda Ho, Director of IR, to discuss expectations and post-decision plans relating to APS' ongoing rate case, how to think about the company's well-advertised equity needs, and the changing regulatory dynamic in Arizona, among other topics.

- **Current APS rate case update:** PNW remains limited in the level of future growth guidance and disclosures it can provide until the conclusion of its current rate case. In our meeting, mgmt. reiterated their expectations around timing, such that they continue to expect a final decision by early 2024 (and potentially ahead of the 4Q23 call), with an ALJ ROO expected sometime around YE23/early 2024, followed fairly closely thereafter by an ACC Open Meeting and corresponding final vote. **Reply briefs are due on November 21** (following initial briefs, which were filed on November 6), and mgmt. expressed optimism that staff could come around to APS' way of thinking about the advantages of the **System Reliability Benefit (SRB)** the utility is proposing, even if only as a temporary solution, while other lag-reducing mechanisms or reforms are being studied and workshopped with stakeholders. In our view, taking this approach could also help PNW find common ground with AZ's two newest elected members, Commissioner Nick Myers and Commissioner Kevin Thompson, who are also seeking to reduce regulatory lag, but during previous conversations expressed a preference for forward-looking test years vs. the SRB. For more, please see **our note, "*Arizona Regulation: Drawing a Line in the Sand? Not with this Commission — Continuing Our Deep Dive in the Desert with Commissioner Myers and Commissioner Thompson*" (HERE).**
- **When could the next APS rate case be filed?** Following the conclusion of APS' current **ROE-focused rate case**, we would expect the company to want to allow at least six months of new rates being in effect before filing for another increase in order to spread out the bill pressure and prevent rate shock. We would also expect the utility (and potentially the commissioners as well) to welcome an opportunity to be able to speak to one another about longer-term energy goals for the state and ways of approaching or resolving issues AZ's energy infrastructure currently faces or is soon likely to face. These types of discussions are, of course, not possible during a rate case due to ex parte rules.
- **How to think about post-rate case equity.** As a reminder, while mgmt. did allow the equity layer at APS to significantly decline in this case vs. prior norms, we acknowledge the logic behind prioritizing fixing the ROE first, and then refocusing on bringing the equity layer back to a healthy level once that has been accomplished. Our takeaway from the meeting with mgmt. was that they shared this view, with recapitalizing APS, along with funding capex, being key drivers for the company's equity needs going forward. Mgmt. acknowledged that the $400m-$500m 2024 (i.e., post-APS rate case) equity range in the slides (pg. 26 of the current EEI deck, HERE) has been out there for quite a while and didn't rule out the potential need to revisit or even possibly revise it. We came away with the impression that equity-forward is mgmt.'s preferred approach to meeting at least the initial equity need, which would, of course, enable

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minimizing dilution while also drawing down cash specifically when needed (e.g., for large capex funding needs and/or ahead of the next test year end date for APS before it files another rate case). That said, an ATM is not off the table or, in our view, could be used to either supplement the equity forward, or for ongoing equity needs after the initial sizable equity need has been met.

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PORTLAND GENERAL ELECTRIC (POR)

We had a highly constructive meeting with Maria Pope, POR's President and CEO, and members of the IR team, with our latest conversations refining the details of last month's 3Q update, the key takeaways from the recent GRC finalization, select considerations for the 4Q call, growth and financing data points, and thoughts on the wildfire backdrop. We continue to see POR as one of the more attractive SMID names on the back of its strong underlying load growth, rider-eligible RFP opportunities, and associated focus on ROE lag reduction.

- **With the 2024 GRC case finalized, management looks towards a constructive new year and power volatility insulation.** A substantial portion of our meeting was spent recapping the recently finalized GRC, with management reviewing the key drivers, including O&M, capital, and power costs. To that end, the company framed the case as setting up 2024 well (in line with the guided 5-7% off 22A), alongside some de-risking on the wildfire spending side via the AAC. The PCAM reforms were a particular point of focus, with the team going through the mechanics of the triggers (see the new slides for helpful detail), with 2 of the 3 criteria visible to investors: 1) Mid-C pricing, and 2) RTO events. The remaining piece, resource adequacy assistance requests, will not be visible, as the company sees those as confidential. Under the mechanism, 80% of RCE costs are deferred and recovered outside of the PCAM, with the remaining 20% then flowing through to the normal sharing test (90/10 sharing outside of the deadband). **The company has also provided some backcast data for reference on 2020-2022; however, this came with a caveat that there are many ongoing differences that make that number less than equivalent going forward** (different grid conditions, hedging, etc.)

- **Next case timing remains fluid, but the batteries could tip the scales towards a 2026 GRC (filed next year).** While management was not in a position to discuss timing details, having only just coming off the most recent case, it was acknowledged in our meeting that the exclusion of the battery projects from the RAC could be a driver of the next case's timing. The smaller project, Constable (formerly Evergreen) comes online next year (~$150M), while the larger, Seaside, is in 2025. **As a reminder, the RCE mechanism also includes a sunset clause, with the next case likely to feature either a renewal or potential modification.**

- **Looking ahead to 4Q, we continue to expect more capex details, alongside incremental additions to the current plan.** Largely affirming some of our prior conversations, management indicated that run rate ~$800M base capex could see additional refinements around the types of disclosures, alongside new projects for both transmission and base distribution spend. We did not get the impression that the team would include a placeholder or illustrative assumption around RFP wins, something that some investors have asked about, given the optics of the company making early assumptions around what it could win. **Within the context of 2024 and ongoing planning, there were also several investor questions around equity and the balance sheet,** with the team acknowledging that issuing equity at such levels is less than desirable (e.g., the existing ATM). To that end, investors pressed on minimizing issuance in '24; however, management largely

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deferred on specifics. The company is also targeting significant transfers of tax credits in the near future (~$30M in '23, ~$100M next year).

- **What about wildfires?** The issue of wildfires remained a point of investor interest in our meeting, with the team speaking at length to the longstanding efforts at the company to proactively prepare and continually improve the planning process. As we have noted previously, POR has been a frontrunner in the PNW for fire planning, with almost a decade of ongoing work to establish a regulatory framework around its annual WMPs and the recent adjustment clause (the AAC) for ongoing spend. To that end, the company included an updated slide discussing some of the finer details of the work underway and risk mapping as it stands today (9% of its territory is high risk, serving ~2% of customers), supporting what we see as the company's differentiated risk profile within the region. **While we and others asked about federal efforts around a wildfire backstop, the data points were generally cursory – efforts remain ongoing at both the state and federal levels.**

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PPL (PPL)

We hosted PPL's President and CEO Vince Sorgi, PPL Electric Utilities President Christine M. Martin, and other members of the team for a detailed discussion on the KY CPCN outcome, the prospects for future case filings in KY and PA, and the shape and profile of the capex and O&M programs. Our conversation focused in particular on the case backdrop, with potential filings on the horizon in KY and PA in '25. We continue to see PPL's straightforward balance sheet and consistent execution as differentiated and attractive against a nosier comp set.

- **CPCN final order a constructive outcome with minimal capex backfilling - focus now turns to execution and rate case cycling.** Management took Time to acknowledge that the outcome in Kentucky was generally constructive in their view, with the ability to navigate the process against the backdrop of SB4 a positive. The level of investment under the final order is generally consistent with the initial plan, with the deferral of one of the gas plants presenting additional runway beyond the plan as it stands (a possibility helped by the recent election outcome, in management's view). Per our conversation, the divot from that deferral is minimal in light of higher capital costs on the first gas plan alongside ongoing need for environmental spend and maintenance capital for the remaining Coal assets. Condition, management noted that there is significant ongoing transmission need in Kentucky, but they have not been doing as much recently given the focus on the generation transition. Per our conversation, the team indicated that investors should be on the lookout for potential additional transmission in the next update, given the scale of the need.
- As the preservation of Brown and Ghent also introduces some go forward O&M and capital requirements, **management noted that it is now considering more seriously the possibility of going back in for a rate case in Kentucky after the current stayout ends** (no new rates 7/1/25). This comes alongside potential transmission investment and ongoing interest drag. Importantly, the timing of this has not been set, with management indicating in our meeting more thoughts could come with the next call. The team was of the view that the KY PSC would not be surprised to see a new case given the decision in the CPCN regarding keeping the two coal plants. The team also framed the regulatory risk as somewhat lower given DUK just got a 9.75% ROE in a case, while KU/LGE's current is 9.425%.
- **Could a filing be coming in PA?** Stay tuned… The company's last filing was 2015. Per the company, there were two key riders that could drive a potential return to the commission - storm recovery and the DSIC (recovery on ~30% of capital investment between cases). There is a cap on the DSIC (5% of distribution revenue through DSIC), which the company is bumping up against now. There are several options to address: single issue waiver filing for DSIC to go higher towards 7%, or use a full GRC to zero out the DSIC (~$700M). The other piece is on storms, which have been more severe since 2016. Despite this, the company has lower reportable storms because of reliability increases. The rider only collects reportable storms - so the company is finding some things falling *outside* of the mechanism. The team indicated they

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may seek to adjust or modify the mechanism to account for that dynamic. Finally, the team noted that it also continues to evaluate the advanced ratemaking levers that are also available, including PBRs, decoupling and other items.

- **What about the O&M savings targets?** The team noted that they are likely tracking a little ahead of the entire program, although the storm offsets seen in 2023 are not necessarily long term/durable offsets within the context of the larger $175M program. The allocation between jurisdictions remains ~50% KY, 40% PA, 10% RI, with RI backend loaded and KY/PA occurring now.
- **On the RI capex front and ISR process -** The company continues to find more need in the state, including on transmission side (easier because it is through the formula rate). In the team's view, the capital plan is intact following this year's ISR; however, there may be smaller amounts through future ISRs based on feedback from the PUC. Overall, based on the teams comments, the capital likely will normalize alongside the case cadence post-stayout. **Will the next ISR be as noisy?** The company indicated that it has the experience of last year's to build upon, alongside the potential inclusion of IIJA projects to help offset some project costs - both of which may combine to make the process smoother YoY. As a reminder, the next case in RI can be no sooner than 12 months off the TSAs, which is targeted mid-2024, so a filing earliest in '25.
- **What about the OSW solicitation process?** The update on OSW solicitations in RI points to a potentially protracted process. The company declined the first RFP response earlier this year after receiving one bid, and subsequently moved in conjunction with the state to rebid it (due January). RIE also asked for more detail on the cost structure between turbines and transmission, with the potential for the utility to invest some amount in any transmission work. What if the price doesn't come down? In the team's view it would likely lead to a pause (e.g., 18months). The other alternative would be the tristate MOU for up to 6GW, maybe RIE could take a 400MW chunk.
- **What about the ongoing Talen lawsuit?** They continue to feel good about the defense - the fraudulence conveyance is a technical determination. PPL has hired third party firms to do the associated solvency analysis to make sure it was solvent at spin - the team feels good about defending that. That said the team also wouldn't take settlement off the table.

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PSEG INC. (PEG)

We met with PEG CEO Ralph LaRossa and CFO Dan Cregg, along with other members of mgmt. PEG meetings were focused on the continuation of 3Q23 disclosures (new cadence of planning updates running through December and January on capex and growth rate), anticipation of the general rate case filing in December and broader regulatory constructs. Overall, mgmt. says it does not see any material changes in plannning asusmptions from a year ago, with teams generally focused on execution. The quiet execution story is helped by modest capex upsides, stable regulatory jurisdiction and nuclear asset ownership. 2024 is set up to be a relatively derisked year as the GRC rates will likely be effective in 2025 (9- to 12-month process), albeit mgmt. needs the GRC outcome to reconcile capital investment recovery. Mgmt. is optimistic on future settlement discusisons as PSE&G has settled all rate cases in recent history.

- **PEG mgmt. projected a message of simple execution against a backdrop of a stable regulatory environment and modest capex upsides.** The PEG growth story remains anchored by capex plans with increasing visibility and low complexity. The company requested an energy efficiency extension and reached a decision on GSMP that provides runway for continued work aligned with state policy goals. While there are some modest upsides from capex programs and potential additions from the PJM load forecast and future solicitations, mgmt. noted that the guidance planning parameters are not materially changing from a year ago (i.e., interest rates playing out close to the assumptions of the prior reset and no significant headwinds to call out in 2024).

- **PEG's 3Q disclosures announced a new cadence of updates; mgmt. is aligning an internal planning process for more streamlined disclosures going forward.** PEG's new disclosure schedule will update the existing 2023-2027 capex plans in a December investor update (early), with 2024 guidance issued in the second half of December and the 2024-2028 capex, rate base and LT growth refresh to be disclosed in a January investor update. The new cadence of updates more closely reflects the planning process internally and will be a more timely disclosure process as mgmt. gets new datapoints. Given no material changes in planning parameters, we anticipate the roll forward to maintain LT growth rates and rate base CAGR.

- **PSE&G rate case will not be controversial, in mgmt.'s view; recompilation of invested capital, pension de-risking and O&M true up; mgmt. sees settlement as highly likely given constructive history.** PEG anticipates the rate case filing in December will be a 9- to 12-month approval process and noted that, given the relatively low complexity of the case and history of settlements in NJ, there is a high likelihood of a settled outcome. The rate case will reconcile capital investments (previously $0.30 EPS of underearning) and will seek a pension-smoothing mechanism (NJBPU has already been supportive of the interim measures approved last year). The O&M aspects of the case are fairly straightforward, as the majority of the variation comes from things like AMI, where the NJBPU already has a level of anticipated outcome. Mgmt. noted rate design could become a debate since different customers and demographics get a different level of cost benefit of investments (not an earnings impact, but a good rate design issue).

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Lastly, mgmt. does not anticipate any cost of capital changes and sees the EXC-ACE outcome of 9.6% as a reasonable proxy but, given the capital markets environment the request will likely be higher.

- **On the strategy side, mgmt. believes in a strong value of the nuclear assets; hydrogen is a LT business case and doesn't see any major shifts in regulatory strategy.** Mgmt. noted that while there have been inbounds on the ownership of the nuclear assets, the valuation gap has been too wide for any constructive talks. Mgmt. is getting closer to decision points on the 24-month refueling and uprates given the visibility provided by the PTC vs. the shorter-term ZEC process (ZECs expire in May 2025). PEG is waiting on hydrogen tax guidance, but noted that the NJ nukes location is good for potential business cases of hydrogen given proximity to existing industries and pipelines in the region as well as for economic development in the region. From a regulatory strategy side, PEG does not see any deviation in the current commission from prior agendas and noted that the NJBPU work has continued under the new chair without delays.

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SOUTHERN COMPANY (SO)

We met with Chris Womack, President and CEO, Dan Tucker, EVP & CFO, Scott Gammill, Vice President of Investor Relations and Treasurer, and Ashley Black, Investor Relations Manager to discuss the company's rolled forward February 2024 5yr plan, how it intends to finance the incremental growth capital, the 5%-7% growth rate, and Vogtle Unit 4.

For more on Georgia's regulatory climate, including our recent conversation with Georgia's new PSC Chairman, Jason Shaw, please see our note: "*SO: Fruitful Conversation With Georgia PSC Chair: "If It Isn't Broke, Don't Fix It*" (available HERE). For a deep dive on all things SO/Georgia, including our meetings with other PSC Commissioners, PSC Staff, Georgia Power's C-Suite, and SO's C-Suite, please see our mid-year note: "*SO: "Georgia on My Mind" While Racing Porsches - Looking Past a Few NT Potholes to LT Sunny Skies with the Right Team at the Wheel*" (see HERE).

- **In February**, we expect an **updated 5-year capital plan and rolled forward LT guidance on the Q4 call**, along with **further refinement of 2024 guidance**, which is currently **$3.95-$4.10 (~$4.03 midpoint)**.
- **Could we see the 5%-7% LT EPS growth rate raised?... We don't believe so –** instead, think longer not higher. Despite more than six gigawatts of projected peak load growth by 2031, and a corresponding need for higher capital investment in order to build the infrastructure required to facilitate this, mgmt. continues to reaffirm the current growth trajectory and has expressed a clear preference of not pursuing a temporarily inflated growth rate in place of stable, consistent growth, if both options are on the table. Bill headroom and customer affordability remains a key concern for the company, effectively governing how much capital can reasonably be deployed, regardless of the capex opportunities theoretically available. **Over the longer term, we expect that the industrial/datacenter load growth SO's 2023 IRP update projects** from economic development activities should contribute meaningfully to incremental revenues, thereby improving broader customer affordability in general. Regardless of whether the growth rate stays at 5%-7% instead of moving higher, we continue to view the incremental opportunity set in Georgia in particular as very high quality and offering (at a bare minimum) the type of highly visible, stable, and sustainable earnings profile which warrants a healthy premium over peers with otherwise comparable growth rates, and which **should lead to multiple expansion if not some earnings accretion as well, in our view, and certainly contributes to justifying SO trading at a top-of-group premium.**
- **How will incremental capital in the February 5yr plan roll forward be financed?...** Consistent with prior messaging, mgmt. reiterated an expectation of being at ~17% FFO/debt and reminded investors of the company's ability to generate ~$350m-$400m per year through its DRIP. If needed, this could be further augmented by an ATM program, mgmt. said, with **no need for block equity, even to maintain 17% FFO/debt going forward**. Our **most important takeaway** from the discussion around financing was that SO's goal when financing any incremental

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capital in the new plan (to be introduced in February) will be to stay where the company otherwise would have been in terms of credit metrics.

- **Dividend:** After years of ~$0.08 annual dividend increases, SO seems open to picking up the pace of dividend growth, but only once the payout ratio comes down into the 6-handle range — we see this as being fairly quickly achievable in the coming years as Vogtle fully enters service and the penalty ROEs roll off.
- **Vogtle:** Mgmt. reiterated an expectation that Unit 4 will be in-service by the end of Q1 2024. We do note, however, that as a result of the terms of the settlement with Staff and other parties in Vogtle's prudency review docket, **should Unit 4 come online later than expected, it would now result in ~$0.09/share of EPS drag per quarter of delays** vs. $0.05/share previously. This is due to a clause in the settlement which would change the debt return which the company is currently receiving into no return instead, during any applicable period after March 31, 2024 until the unit properly enters service, and would apply to both NCCR and AFUDC capital above the $2.1bn of Unit 3 already in rates.

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SEMPRA ENERGY (SRE)

We met with SRE CFO Trevor Mihalik, SIP President Justin Bird and other members of senior mgmt. SRE EEI updates focused on the prior week's equity issuance, inputs driving the 4Q capex update (10-20%) and the regulatory constructs that underpin growth. SRE mgmt. say they remain very confident in the reiterated growth guidance from 3Q and noted that the financing needs were contemplated as part of the planning parameters. Beyond the capex upside continuing to provide visibility into the 6-8% LT growth, cost of capital in CA and equity ratio improvement in TX could further result in improved performance at the top end for SRE. Mgmt. says it does not see accretive M&A opportunities outside of the Oncor minority equity buy-in, but says it does not see a willing seller at this time. SIP continues to progress slowly with the development queue, with the earnings mover projects being LNG (PA II, Cameron 4, ECA II), while CCS and E-methane provide some LT options to transition away from traditional gas molecules. Overall, SRE continues to exceed financial guidance and plan conservatively for future growth (reiterated at 6-8% not including SIP development projects other than ECA I).

- **The 3 key topics of discussion for our EEI meeting were (1) equity issuance and refinancing in the plan, (2) the capex and regulatory outlook, and (3) SIP project development updates; SRE is planning conservatively on all fronts.**
- **SRE pointed to the top end of 2023 EPS guidance; equity forward was contemplated in reiterated 6-8% LT growth guidance.** We questioned the need for "pre-funding" equity for a capex plan that will be updated on the 4Q call, but mgmt. reiterated the de-risking aspects of a forward equity sale agreement and noted the strong demand and low discount for the sale. Overall, we see the deal as taking some of the earnings tailwinds form recent years and lowering the financing volatility in the plan. **Mgmt. anticipates equity forward settlement in the late part of 2024** (i.e., somewhat mitigating the lag between capex and equity dilution). Mgmt. also noted that the SIP equity sales in past years enabled a recapitalization at the parent that leaves only a modest amount of refinancing risk and only 10% of parent debt at variable rates (CP program); **the net impact of a 50bp shift in interest rates is only 1-2c of EPS**. Mgmt. noted that credit rating agencies are getting more constructive on SRE's plans and appreciate the equity and the regulated profile as well as the overall credibility of mgmt. to issue equity or get equity content to support the capital structure. A lot of time has been spent to build credibility.
- **Regulatory outlook continues to highlight a premium picture in both CA and TX. Mgmt. acknowledged the constructive regulatory outcomes to date and some potential upsides in the near future.** CA remains constructive for SRE as the jurisdiction has low-risk constructs like decoupling, cost true-up and multiyear rate plans, as well as above-average cost of capital metrics (ROE / Cap Structure). CA could further benefit from the CCM adjustment that is currently in deliberation at the CPUC Energy Division. Mgmt. sees good cause for the CCM to trigger, as we have seen sustained interest rate increases (i.e., not a one-time event like a global pandemic). **While the contemplated 70bp increase**

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in ROEs is within the LT 6-8% growth guidance, we certainly see how a constructive outcome could push EPS to the high end. Mgmt. says it does not see the need to settle if there is a proceeding with the CPUC as the CCM construct is designed for the exact scenario that is playing out (i.e., higher-for-longer interest rates). **On the Texas side, load growth continues to support major capex upsides with limited impact on customer bills (a large portion of the $4-8B capex update on 4Q is attributable to Oncor in TX).** The regulatory mechanisms in TX support increased investment recovery, and mgmt. says it remains optimistic of a higher equity ratio (i.e., some support in the Oncor case for a 45% equity cap structure before the now-departed Chair pulled it back in the final decision). **The CNP Houston Electric rate case could be a bellwether for the PUCT thoughts on higher equity ratios**, and SRE noted that Oncor could go for an out-of-cycle rate case to raise the equity ratio if the commission goes down that path.

- **On the SIP side, mgmt. continues to see an acceleration of the global gas demand thesis; EPC capacity is available to continue project development and FID tracks on all projects.** Mgmt. reiterated the constructive expectations for LNG marketing and project financing structures. The PA II expansion project is now within sight of an FID track pending DOE authorizations (FERC review complete), Cameron 4 is seeing interest from project partners and ECA II is now within sights as the ECA I project continues on-time delivery (mgmt. noted recent mgmt. site visits and an upcoming board visit). **Mgmt. noted that EPC capacity for LNG is more than adequate, and that Bechtel is the natural builder for both phases of Port Arthur**, as continuous construction helps maximize labor and resource efficiency. From an earnings accretion standpoint, the non-FID projects are not in current plans, with LNG projects being the biggest contributors to a potential step-up. The more incipient projects like CCs and E-methane are not material contributors in the current planning timeframe but remain an important tool for future gas molecule transition both domestically and globally.
- **Strategically, mgmt. says it doesn't see any accretive M&A; focus remains on organic growth, but SRE would be a natural buyer of the Oncor minority equity stake.** SRE noted that there have been attempts at buying out the private owners of the Oncor minority equity during past asset sales and recapitalizations, but there was always a gap on valuation with the partners (TTI / OMERS, private / municipal pension).

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WEC ENERGY GROUP (WEC)

We met with Gale Klappa, executive chairman, Scott Lauber, CEO, Xia Liu, CFO, and Beth Straka, SVP communications and investor relations of WEC Energy, to discuss the company's updated five-year capital plan through 2028, accelerating asset base growth CAGR (now >8%) and confidence therein, and updated expectations heading into next year.

- **What's next for Gale?...** Gale Klappa's new non-executive chairman role (beginning after April 2024) has no specified end date, but his investor involvement in terms of NDRs and the like will depend on the needs of Scott Lauber, CEO, Mr. Klappa said.
- **Microsoft [NASDAQ:MSFT] announced an outline of their broader Wisconsin regional plan on Friday afternoon (link HERE),** which WEC mgmt. noted. The company is going from 315 acres to over 1,000 acres of planned footprint, and intends to invest "billions" (i.e., plural) vs. the $1bn of investment that it had previously guided to and which the current 5-year plan WEC has published supports. However, we note that even if MSFT wanted WEC to, the company indicated it likely would not be able to build any faster than what is envisioned in their current plan.
- **WEC provided incremental details on its rolled-forward 5-year capital plan.** The company now projects **~8.1% asset base growth through 2028 (vs. 7.4% through 2027),** resulting in an "e*stimated year-end average asset base*" of **$43.3bn in 2028**, vs. $29.4bn in 2023E. The company also projects **electric load growth of 4.5%-5.0% over 2026-2028**, vs. 0.7%-1.0% through 2027E previously. Natural gas sales growth forecasts remain unchanged at 0.7%-1.0%.
- **7% equity financed.** The plan includes equity financing for the first time in years, as mgmt. indicated that $1.8bn-$2.2bn of common equity is slated to be issued through 2028 via the DRIP, employee benefit plans, and ATM programs (but no block equity), and also guided to issuing **$100m-$200m** in **2024**, followed by 2025-2028's issuances being **tied ratably to the company's capex spending**, and **averaging ~$450m per year,** although we note that $100m-$200m will continue to be sourced from the company's internal programs over 2025-2028 (with $250m-$350m coming from the ATM over that period). **Mgmt. pointed out that 7% of capital is being financed via equity, 28% debt, and 65% internal cash flows. Of the 35% coming from external sources, equity makes up ~20% of it.** The current plan reportedly meets all requirements for maintaining their current credit metrics, mgmt. said. As we reflect back on S&P's report from earlier in the year regarding WEC, we had the impression that the rating agency wanted to see equity being issued, although we believe it's important for context purposes to recognize that there is a growing understanding among investors that the industry in general will need more equity.

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COMPANY VALUATION/RISKS

AEE

Valuation: We value AEE as a regulated utility, using a SOTP valuation with segment-specific premiums on top of our regulated group multiple of 14x. (1) We attribute a 1x 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 2025 EPS estimates for the various segments ($5.05 total for 2025) and discount back to arrive at our $75 PT.

Risks: The primary downside 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, further delays on wind construction affecting rate case cadence, and further MISO congestion hampering new generation build. Upside risks include capex above levels assumed in our model, more favorable regulatory outcomes, and interest changes below what we account for in our regression model.

AEP

Valuation: We arrive at our $85 price target by employing our 14x regulated group target multiple, which is based on a regression model of electric utility valuations and forward interest rate expectations over the past 30+ years, plus a 1x premium to account for incremental growth not yet reflected in earnings estimates, applied to our 2025 EPS estimate of $6.00, and finally discounted back one year.

Risks: Downside risks include poor regulatory outcomes, ongoing renewable supply chain disruptions, delays to transmission buildout, and 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.

ALE

Valuation: We value ALE using our regulated group multiple of 14x and apply a four and a half turn discount for the aforementioned potential unique macro headwinds, which is applied to our 2025 EPS estimate of $4.56 for a discounted equity value of ~$41.

Risks: Upside risks to achieving our fair value/share for ALE mainly encompass traditional risk factors inherent with regulated utilities including: (1) favorable rate case outcomes, (2) higher capex outlook, and (3) interest rate changes below what we account for in our regression model.

AVA

Valuation: We arrive at our $26 price target by employing our 14x regulated group target multiple, which is based on a regression model of electric utility valuations and forward interest rate expectations over the past 30+ years, less a 3.25x discount to account for limited ability to mitigate inflationary pressures and

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bill headroom concerns, to our 2025E EPS estimate of $2.61, and discount back one year.

Risks: Upside risks include lower-than-expected inflationary pressures, capital investments exceeding our modeling assumptions and/or interest rate changes below those reflected in our regression model.

AWK

Valuation: Water utilities continue to be ascribed higher multiples vs. electric/gas utility counterparts given higher growth prospects and less risk around capex, which haven't slowed and are not expected to anytime soon, and lower perceived risk vs. electric/gas peers. To arrive at our $126 PT for AWK, we apply a ~10x P/E premium, which we believe captures the narrowing spread at which water utilities should trade vs. electric/gas counterparts, to our regulated group multiple of 14x and apply the combined 24x multiple to our 2025 EPS estimate of $5.59. We derive our regulated utility group target multiple from our regression model, which uses the correlation between electric utility valuations and forward interest rate expectations over the past 30+ years. We then discount back one year.

Risks: Risks to our rating and valuation for AWK mainly encompass traditional risk factors inherent with regulated utilities including: (1) rate case risk - a lower/higher allowed ROE can impact our earned return assumptions, (2) lower/increased capex outlook, and (3) interest rate changes above or below what we account for in our regression model.

CMS

Valuation: We arrive at our valuation utilizing a sum-of-the-parts analysis based on a 16x P/E base regulated multiple and a 1x premium for CMS's constructive regulatory environment. We apply our target multiple to our 2025 EPS estimate of $3.65, discounted for 1 year, to achieve our 12-month forward price target, resulting in a $61 PT.

Risks: CMS risks mainly encompass traditional risk factors inherent with all electric utilities, including: 1) rate case risk, 2) lower/higher capex outlook, and 3) interest rate changes above/below what we account for in our regression model. Additional risk factors include: Executing and implementing the Michigan Energy law and commodity risk exposure through CMS' Enterprises segment - a decrease/increase in power prices and spark spreads can negatively/positively impact the merchant generation business.

CNP

Valuation: We arrive at our valuation utilizing a consolidated P/E target multiple on 2025 EPS estimates. We now use our base regulated multiple of 14x P/E and ascribe a 3.5x premium (up from 2.5x) for CNP's constructive jurisdictions, sector-leading growth, and increasing visibility on incremental resiliency spending not in plan. We discount the equity value for 1 year to achieve our 12-month forward PT and arrive at our $30 PT.

Risks: Outside of potential midstream volatility, risks for CNP mainly encompass traditional risk factors inherent with regulated utilities including: (1) rate case risk, (2) lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

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D

Valuation: We utilize our regulated electric utilities multiple of 14x and apply this multiple to our 2025 EPS estimate of $3.39 and discount back to arrive at our $45 valuation.

Risks: Risks to our rating and price target for D 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.

DTE

Valuation: We arrive at our valuation utilizing a sum-of-the-parts analysis based on a 14x P/E base regulated multiple and a 1.0x premium on the regulated utilities for incremental decarbonization investments not included in our 2025 EPS estimates. We apply the multiple to our $7.19 EPS estimate for 2025, discounted for 1 year to achieve our 12- month forward price target, resulting in a $103 PT.

Risks: DTE downside risks 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) decline in allowed ROE.

DUK

Valuation: We arrive at our $93 price target by employing our 14x regulated group target multiple, which is based on a regression model of electric utility valuations and forward interest rate expectations over the past 30+ years, plus a 1.5x premium to account for long-term incremental spending from ongoing implementation of the Carbon Plan and anticipated ratemaking benefits of the new ratemaking components of NC's HB 951 legislation which are not already captured in estimates. We then apply this combined multiple to our $6.35 2025 EPS estimate and discount back one year.

Risks: Downside 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.

ED

Valuation: We arrive at our valuation utilizing a 14x P/E multiple and a 2x premium for limited financing and regulatory risks in the near term. We apply this multiple to our 2025E EPS, discounted for 1 year to achieve our 12-month forward PT of $84.

Risks: Upside/Downside risks mainly encompass traditional risk factors inherent with all electric utilities, including: (1) constructive/negative rate case and other regulatory outcomes, (2) higher/lower capex outlook, and (3) interest rate changes below/above what we account for in our regression model.

EIX

Valuation: We value EIX using an implied multiple based on a 14x P/E adjusted for our adverse view of legacy wildfire liability risk, regulatory risk and lower than anticipated range case implied growth with a 1.0x multiple discount. Applying our 13x all-in target multiple to 2025E EPS and discounted for 1 year to achieve our 12-month forward PT, we arrive at our $66 PT.

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Risks: Outside of exposure to the wildfires discussed above, downside risks to our valuation mainly encompass traditional risk factors inherent with all electric utilities including: (1) rate case/regulatory risk; (2) lower/higher CapEx or disallowance risk; (3) interest rate changes above/below what we account for in our regression model; and (4) additional wildfire liability accruals not covered in our current valuation.

ES

Valuation: We utilize our 14x regulated utility multiple, plus a one-turn discount, and apply it to our 2025 EPS estimate of $4.92 and discount back to arrive at our ~$60 12-month price target for the regulated segment. We now apply a 1x discount to shares (previously a 1x premium) in light of the deteriorating backdrop for the wind asset sale and our ongoing concerns for any improvement in the CT regulatory backdrop.

Risks: 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. Downside risks therein include: (1) negative regulatory outcomes; (2) lower CapEx outlook; (3) higher interest rates. Risks specific to ES include issues with the development and/or sale of the offshore wind segment and headwinds to the process around identifying and deploying ongoing regulated backfill capex (AMI/ transmission).

ETR

Valuation: We arrive at our valuation utilizing our 14x regulated P/E multiple. Our PT of $103 is based on the target multiple applied to our 2025 $7.76 UP&O EPS estimate, discounted for 1 year to achieve our 12-month forward PT.

Risks: ETR risks center around the traditional risks inherent with all utilities, including: 1) rate case risk; 2) lower capex outlook; and 3) interest rate changes above what we account for in our regression model.

EVRG

Valuation: We apply our regulated utility group target multiple (14x) to our 2025 estimated EPS of $4.10 and discount back a year to arrive at our $54 PT.

Risks: 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 failure to execute on its KS case and/or failure to realize O&M savings targets.

EXC

Valuation: Our valuation is based on our 2025E EPS of $2.74. We use our 14x 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 14x multiple, we apply a 3x premium (previously 2x) to all of the utilities to reflect our favorable view of the regulatory profile (contemporaneous recovery/minimal lag) and upsides beyond our current plan (aforementioned transmission opportunities). This 3x premium, applied to our 2025E EPS and discounted back 1 year, equals our $44 PT.

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Risks: EXC comprises regulated distribution and transmission assets, which face traditional risk factors and downside drivers inherent with all utilities, including: (1) negative rate case outcomes below our expectations, (2) reduced capex outlooks, and (3) interest rate changes above what we account for in our regression model.

FE

Valuation: We arrive at our $38 price target by employing our 14x regulated group target multiple, which is based on a regression model of electric utility valuations and forward interest rate expectations over the past 30+ years, but no longer apply an additional discount to FE's multiple as we previously had done in order to address unknown investigation risks, fines, etc., at which point we apply the multiple to our 2025 EPS estimate of $2.89, and finally discount back by one year.

Risks: Downside risks to our thesis primarily encompass traditional risk factors inherent with all regulated utilities, plus some story-specific ones, including: (1) rate case risk (particularly in Ohio's upcoming 2024 case), (2) a reduced capex outlook, (3) interest rate changes above what we account for in our regression model, and (4) potential penalties related to ongoing PUCO audits and/or further fines stemming from various ongoing investigations.

LNT

Valuation: We arrive at our $46 price target by applying our 14x 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 to our 2025 EPS estimate of $3.27 and discount back one year. We now apply a 1x premium to our multiple to reflect our improved views on LNT's jurisdictions (PSCW overhang receding), management, and incremental capex not yet reflected in our estimates.

Risks: Risks to our valuation for LNT mainly encompass traditional risk factors inherent with all regulated utilities, including: (1) rate case risk, (2) lower capex outlook, and (3) interest rate changes above what we account for in our regression model. Upside risks to our PT estimate include: (1) favorable regulatory settlements; (2) opportunities around ATC; and (3) higher capex outlook.

NEE

Valuation: Our $65 PT comprises $35 for FPL and Other based on a 14x P/E and a 2x P/E premium, as we continue to see incremental growth items that are not currently reflected in our estimates (incl. new FPL site plan); and $32 for NEER based on a theoretical 85% payout rate and a target ~6.00% yield. Taking the sum of the segments, discounted for 1 year to achieve our 12-month forward PT, we arrive at our $65 PT.

Risks: Risks include the Florida economy, commodity prices, and other risk factors inherent with all regulated utilities, including: (1) rate case risk, (2) lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

NEP

Valuation: We apply an 8.5% target yield to our estimated distribution of $3.77 in 2025 (full year vs. run rate prior) and discount for 1 year to achieve our 12-month forward price target of $42. The target yield of 8.5% is derived at a premium to

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Moody's BAA Utilities index (~6.30% on a 200-day MA) and using a simple WACC formula using a market derived cost of equity and a 7% cost of debt before tax).

Risks: NEP is exposed to interest rates as it is an investment vehicle marketed to yield oriented investors (i.e., risk of higher rates), in addition to some construction, operating, and re-contracting risk and risk of weather.

NI

Valuation: We arrive at our $27 price target by employing our 14x regulated group target multiple, which is based on a regression model of electric utility valuations and forward interest rate expectations over the past 30+ years, plus a 1.5x premium to reflect top-quartile rate base growth through the forecast period, as well as incremental growth opportunities and strategic initiatives that aren't currently being captured in our estimates. Applied together to our 2025 $1.82 EPS estimate and discounted back by 1 year, we arrive at our 12-month PT.

Risks: Downside risks to our thesis include renewable supply chain disruptions, as well as traditional risk factors inherent with all regulated utilities, including: (1) rate case risk, (2) potential for a lower capex outlook, and (3) interest rate changes above/below what we account for in our regression model.

NWE

Valuation: We arrive at our $39 price target by employing our 14x regulated group target multiple, which is based on a regression model of electric utility valuations and forward interest rate expectations over the past 30+ years, less a 3.0x discount, for lower macroeconomic headwind-driven growth, and a tough road ahead (especially for cash flows) until the Yellowstone Generating Station Facility is operational. We then apply the combined multiple to our 2025 estimate of $3.73, and finally discount back by one year.

Risks: Upside risks to our thesis mainly encompass (1) macroeconomic headwinds subsiding more rapidly than expected, (2) extremely constructive rate case outcomes relative to prior results, and (3) interest rate changes below what we account for in our regression model.

OGE

Valuation: We arrive at our valuation utilizing our base regulated multiple of a 14x P/E and a 2x premium for incremental generation growth and OGE expectations around stronger than plan load growth applied to our 2025 EPS estimate of $2.25. Discounted for 1 year to achieve our 12-month forward PT, we arrive at our $34 PT.

Risks: Risks to our rating and valuation for OGE mainly encompass traditional risk factors inherent with all electric utilities, including: (1) constructive/negative rate case outcomes (i.e., regulatory risk including AR); (2) lower/higher capex outlook and ability to deploy; and (3) interest rate changes above/below what we account for in our regression model.

PCG

Valuation: We value PCG using an implied multiple based on our base regulated electric multiple of 14x P/E adjusted for GRC regulatory risk and future wildfire liability risk with a 1x discount. Applying our 15x all-in target multiple to our 2025 EPS estimate, discounted for 1 year to account for our 12- month PT, we arrive at our $19 PT.

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Risks: Outside of exposure to the wildfires discussed above, downside risks to our valuation mainly encompass traditional risk factors inherent with all electric utilities including: (1) rate case / regulatory risk; (2) lower CapEx / disallowance risk; (3) interest rate changes above what we account for in our regression model and fines and penalties.

PEG

Valuation: Our $64 PT incorporates our SOTP analysis. We apply our base regulated multiple of 14x P/E and 2.0x premium for incremental capital opportunities not currently in our estimates with accelerating NJBPU policy implementation and a conservative plan reset. We apply the combined multiple to our 2025E utility EPS of $3.42, resulting in $55/share, and $11 for HoldCo and PSEG Nuclear. PEG nuclear valuation still includes other EV adjustments, including MtM. Taken in aggregate and discounted for 1 year to achieve our 12-month forward PT, we arrive at our $64 PT.

Risks: Commodity price risk. If natural gas prices fall, wholesale power prices will likely fall, limiting Power margins. In our view, PEG is inherently a long natural gas call, with gas the marginal price setter in PJM. If forward natural gas prices fall or PEG loses its basis and locational advantages, earnings could be impacted. The remaining risks center on the regulated electric and gas utility – PSE&G. Risks mainly encompass traditional risk factors inherent with all utilities, including: (1) future rate case risk, (2) lower CapEx outlook, (3) interest rate changes above what we account for in our regression model, and (4) decline in allowed ROE for investment programs in NJ (i.e., clean energy future).

PNW

Valuation: We arrive at our $73 price target by employing our 14x regulated group target multiple, which is based on a regression model of electric utility valuations and forward interest rate expectations over the past 30+ years, plus a 1x premium to account for the improving regulatory climate in Arizona, then apply the combined multiple to our 2025 EPS estimate of $5.15 and finally discount back by one year.

Risks: Risks to our thesis mainly encompass traditional risk factors inherent with all regulated utilities, including: (1) favorable and unfavorable rate case risk, (2) higher/lower capex outlook, and (3) interest rate changes above/below what we account for in our regression model.

POR

Valuation: We apply our electric target multiple of 14x, plus a one-turn premium to reflect potential incremental growth not included in our current model (transmission and IRP opportunities), to our 2025 EPS estimate of $3.21 and discount it back to arrive at our $45 12-month PT.

Risks: The primary risks on the regulated utility encompass the traditional risk factors inherent with all utilities, including: (1) unfavorable rate case risk, (2) lower capex outlooks than we include in our plan, and (3) interest rate changes above what we account for in our regression model.

PPL

Valuation: We apply our regulated utility group target multiple of 14x, plus a 2 turn premium to reflect PPL's strong balance sheet, incremental opportunities (KY, IIJA, etc.), and ongoing rate base/earnings growth harmonization, to our

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2025 EPS estimate of $1.82 and discount back to arrive at our $27 12-month price target.

Risks: Risks to our estimates for PPL Corp mainly encompass traditional risk factors inherent with all electric and gas utilities, including: (1) rate case risk, (2) lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

SO

Valuation: We arrive at our $77 price target by employing our 14x regulated group target multiple, which is based on a regression model of electric utility valuations and forward interest rate expectations over the past 30+ years, plus a 5x premium, to account for SO's above-average regulatory jurisdictions, as well as the potential for incremental capex to be added to its plans. We then apply that combined multiple to our 2025 EPS estimate of $4.30 and finally discount back by one year.

Risks: As Vogtle is nearly complete, remaining risks to our thesis mainly encompass traditional risk factors inherent with all regulated utilities, including: (1) rate case risk, (2) lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

SRE

Valuation: We derive our valuation through our SOTP analysis: (1) ~$25/share (up from $24) when we apply a 14x P/E and a 1.5x premium for long-term growth (improved vs. prior on constructive regulatory outcomes) above peer average to our 2025E; (2) ~$21/share (up from $19) value for SoCalGas utilizing our 14x regulated electric P/E multiple and a 1.5x premium (improved vs. prior on constructive regulatory outcomes) for growth above peer average to our 2025E; (3) ~$24/share for Oncor, applying our 14x regulated multiple plus 3.0x premium to our 2025E for incremental upside from TX legislation, anticipated capital upsides and load/customer growth; (4) ~$21/share for SRE's ownership of SIP based on a 12x EBITDA multiple applied to our 2025E, net of attributed debt; (5) $0/share for development projects as we take a conservative stance on project FIDs; and (6) ~($7)/ share for parent drag. Taking a sum of the segments and discounting for 1 year to reach our 12-month PT, we arrive at our $79 PT. (Note: sum may not round to SOTP exactly.)

Risks: Outside of exposure to the wildfires and potential delays around Cameron, risks to our valuation 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.

WEC

Valuation: We arrive at our $84 price target by employing our 14x regulated group target multiple, which is based on a regression model of electric utility valuations and forward interest rate expectations over the past 30+ years, plus a 3.0x premium for WEC's historically superior regulatory environment and the positive economic outlook in its service territories, as well as some growth opportunities not being reflected in our EPS forecasting and finally coupled with

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a “strong management team” added to our 2025 EPS estimate of $5.24 and discounting back one year.

Risks: Upside risks include: (1) rate case outcomes that are more constructive than expected (including favorable ROE/equity ratio decisions), (2) higher capex outlook (including development projects not currently in plan), and (3) interest rate changes below what we account for in our regression model. Downside risks 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.

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Ticker	Price	Rating
AEP	79.55	Buy
CPK	95.60	Neutral
DTE	104.11	Buy
ETR	101.41	Buy
EXC	38.51	Buy
NI	25.64	Buy
OGS	57.63	Neutral
PCG	17.17	Buy

Power & Utilities

December 1, 2023

The Guggenheim Daily Transmission: OGS, DTE, CPK, NI, AEP, ETR, PCG, EXC/MD, Offshore Wind, ERCOT, PJM

For details on our Guggenheim-hosted client Utility events including our NEE NDR TODAY, FE CFO lunch, NRG NDR, and other events, scroll down...

EEI: Wandering Desert Ridge, Parched for Alpha… (see our note HERE)

OGS: 2024 Guidance Misses Expectations; New 5yr Plan Leaves LT Rate Base Growth Trajectory Intact; Larger Capex Plan Brings Bigger Equity Need Too (see our note HERE)

DTE – 2023 DTE Electric rate case on the MPSC commission agenda for December 1, 2023

CPK – Chesapeake has completed its acquisition of Florida City Gas

NI – Settlement rate announced for the conversion of the April 2021 equity units into common shares

AEP – Final order issued in Virginia triennial rate review

ETR – CCNO and LPSC file opposition to SERI comments on motion to issue interim refunds

PCG – TURN files response to PG&E Phase II GRC motions

EXC/MD – BGE dockets memo on Baltimore conduit accounting

Offshore Wind – NJ Governor Murphy accelerates timeline for next offshore wind solicitation

ERCOT – PUCT discusses PCM implementation at open meeting

PJM – Stakeholder group takes transmission cost concerns to PJM Board

DTE – 2023 DTE Electric rate case on the MPSC commission agenda for December 1, 2023

- MPSC has issued an agenda for the December 1, 2023 meeting with the DTE Electric rate case on the agenda.
- MPSC ALJ has previously issued a proposal for decision (PFD) in the DTE Electric Rate case reducing revenue increases to 47% of the request, vs. revenue recommendations of 52% and 62% DTE requested from the AG and Staff, respectively.
- More in our note here.
- Docket: U-21297

Guggenheim takeaway: *FYI. PFD represents a surprising revenue requirement below the prior testimony levels, but ALJ rate base reductions not uncommon; risk of a litigated outcome once again shows its face. MPSC ALJ issued a PFD with a 47% revenue recommendation vs. 50-60% range set by prior testimony (Staff/AG) and reduced the authorized rate base by almost $600M. The PFD is a reduction of $97M in revenue requirement from the updated Staff testimony, which at the headline represents an EPS impact of $0.31 vs. Staff, so if Staff revenue levels would require DTE flex to achieve earnings outcome, the PFD would require another $97M above that. The PFD achieves this through a variety of reductions, but most notably a reduction in capex and rate base recognition resulting in $592M lower rate base vs. Staff. The rate base reduction represents a more modest $0.11 headwind (9.8% ROE, 40% equity).*

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CPK – Chesapeake has completed its acquisition of Florida City Gas

- Recall that on September 26th, CPK announced that it would acquire Florida City Gas from NEE.
- From today's announcement: "As previously announced, Chesapeake Utilities' capital expenditure guidance is projected to be $1.5 billion to $1.8 billion for the five-year period ending 2028, an increase of 65% over its previous plan. Approximately 60% of the Company's upcoming five-year capital investment plan will be allocated to Florida, including investments related to pipeline replacement programs, expansions to support customer growth and increased transmission capabilities to reach new developments and support increased demand. With this transaction, Chesapeake Utilities' regulated operations are projected to represent approximately 87% of its business mix." – company press release
- CPK indicated that it will provide more detail on its acquisition integration plan along with its **Q4 2023 earnings in February 2024**.
- Press release HERE

Guggenheim takeaway: *FYI; for more, including background on the transaction, please see our 3Q update note* ***"CPK – 3Q23 EPS Beat; Despite Tough Weather 2023, CPK Continues Major Transformation Path with FCG Add-on" (link HERE)****, as well as our original note covering the transaction when it was first announced:* ***"CPK-NEE – CPK Announces Transformative Florida City Gas Acquisition; Efficient Cash Source for NEE, Strategic for CPK" (link HERE)****.*

NI – Settlement rate announced for the conversion of the April 2021 equity units into common shares

- Each holder will receive 3.9295 shares of common stock, with cash to be paid in lieu of any fractional share.
- As per the original conditions of the transaction, the settlement rate was set based on NI's trailing 40-day VWAP for the period ending November 29, 2023.
- NI will retire and cancel the Series C Mandatory Convertible Preferred Stock and voluntarily delist the units (Bloomberg Ticker: NIMC) from the NYSE.
- Press release HERE

Guggenheim takeaway: *The For more, please* ***see our write-up regarding NI's revisions to its financing plan, adding $600m of planned equity issuance in 2024 (link HERE)****. Also, please see our note immediately following EEI…* ***"NI – Remarketing Process Postponed; Substitute Equity Not Needed Until YE24; More Details to Come Tomorrow/Friday"*** *(link HERE).*

AEP – Final order issued in Virginia triennial rate review

- Yesterday, and without modification, the Virginia State Corporation Commission approved the settlement resolving all issues in APCO's mandatory triennial rate review proceeding.
- A base rate increase of $127.3m was authorized, although both the order and the approved black box settlement are silent on rate of return, capital structure, etc.
- The utility had originally sought a $212.6m rate increase premised on a 10.6% ROE (vs 9.2% last authorized in 2020), and an equity layer of 48.31% (vs its last authorized level of 50.31%).
- Docket PUR-2023-00002

Guggenheim takeaway: *We note that despite being a black box settlement with regards to the revenue increase calculation… "for other regulatory purposes", an ROE of 9.5% has been set (along with the company's requested equity ratio of 48.31%). In our view, the 9.5% ROE for "other regulatory purposes" at least constitutes a welcome 30bps step-up compared with the final order in its Nov. 2020 triennial rate review.* ***For our takeaways from a very well-attended meeting we hosted with AEP mgmt., please see our note HERE****.*

ETR – CCNO and LPSC file opposition to SERI comments on motion to issue interim refunds

- City Council of New Orleans and LPSC filed an answer to SERI responses on the interim rate relief motions.
- CCNO and LPSC continue to argue for interim refunds from past commission orders.
- ETR regulatory info here.

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- FERC Docket ER18-182 (available through search). MS Settlement here.
- Docket: EL20-72 / EL18-152 (through FERC search). Partial settlement found under 20-72.

Guggenheim takeaway: *FYI. Debate with LPSC and CCNO continues as parties argue for interim rate relief.*

PCG – TURN files response to PG&E Phase II GRC motions

- TURN filed comments in opposition to PG&E Phase II GRC motion to include SB410 in phase 2 of the proceeding.
- TURN argues the PG&E motions are outside of the scope of Phase II.
- Docket: A2106021

Guggenheim takeaway: *FYI. Phase II GRC process is ramping up.*

EXC/MD – BGE dockets memo on Baltimore conduit accounting

- The utility has docketed an accounting memo on its deal to utilize the city-owned conduit
- "There is nothing nefarious or controversial in the memo. The memo is a routine professional accounting analysis that any responsible company undertakes to ensure it is properly accounting for costs under Generally Accepted Accounting Principles. The memo addresses how BGE should account for the money paid to Baltimore City and the $120 million of capital commitments made by BGE in Baltimore City's conduit system. The Company's accountants determined, and BGE's independent auditor (PricewaterhouseCoopers) confirmed, it is appropriate to capitalize the investments because, while BGE does not own the conduit system, BGE has been granted perpetual access to rights of way by the State of Maryland to distribute electricity in the City. Because of BGE's perpetual access rights, BGE's customers will benefit from these modernization investments over the life of the assets, as opposed to over the life of the agreement term. Pursuant to general accounting principles, investments of this type should be recovered over the life of the assets." – filing
- "After failing to dispute the merits of the analysis in the memo with its own accounting expert, and only after the case was already closed, OPC then turned to the media where it made statements suggesting that the Company acted improperly by objecting to the public disclosure of a confidential internal memo. Conveniently, OPC failed to acknowledge that the memo had been provided to OPC and to the Commission with their understanding and with their agreement that the memo would be used only for the MYP proceeding and would remain confidential" - filing
- More HERE

Guggenheim takeaway: *The deal and associated media commentary from the OPC has been a source of significant local noise in recent days (see HERE), with the company largely maintaining the positions it mentions above. We continue to monitor this and several other items (Baltimore external meter pushback) as the utility approaches a final order before a newer PSC.*

Offshore Wind – NJ Governor Murphy accelerates timeline for next offshore wind solicitation

- NJ Governor Murphy directed regulators to accelerate the timeline for the next offshore wind solicitation.
- The fourth bid will be held in early 2024 and will take solicitations for 1,200MW.
- Media coverage here

Guggenheim takeaway: *FYI. NJ continues to push through on offshore wind goals despite the first projects' lack of success.*

ERCOT – PUCT discusses PCM implementation at open meeting

- The commissioners discussed the ongoing technical implementation of the mechanism at yesterday's meeting, building upon an earlier memo from Staff
- "Staff contends that an individual review of the 12 PCM principles outlined in that Order is warranted prior to ERCOT and Staff developing a PCM strawman to ensure that the Commission's vision for the PCM within the guardrails established in HB1500 is accurately captured" - Memo
- More HERE

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Guggenheim takeaway: *Flagged for your awareness as the Commissioners themselves seek to get up to speed on the PCM pathways and potential impacts. As a reminder, the mechanism is built upon the associated process to establish a reliability standard – we continue to monitor both processes for key data points in the months ahead.*

PJM – Stakeholder group takes transmission cost concerns to PJM Board

- "Based on the OPSI Board's collective concerns regarding the shortcomings of our current processes, we seek your support in finding solutions to address our needs in ways that elevate reliability and affordability. Within the PJM footprint, rapid changes in both load forecasts and available supply are creating pronounced grid reliability issues that challenge PJM's existing planning tools. To take a single but significant recent example, on October 31, 2023, PJM announced at its Transmission Expansion Advisory Committee meeting that, in early December, it will be presenting the PJM Board with a recommended suite of transmission upgrades at proportions never seen before in the region and with costs expected to approach $6 billion." – OPSI
- "The reliability challenges that have recently presented themselves, coupled with the significant cost impact on customers associated with addressing these challenges have amplified our concern that factors outside the transmission planning process may contribute to the high cost of transmission upgrades and warrant attention to ensure these costs do not become an undue burden to retail consumers." - OPSI
- More HERE

Guggenheim takeaway: *Concerns over transmission costs in PJM are not new in our view, with the latest batch of projects reflective of the ongoing changes in grid topology in the RTO as assets in EMAAC retire and load growth continues unabated in others (DOM). Still, we are closely watching the forthcoming Board approval of the TEAC projects mentioned in the letter above, alongside any potential reforms from the Board.*

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Equity Research | Corporate Access

NextEra Energy, Inc. (NEE)

John Ketchum, *Chairman & Chief Executive Officer*
Kirk Crews, *Chief Financial Officer*
Michael Dunne, *Treasurer*
Kristin Rose, *Investor Relations*

Date & Locations

Thursday, November 30 | Boston
Friday, December 1 | New York

Meeting Format

NDR - 1:1 Meetings & Group Meeting

Company Information

Market Cap: $116.4bn

NextEra Energy, Inc. (NEE) engages in the provision of renewable energy. It operates through the following segments: FPL and NEER. The FPL segment involves the generation, transmission, distribution, and sale of electric energy in Florida. The NEER segment produces electricity from clean and renewable sources, including wind and solar. The company was founded on December 28, 1925 and is headquartered in Juno Beach, FL. (Source: FactSet)

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Equity Research | Corporate Access

FirstEnergy Corp. (FE)

Jon Taylor, *Chief Financial Officer*

Date & Time

Wednesday, December 6, 2023
12:00PM

Location

Guggenheim Office
330 Madison Ave, 32nd Floor
New York, NY

Company Information

Market Cap: $20.9bn

FirstEnergy Corp. (FE) engages in the generation, transmission, and distribution of electricity as well as energy management and other energy-related services through its subsidiaries. It operates through the following business segments: Regulated Distribution, Regulated Transmission, and Corporate or Other. The Regulated Distribution segment distributes electricity through FirstEnergy's utility operating companies, serving various customers. The Regulated Transmission segment transmits electricity through transmission facilities owned and operated by FirstEnergy's utilities. The Corporate or Other segment reflects corporate support and other costs not charged or attributable to the utilities or transmission companies. The company was founded in 1996 and is headquartered in Akron, OH. (Source: FactSet)

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Equity Research | Corporate Access

NRG Energy Inc. (NRG)

Mauricio Gutierrez, *President & Chief Executive Officer*
Dr. Lawrence Coben, *Interim Chief Executive Officer*
Bruce Chung, *Chief Financial Officer*
Rasesh Patel, *President of Vivint Smart Home*
Elizabeth Killinger, *Head of Retail*
Rob Gaudette, *Head of Business & Commercial Operations*
Kevin Cole, *Head of Treasury & Investor Relations*

Dates & Locations

December 13 – 14, 2023
New York

Meeting Format

NDR - 1:1 Meetings & Group Meeting

Company Information

Market Cap: $10.2bn

NRG Energy, Inc. (NRG) engages in the production, sale, and distribution of energy and energy services. It operates through the following segments: Generation, Retail, and Corporate. The Generation segment includes all power plant activities, domestic and international, as well as renewables. The Retail segment includes mass customers and business solutions, and other distributed and reliability products. The Corporate segment includes residential solar and electric vehicle services. The company was founded in 1989 and is headquartered in Houston, TX. (Source: FactSet)

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Guggenheim 2023 Client and Corporate Access Utility Events

Ticker	Dates	Regions
EIX	*1/10 & 1/11*	Boston & New York
Commissioner Roundtable Event	*1/20*	In Person at Guggenheim
2023 Utilities Conference Call	*1/23*	Dial-In
Virginia Policy Call	*2/7*	Dial-In
Wisconsin Regulatory Call (Chair Valcq)	*2/9*	Virtual
WEC	*2/14–2/16*	West Coast
Wisconsin Regulatory Call (Commissioner Huebner)	*2/17*	Virtual
Arizona Regulatory Call (Commissioners Myers and Thompson)	*2/27*	Virtual
DUK	*3/7-3/8*	NYC
NEE	*3/14-3/16*	West Coast
AEE	*3/22*	Virtual
ERCOT Policy Call	*3/31*	Virtual
PPL	*4/3–4/4*	Boston
EXC	*5/15–5/16*	NYC
AEP	*5/17*	In Person at Guggenheim
CNP C-Suite Dinner	*5/22*	Fort Lauderdale, FL
AGA Conference Meetings	*5/20–5/23*	Fort Lauderdale, FL
ETR	*6/1–6/2*	West Coast
DTE	*6/7–6/8*	NYC
PCG	*6/12*	NYC
ES	*6/22*	NYC
SMR	*6/27*	NYC
SRE	*6/28–6/30*	NYC
SO Meeting, Porsche racing, & Georgia PSC	*7/11–7/12*	Atlanta
LNT	*7/17–7/18*	Boston
PNW	*7/19–7/20*	NYC & Boston
Georgia Regulatory Call (Commissioner Shaw)	*7/24*	Virtual
AWK	*8/9–8/10*	West Coast
Arizona Regulatory Call (Commissioners Myers and Thompson)	*8/16*	Virtual
CMS	*8/30*	NYC
SO	*9/13–9/15*	West Coast
POR	*9/18*	NYC
NY Roundtable	*9/25*	NYC
NJ Roundtable	*9/26*	NJ
CEG	*10/2–10/3*	West Coast
NRG	*10/4–10/5*	West Coast
PEG	*10/10–10/11*	West Coast
NI	*10/17–10/19*	West Coast
EEI Conference	*11/12–11/14*	Arizona
NEE	11/30–12/1	Boston/NYC
FE CFO Lunch	12/6	In Person at Guggenheim
Guggenheim-hosted year end lunch with Shar and Joe Osha	12/12	In Person at Guggenheim
NRG	12/13-12/14	NYC
POR	5/28-5/29	NYC & Boston

MORE TO BE ADDED…

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Guggenheim Comp Sheet

11/29/2023		Market	Guggenheim EPS Ests					Consensus					Δ vs Consensus (>$0.02)					Implied P/E Multiple					Prem/(Disc) vs Mid/Lg Cap Utes					'22–'27	NTM	Payout	Guggenheim		NTM Total	Consensus		NTM Total
	Price	Cap ($m)	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	2023E	2024E	2025E	2026E	2027E	EPS	Yield	Ratio	Rating	Target	Return	Rating	Target	Return
Small Cap Electric																																			
ALE	$55.11	3,168	4.35	4.17	4.56	4.87	5.07	4.19	4.12	4.29	4.72	5.03	0.16	0.05	0.27	0.15	0.04	13.2x	13.4x	12.8x	11.7x	11.0x	-22%	-14%	-12%	-14%	-15%	8.4%	5.1%	69%	Sell	$41	-20%	Neutral	$59	12%
AVA	$33.93	2,625	2.28	2.49	2.61	2.67	2.73	2.29	2.47	2.61	2.70	2.78	–	–	–	(0.03)	(0.04)	14.8x	13.8x	13.0x	12.6x	12.2x	-12%	-12%	-11%	-8%	-5%	5.2%	5.6%	78%	Sell	$26	-18%	Sell	$36	11%
IDA	$95.57	4,837	5.09	5.44	5.80	5.99	6.28	5.11	5.44	5.79	6.04	6.38	–	–	–	(0.04)	(0.10)	18.7x	17.6x	16.5x	15.8x	15.0x	11%	13%	14%	16%	16%	4.2%	3.5%	62%	Buy	$109	18%	Buy	$105	13%
NWE	$50.52	3,094	3.05	3.52	3.73	3.92	4.11	3.14	3.54	3.70	3.88	4.07	(0.09)	–	–	0.04	0.04	16.1x	14.3x	13.7x	13.0x	12.4x	-4%	-8%	-6%	-5%	-4%	5.3%	5.2%	75%	Sell	$39	-18%	Neutral	$51	6%
UTL	$48.26	777	2.80	2.92	3.08	3.29	3.50	2.79	2.93	3.09	3.30	3.50	–	–	–	–	–	17.3x	16.5x	15.6x	14.6x	13.8x	3%	6%	7%	7%	7%	6.2%	3.4%	n/a	Neutral	$45	-3%	Buy	$52	10%
POR	$40.78	4,124	2.63	3.05	3.21	3.38	3.55	2.66	3.04	3.21	3.35	3.45	–	–	–	–	0.10	15.4x	13.4x	12.7x	12.2x	11.8x	-9%	-14%	-12%	-11%	-8%	5.3%	4.9%	66%	Buy	$45	15%	Buy	$47	21%
		18,625																**15.9x**	**14.8x**	**14.1x**	**13.3x**	**12.7x**	**-5%**	**-5%**	**-3%**	**-2%**	**-2%**	**5.8%**	**4.6%**	**70%**						
Mid/Large Cap Electric																																			
AEE	$76.99	20,208	4.38	4.67	5.05	5.40	5.68	4.38	4.69	5.02	5.37	5.68	–	–	–	0.03	–	17.6x	16.4x	15.3x	14.3x	13.5x	5%	6%	6%	5%	5%	6.6%	3.5%	57%	Neutral	$75	1%	Buy	$83	11%
AEP	$79.22	40,810	5.30	5.64	6.00	6.39	6.81	5.27	5.58	5.97	6.30	6.68	–	0.06	0.04	0.09	0.13	15.0x	14.2x	13.3x	12.6x	11.9x	-11%	-9%	-9%	-8%	-8%	6.0%	4.5%	64%	Buy	$85	12%	Buy	$86	14%
CMS	$56.75	16,558	3.12	3.41	3.65	3.91	4.26	3.11	3.34	3.60	3.86	4.13	–	0.07	0.05	0.05	0.14	18.3x	17.0x	15.7x	14.7x	13.8x	9%	9%	8%	8%	7%	8.1%	3.7%	63%	Neutral	$54	-1%	Buy	$60	10%
CNP	$27.89	17,555	1.50	1.61	1.73	1.87	2.03	1.50	1.62	1.74	1.88	2.02	–	–	–	–	–	18.6x	17.2x	16.0x	14.9x	13.8x	10%	10%	10%	9%	7%	9.5%	2.8%	49%	Buy	$30	10%	Buy	$30	11%
D	$46.06	38,544	2.10	2.84	3.39	3.75	4.11	2.67	3.13	3.45	3.83	3.91	(0.57)	(0.29)	(0.06)	(0.08)	0.20	17.3x	14.7x	13.3x	12.0x	11.8x	3%	-5%	-8%	-12%	-9%	-0.4%	5.8%	87%	Buy	$45	4%	Neutral	$48	10%
DTE	$104.14	21,464	5.75	6.63	7.19	7.71	8.26	5.91	6.62	7.14	7.74	8.35	(0.16)	–	0.05	(0.03)	(0.09)	17.6x	15.7x	14.6x	13.5x	12.5x	5%	1%	0%	-1%	-3%	6.3%	3.9%	62%	Buy	$103	3%	Buy	$110	10%
DUK	$90.71	69,937	5.60	6.05	6.35	6.75	7.15	5.60	5.97	6.34	6.75	7.17	–	0.08	–	–	–	16.2x	15.2x	14.3x	13.4x	12.7x	-4%	-2%	-1%	-2%	-2%	6.3%	4.6%	71%	Buy	$99	14%	Buy	$99	14%
ED	$89.94	31,022	5.05	5.30	5.62	5.94	6.21	5.01	5.29	5.58	5.85	6.14	0.04	–	0.04	0.09	0.07	18.0x	17.0x	16.1x	15.4x	14.7x	7%	9%	11%	13%	14%	6.3%	3.7%	64%	Neutral	$84	-3%	Neutral	$89	2%
EIX	$65.78	25,231	4.71	4.98	5.48	5.71	6.03	4.70	5.11	5.62	5.97	6.26	–	(0.13)	(0.14)	(0.26)	(0.23)	14.0x	12.9x	11.7x	11.0x	10.5x	-17%	-17%	-19%	-19%	-19%	5.5%	4.7%	61%	Neutral	$66	5%	Buy	$73	16%
ES	$59.71	20,844	4.37	4.70	4.92	5.17	5.37	4.36	4.56	4.82	5.16	5.48	–	0.14	0.10	–	(0.11)	13.7x	13.1x	12.4x	11.6x	10.9x	-18%	-16%	-15%	-15%	-16%	5.6%	4.8%	63%	Neutral	$60	5%	Buy	$66	15%
ETR	$100.59	21,270	6.75	7.16	7.76	8.31	8.97	6.73	7.20	7.72	8.25	8.85	–	(0.04)	0.04	0.06	0.12	14.9x	14.0x	13.0x	12.2x	11.4x	-11%	-10%	-10%	-11%	-12%	6.9%	4.5%	63%	Buy	$103	7%	Buy	$109	13%
EVRG	$50.64	11,626	3.59	3.89	4.10	4.36	4.63	3.61	3.84	4.05	4.29	4.52	–	0.05	0.05	0.07	0.11	14.0x	13.2x	12.5x	11.8x	11.2x	-17%	-15%	-14%	-14%	-13%	4.3%	5.2%	68%	Buy	$54	12%	Buy	$55	14%
EXC	$38.39	38,171	2.36	2.50	2.74	2.93	3.10	2.36	2.51	2.72	2.92	3.10	–	–	–	–	–	16.3x	15.3x	14.1x	13.2x	12.4x	-3%	-2%	-3%	-3%	-4%	6.4%	4.0%	62%	Buy	$44	19%	Buy	$44	18%
FE	$36.98	21,220	2.54	2.69	2.89	3.07	3.27	2.54	2.65	2.88	3.04	3.23	–	0.04	–	0.03	0.04	14.6x	13.9x	12.8x	12.2x	11.4x	-13%	-10%	-12%	-11%	-11%	6.3%	4.5%	62%	Buy	$38	7%	Buy	$39	10%
LNT	$49.94	12,621	2.90	3.08	3.27	3.50	3.67	2.88	3.07	3.27	3.49	3.69	–	–	–	–	–	17.3x	16.3x	15.3x	14.3x	13.5x	3%	5%	5%	5%	5%	6.1%	3.8%	63%	Neutral	$46	-4%	Buy	$54	11%
OGE	$34.79	6,968	2.07	2.16	2.25	2.37	2.48	2.04	2.13	2.26	2.40	2.51	–	–	–	(0.03)	(0.03)	17.0x	16.3x	15.4x	14.5x	13.9x	1%	5%	6%	6%	7%	2.8%	4.9%	81%	Neutral	$34	3%	Buy	$37	11%
PCG	$17.17	36,632	1.21	1.37	1.47	1.61	1.75	1.21	1.35	1.46	1.56	1.70	–	–	–	0.05	0.05	14.2x	12.7x	11.7x	11.0x	10.1x	-16%	-18%	-19%	-20%	-22%	9.7%	1.0%	12%	Buy	$19	12%	Buy	$19	9%
PEG	$63.29	31,589	3.45	3.70	4.22	4.38	4.68	3.46	3.69	4.07	4.26	4.49	–	–	0.15	0.13	0.19	18.3x	17.2x	15.6x	14.9x	14.1x	9%	10%	7%	9%	9%	6.2%	3.8%	65%	Buy	$64	5%	Buy	$65	7%
PNW	$74.11	8,398	4.20	5.00	5.15	5.25	5.40	4.23	4.98	5.21	5.34	5.51	(0.03)	–	(0.06)	(0.09)	(0.11)	17.5x	14.9x	14.2x	13.9x	13.5x	4%	-4%	-2%	2%	4%	4.9%	4.8%	72%	Neutral	$73	3%	Buy	$77	9%
PPL	$26.03	19,186	1.58	1.71	1.82	1.96	2.08	1.58	1.71	1.82	1.94	2.06	–	–	–	–	–	16.5x	15.3x	14.3x	13.4x	12.6x	-2%	-2%	-2%	-2%	-2%	8.1%	3.9%	60%	Buy	$27	8%	Buy	$28	13%
SO	$70.23	76,657	3.60	4.05	4.30	4.55	4.80	3.61	4.02	4.32	4.54	4.74	–	–	–	–	0.06	19.5x	17.5x	16.3x	15.5x	14.8x	16%	12%	12%	13%	15%	5.9%	4.1%	72%	Buy	$77	14%	Buy	$72	7%
WEC	$82.97	26,172	4.62	4.91	5.24	5.61	5.97	4.61	4.92	5.26	5.61	5.96	–	–	–	–	–	18.0x	16.9x	15.8x	14.8x	13.9x	7%	8%	9%	8%	8%	6.1%	4.0%	68%	Neutral	$84	5%	Buy	$88	10%
Mid/Lg Cap (excl. EIX, PCG)																		**16.8x**	**15.6x**	**14.5x**	**13.6x**	**12.9x**						**5.9%**	**4.2%**	**66%**						
SMID + Lg Cap		**631,307**																**16.6x**	**15.4x**	**14.4x**	**13.6x**	**12.9x**						**5.9%**	**4.3%**	**67%**						

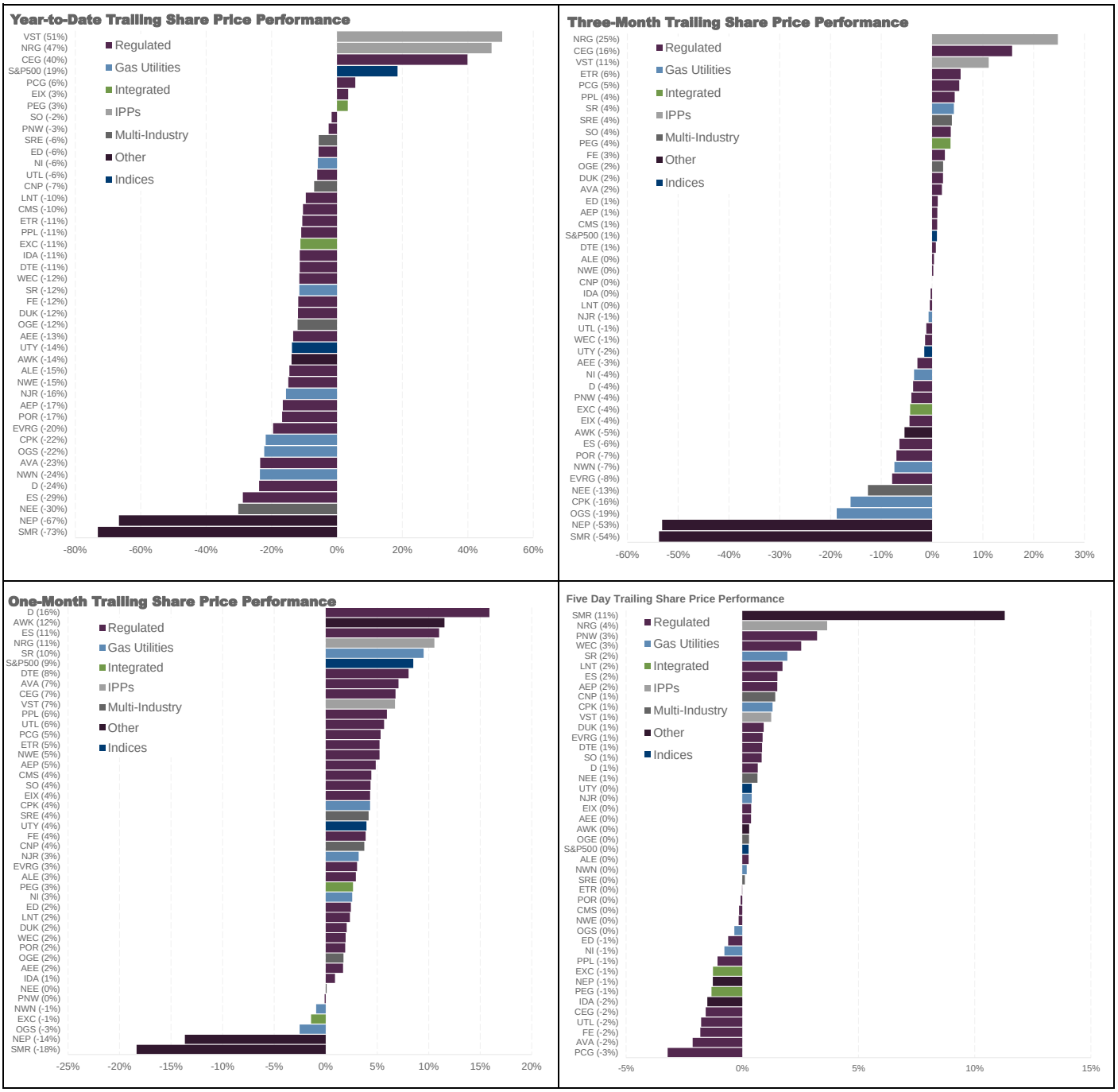
Diversified	Price	Market Cap ($m)	Guggenheim EPS Ests 2023E	2024E	2025E	2026E	2027E	Consensus 2023E	2024E	2025E	2026E	2027E	Δ vs Consensus (>$0.02) 2023E	2024E	2025E	2026E	2027E	Implied P/E Multiple 2023E	2024E	2025E	2026E	2027E	Prem/(Disc) vs Mid/Lg Cap Utes 2023E	2024E	2025E	2026E	2027E	'22–'27 EPS	NTM Yield	Payout Ratio	Guggenheim Rating	Target	NTM Total Return	Consensus Rating	Target	NTM Total Return
NEE	$58.36	118,104	3.13	3.43	3.69	3.99	4.27	3.13	3.40	3.65	3.86	4.28	–	0.03	0.04	0.13	–	18.6x	17.2x	16.0x	15.1x	13.6x	11%	10%	10%	11%	6%	8%	3.5%	60%	Buy	$65	15%	Buy	$69	22%
SRE	$72.95	45,909	4.52	4.75	5.06	5.40	5.85	4.54	4.79	5.11	5.49	5.88	–	(0.04)	(0.05)	(0.09)	(0.03)	16.1x	15.2x	14.3x	13.3x	12.4x	-4%	-2%	-2%	-3%	-4%	-9%	4.5%	68%	Buy	$79	13%	Buy	$80	14%
		164,013																**17.4x**	**16.2x**	**15.1x**	**14.2x**	**13.0x**	**3%**	**4%**	**4%**	**4%**	**1%**	**-0.3%**	**4.0%**	**64%**						
Gas LDCs																																				
NI	$25.81	10,670	1.57	1.68	1.82	1.95	2.07	1.59	1.70	1.82	1.96	2.10	–	–	–	–	–	16.3x	15.2x	14.2x	13.1x	12.3x	-3%	-2%	-3%	-4%	-5%	7%	4.1%	63%	Buy	$27	9%	Buy	$29	18%
CPK	$92.43	2,002	5.30	5.84	6.23	6.59	6.94	5.24	5.49	6.21	6.62	7.03	0.06	0.35	–	(0.03)	(0.09)	17.6x	16.8x	14.9x	14.0x	13.1x	5%	8%	3%	2%	2%	7%	2.7%	46%	Neutral	$99	10%	Buy	$120	33%
NJR	$41.88	4,092	2.70	2.80	2.94	3.10	3.34	2.69	2.79	2.96	3.11	3.39	–	–	–	–	(0.05)	15.6x	15.0x	14.2x	13.5x	12.4x	-7%	-4%	-2%	-1%	-4%	6%	4.0%	60%	Neutral	$42	4%	Buy	$48	18%
NWN	$36.37	1,277	2.65	2.83	2.98	3.09	3.21	2.66	2.75	2.96	3.05	3.23	–	0.08	–	0.04	–	13.7x	13.2x	12.3x	11.9x	11.3x	-19%	-15%	-15%	-13%	-13%	5%	5.4%	71%	Neutral	$37	7%	Buy	$46	33%
OGS	$58.87	3,265	4.14	4.24	4.53	4.98	5.31	4.13	4.19	4.45	4.98	5.31	–	0.05	0.08	–	–	14.2x	14.1x	13.2x	11.8x	11.1x	-15%	-10%	-9%	-13%	-14%	10%	4.6%	65%	Neutral	$64	13%	Neutral	$66	16%
SR	$60.92	3,205	4.05	4.35	4.61	4.85	5.05	4.18	4.32	4.58	4.83	5.07	(0.13)	0.03	0.03	–	–	14.6x	14.1x	13.3x	12.6x	12.0x	-13%	-9%	-8%	-8%	-7%	6%	5.0%	70%	Neutral	$55	-5%	Neutral	$62	7%
		24,510																**15.3x**	**14.7x**	**13.7x**	**12.8x**	**12.0x**	**-9%**	**-5%**	**-6%**	**-6%**	**-7%**	**6.7%**	**4.3%**	**63%**						
Regulated Water																																				
AWK	$131.22	25,549	4.82	5.14	5.59	5.98	6.45	4.81	5.15	5.60	6.04	6.46	–	–	–	(0.06)	–	27.3x	25.5x	23.4x	21.7x	20.3x	62%	64%	61%	59%	57%	7%	2.3%	58%	Neutral	$126	-2%	Buy	$145	13%

IPPs	Price	Market Cap ($m)	Guggenheim EBITDA Ests 2023E	2024E	2025E	2026E	2027E	Consensus 2023E	2024E	2025E	2026E	2027E	Δ vs Consensus (>$20m) 2023E	2024E	2025E	2026E	2027E	Implied EV/EBITDA Multiple 2023E	2024E	2025E	2026E	2027E	Enterprise Value 2023E	2024E	2025E	2026E	2027E	'22–'25 Growth	NTM Yield	Payout Ratio	Guggenheim Rating	Target	NTM Total Return	Consensus Rating	Target	NTM Total Return
CEG	$120.58	38,511	3,525	3,951	4,125	3,971	4,213	3,760	4,118	4,117	4,041	4,178	(234)	(167)	–	(70)	35	11.7x	10.4x	9.9x	9.7x	9.0x	44,045	42,784	40,917	39,227	37,422	15.6%	1.1%	20%	Buy	$119	-0%	Buy	$130	9%
NRG	$46.85	10,577	3,248	3,418	3,311	3,324	3,377	3,150	3,358	3,374	3,140	3,492	98	60	(64)	185	(115)	6.4x	5.9x	5.7x	6.0x	5.3x	20,039	19,841	19,223	18,956	18,597	23.6%	3.5%	25%	Buy	$51	12%	Neutral	$47	3%
VST	$34.92	12,486	4,050	3,906	3,997	3,822	3,513	3,964	4,258	4,194	4,127	4,336	86	(351)	(198)	(305)	(823)	6.0x	5.5x	5.5x	5.5x	5.0x	23,844	23,481	22,956	22,557	21,836	8.7%	2.6%	23%	Buy	$32	-6%	Buy	$39	16%
Other																																				
NEP	$23.37	2,184	1,902	2,021	2,080	2,099	2,118	1,921	2,052	2,069	2,037	2,124	–	(31)	–	62	–												16.1%	–	Buy	$42	96%	Buy	$33	56%
SMR	$2.76	212	(143)	(57)	8	96	n/a	(146)	(82)	(20)	144	452	–	26	28	(48)	–												–	–	Buy	$14	407%	Buy	$10	262%

Source: Guggenheim Securities, LLC estimates, Bloomberg LP.

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Share Price Performance (Year-to-Date, Three-Month, One-Month, & Five-Day Trailing)



(1) Regulated utilities deliver power to end-use customers via regulated transmission & distribution (T&D) infrastructure; vertically integrated utilities with regulated or mostly contracted generation are also included.

(2) Local Gas Distribution Companies (LDCs), as well as diversified utilities with a business mix largely comprised of gas infrastructure and related activities (i.e., LDC franchises, interstate pipelines, and/or other gas midstream activities).

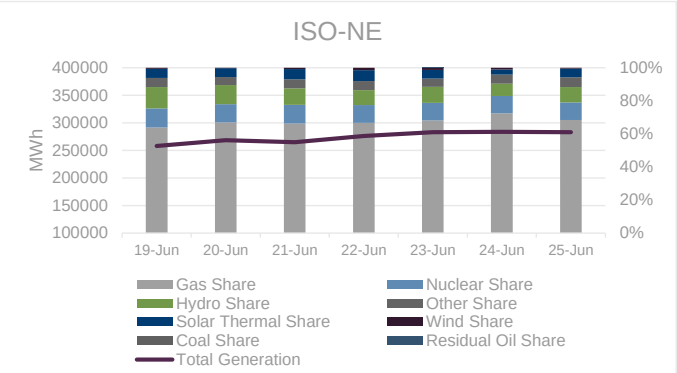
(3) Integrated utilities own and operate regulated T&D franchises, as well as un-regulated power generation with commodity exposure.

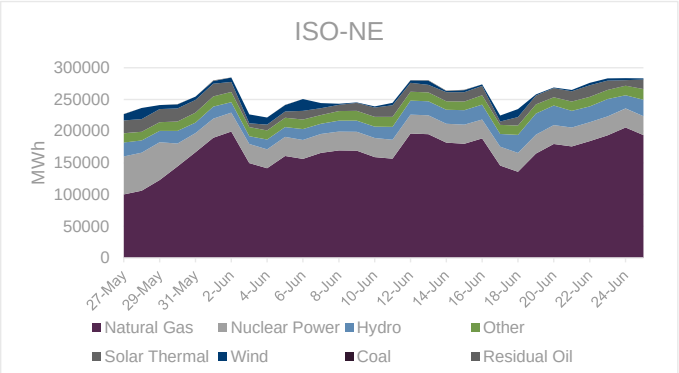
(4) IPPs operate merchant (i.e., un-regulated, non-utility) power plants that compete to sell power in wholesale markets or through retail marketing businesses.

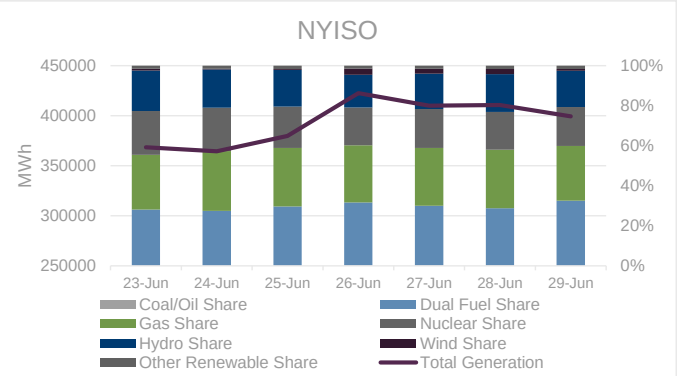
Source: Bloomberg, Guggenheim Securities, LLC estimates.

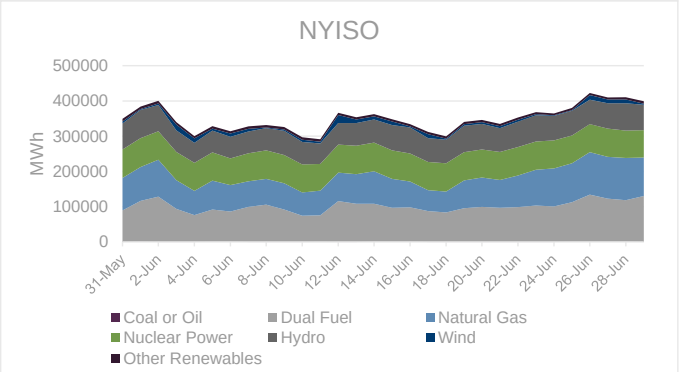
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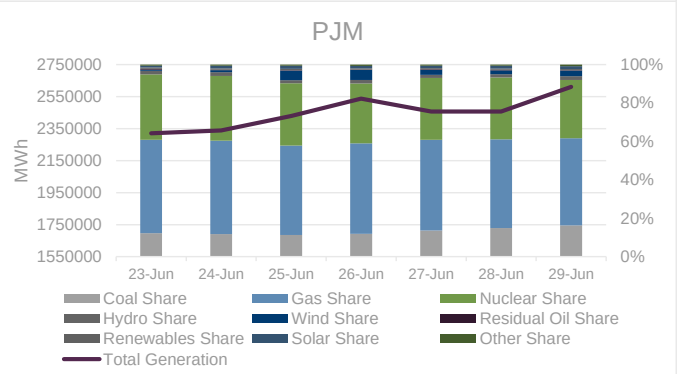
Generation and Mix

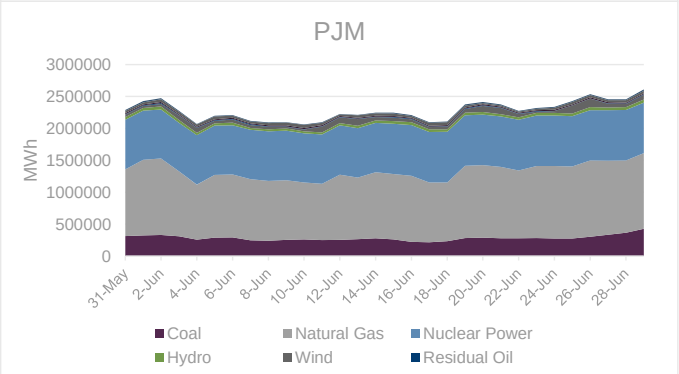


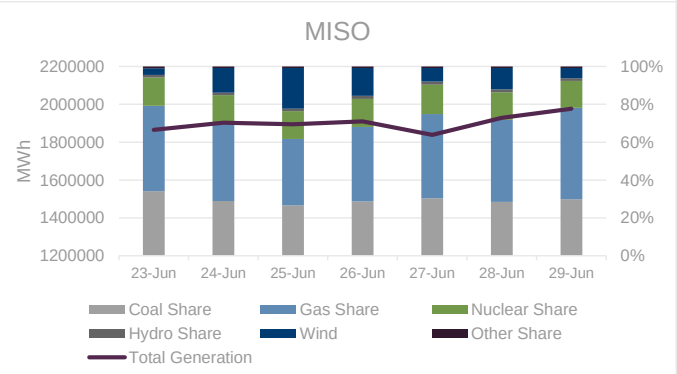


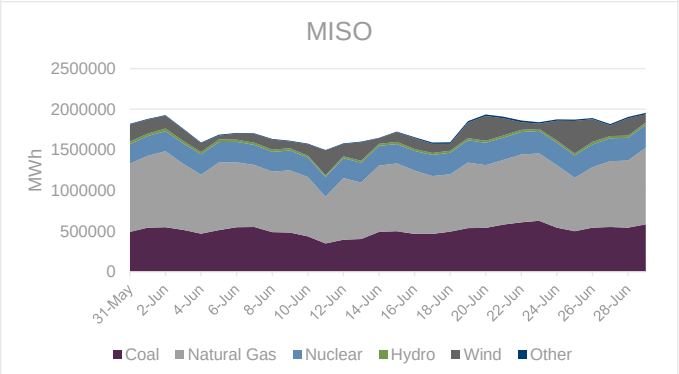








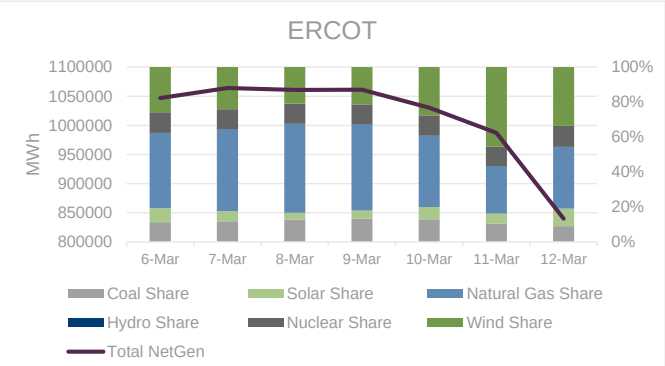


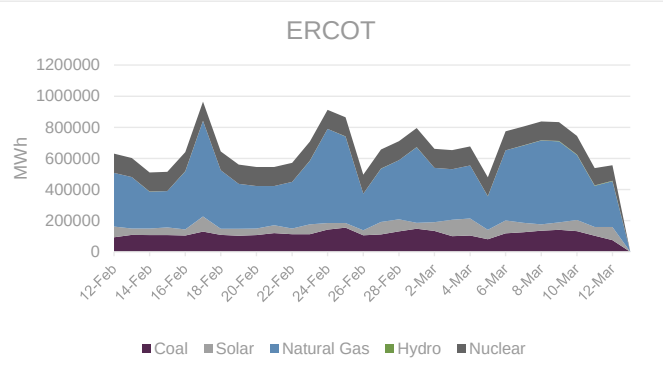


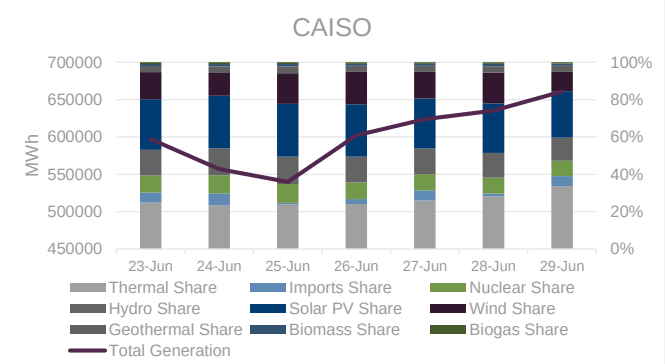
Source: S&P Global Platts, Guggenheim Securities, LLC.

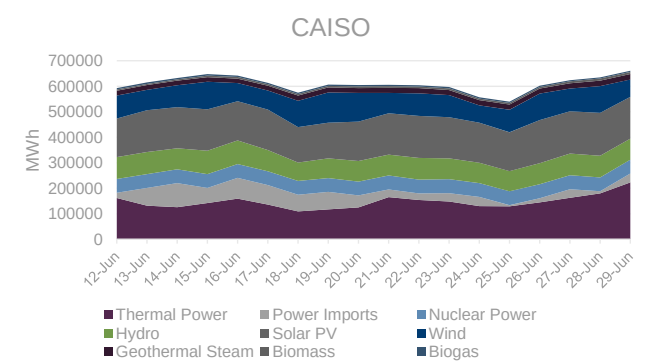
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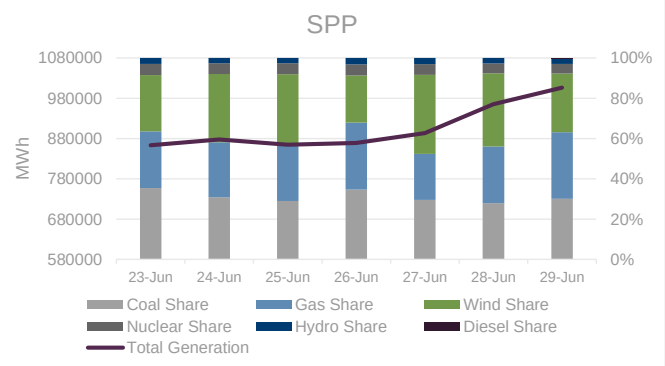
Generation and Mix (continued)

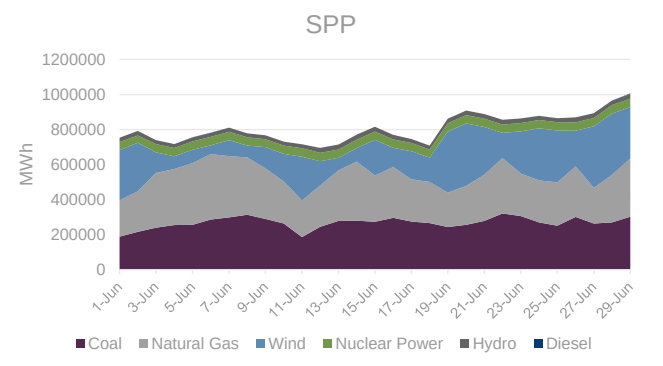








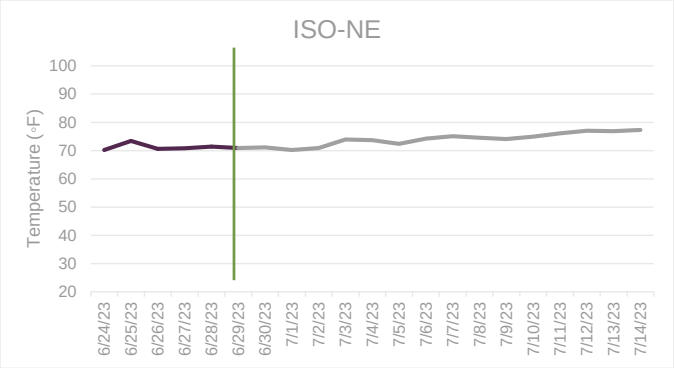


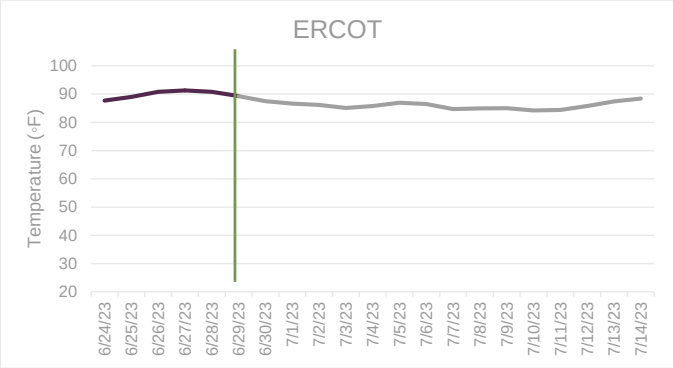


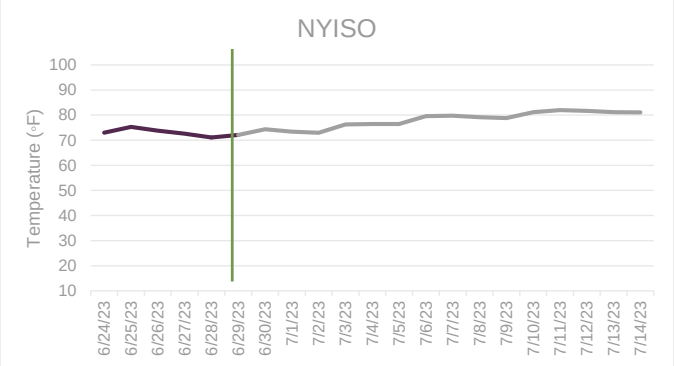
Source: S&P Global Platts, Guggenheim Securities, LLC.

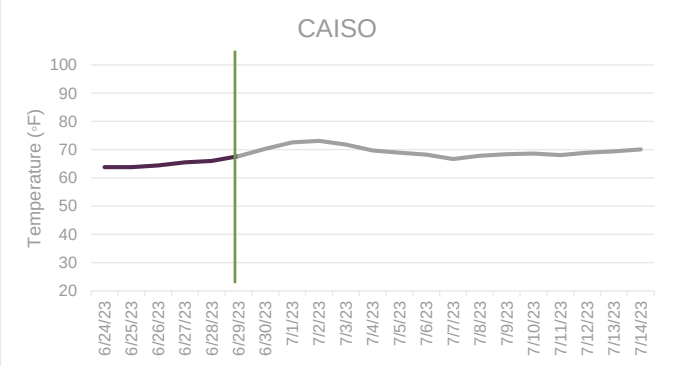
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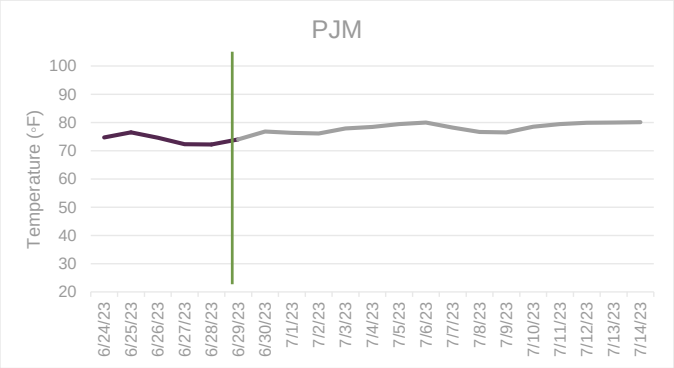
Weather

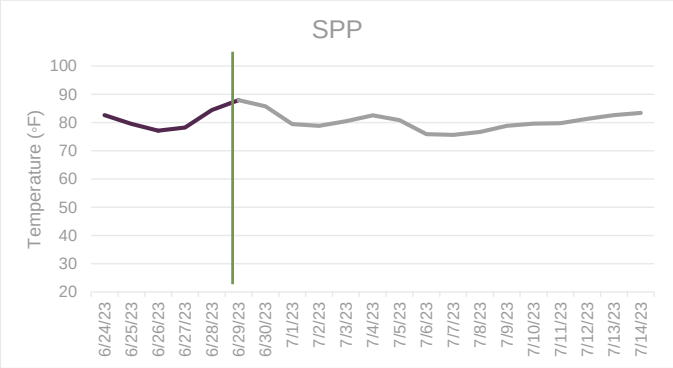


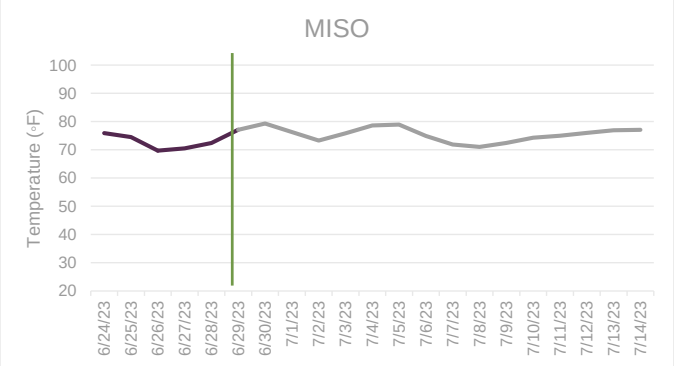








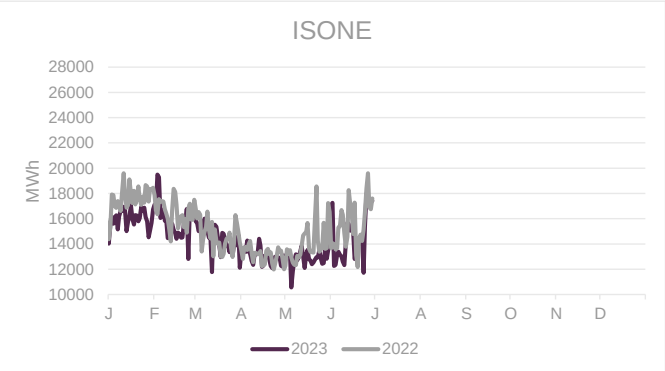


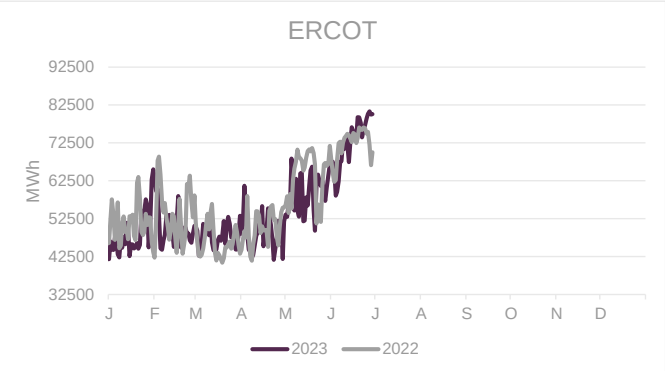


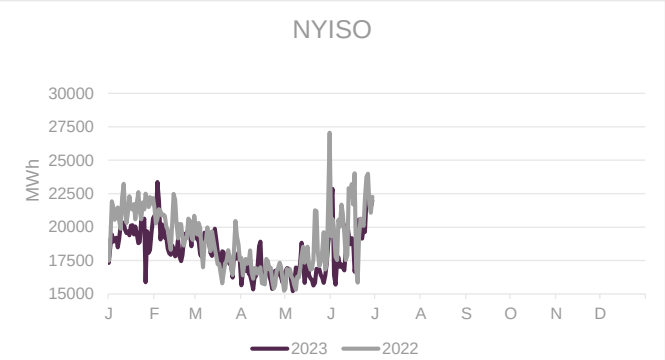
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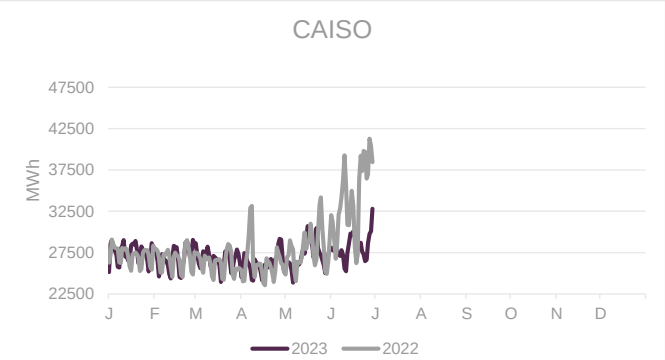
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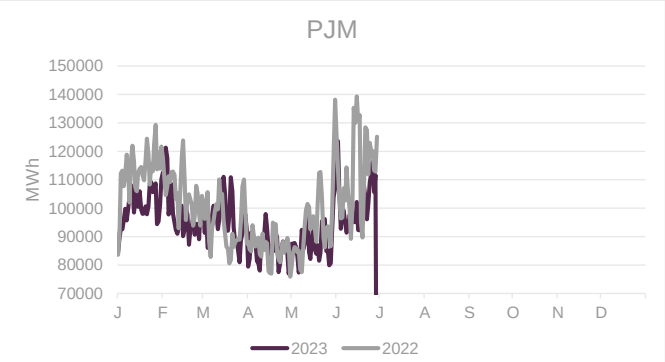
YTD Peak Load

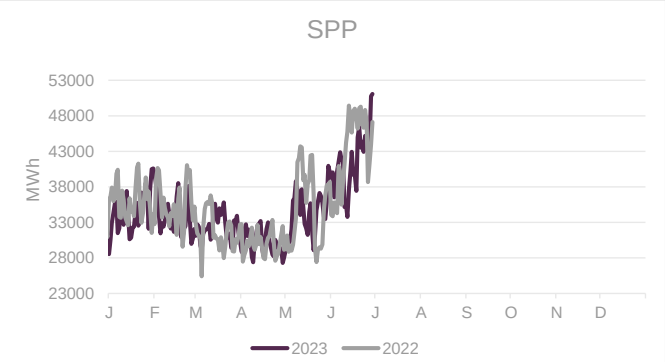


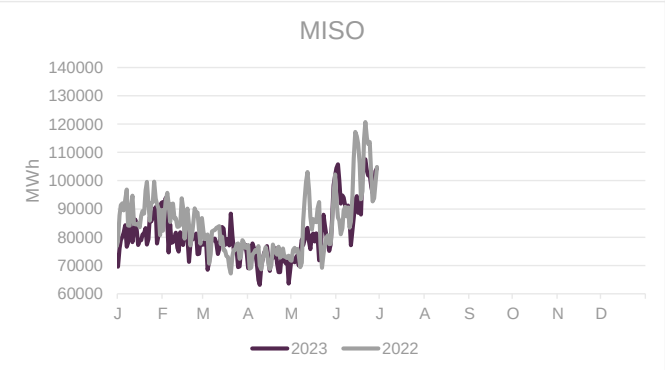












Average Deviation in Peak Load vs Prior Year

RTO/ISO	2Q22	3Q22	4Q22	1Q23	2Q23
ISONE	-1.2%	5.1%	-0.9%	-4.5%	-4.3%
NYISO	-0.1%	3.5%	-0.7%	-4.5%	-3.9%
PJM	3.8%	0.2%	2.1%	-5.2%	-4.8%
MISO	5.0%	0.1%	0.7%	-4.9%	-2.7%
CAISO	1.2%	4.0%	0.3%	1.0%	-6.0%
ERCOT	19.1%	7.9%	7.4%	-1.5%	-2.6%
SPP	9.7%	5.0%	7.1%	-1.6%	-0.7%

Source: S&P Global Platts, Guggenheim Securities, LLC.

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Regulatory Calendar

Po er and ti ities Coverage Ca endar 11/2 /2 23 2/2 /2 24

Date	State	Ti ker	ti it /Event	Do ket	Des ri tion
10/1/2023-9/3/2024	NJ	NJR	New Jersey Natural Gas Co		Gas rate case iiln may occur in iscal 2024
11/1/2023-11/30/2023	MC	EE	nion Electric Co		Securiti ation re uest ossible or com any s Rush Island acility Case EF-2024-0021
11/1/2023-11/30/2023	P	FE	FirstEner y Cor		dministrati e law ud e recommendation may be issued in o eratin com any consolidation roceedin
11/1/2023-11/30/2023		PNW	ri ona Public Ser ice Co	D-E-01345 -22-0144	Final rate decision e ected
11/20/2023-11/28/2023		D	ir inia Electric Power Co	C-P R-2023-00101	Hearin s scheduled in earnin s re iew roceedin
11/21/2023-11/28/2023	DE	E C	Delmar a Power Li ht Co	D-22-0897	Final settlement con erence to ta e lace in electric rate roceedin
11/29/2023	MC	NI	Columbia Gas o Maryland Inc	C-9709 IRIS	Re lies to e ce tions i any due in IRIS case
11/29/2023		EP	alachian Power Co	C-P R-2023-00102 BC-R C	Rebuttal testimony due in BC-R C roceedin
11/30/2023	C	EI	Southern Cali ornia Edison Co	-19-08-013 Trac 4	Commission decision in roceedin e ected by
11/30/2023		EP	alachian Power Co	C-P R-2023-00002	Decision due in triennial re iew roceedin
11/30/2023		NI	Columbia Gas o ir inia Inc	C-P R-2023-00119 S E	Decision li ely in S E Rider Proceedin
12/1/2023-12/31/2023	MI	CMS	Consumers Ener y Co		Gas rate case e ected to be iled
12/1/2023-12/15/2023	MI	DTE	DTE Electric Co	C- -21297	Final order in rate case e ected
12/1/2023-12/31/2023		SO	ir inia Natural Gas Inc	C-P R-2023-00180 S E	Decision e ected in S E u date roceedin
12/1/2023-12/31/2023	WY	D	Dominion Ener y Inc	D-30010-215-GR-23	Commission decision e ected in as rate case
12/4/2023-12/7/2023	DE	E C	Delmar a Power Li ht Co	D-22-0897	E identiary hearin s to ta e lace in electric rate roceedin
12/7/2023		D	ir inia Electric Power Co	C-P R-2023-00142 Rider CE	Parties and sta to ile testimony in Rider CE roceedin
12/11/2023	DC	E C	Potomac Electric Power Co	FC-1176	Inter enor testimony due in electric multiyear rate lan roceedin
12/12/2023-12/15/2023		D	ir inia Electric Power Co	C-P R-2023-00138 Rider S 4	Inter enin arties to ile testimony in Rider S-4 roceedin
12/13/2023	IN	EP	Indiana Michi an Power Co	Ca-45933	Com any rebuttal testimony due in rate roceedin
12/13/2023		EP	alachian Power Co	C-P R-2023-00102 BC-R C	Hearin scheduled in BC-R C u date roceedin
12/14/2023	MC	E C	Baltimore Gas and Electric Co	C-9692 EL	Final date or PSC decision in rate case er rior order
12/14/2023	MC	E C	Baltimore Gas and Electric Co	C-9692 G S	Final date or PSC decision in rate case er rior order
12/15/2023	MC	E C	Potomac Electric Power Co	C-9702	Inter enor direct testimony due in multiyear rate lan case
12/15/2023-1/15/2024		EP	alachian Power Co	C-P R-2023-00102 BC-R C	Hearin E aminer re ort may be issued in BC-R C u date roceedin
12/15/2023-1/15/2024		D	ir inia Electric Power Co	C-P R-2023-00094 Rider G	Hearin e aminer s recommendation may be issued in Rider G u date roceedin
12/15/2023		D	ir inia Electric Power Co	C-P R-2023-00136 Rider GT	Inter enin arties to ile testimony in Rider GT roceedin
12/15/2023		D	ir inia Electric Power Co	C-P R-2023-00137 Rider S 3	Inter enors to ile testimony in Rider S-3 roceedin
12/18/2023	OR	POR	Portland General Electric Co	D- E-416	Final order due in eneral rate case
12/20/2023	IL	EE	meren Illinois	D-23-0082	Deadline or decision in rate roceedin
12/20/2023	IL	E C	Commonwealth Edison Co	D-23-0055	Deadline or decision in rate roceedin
12/20/2023	IN	EP	Indiana Michi an Power Co	Ca-45933	Deadline or settlement to be iled in rate roceedin
12/20/2023	MC	NI	Columbia Gas o Maryland Inc	C-9709 IRIS	Decision e ected in IRIS roceedin
12/20/2023	OR		ista Cor	D- G-461	Tar et date or P C order
12/21/2023	MI	CMS	Consumers Ener y Co	C- -21389	LJ ro osed decision e ected
12/21/2023		D	ir inia Electric Power Co	C-P R-2023-00142 Rider CE	Rebuttal testimony due in Rider CE roceedin
12/29/2023	NC	D	Du e Ener y Carolinas LLC	D-E-7 Sub 1276	Decision in rate case e ected by
12/31/2023	DE	E C	Delmar a Power Li ht Co	D-22-0897	Possible decision issued in electric rate roceedin
1/1/2024-1/12/2024	P	FE	FirstEner y Cor		FirstEner y Cor o eratin com anies may ile oint rate case
1/1/2024	OR	POR	Portland General Electric Co	D- E-416	New rates e ecti e
1/1/2024-1/31/2024		D	ir inia Electric Power Co	C-P R-2023-00101	Hearin e aminer s re ort may be issued in earnin s re iew roceedin
1/5/2024	C	PCG	Paci ic Gas and Electric Co		Pro osed LJ decision in etition to trans er non-nuclear eneration assets by
1/10/2024		D	ir inia Electric Power Co	C-P R-2023-00142 Rider CE	Hearin scheduled in Rider CE roceedin
1/12/2024		D	ir inia Electric Power Co	C-P R-2023-00136 Rider GT	Sta to ile testimony in Rider GT roceedin
1/12/2024		D	ir inia Electric Power Co	C-P R-2023-00137 Rider S 3	Sta to ile testimony in Rider S-3 roceedin
1/16/2024	IN	EP	Indiana Michi an Power Co	Ca-45933	Hearin to be in in rate roceedin
1/16/2024-1/31/2024		EP	alachian Power Co	C-P R-2023-00102 BC-R C	Decision li ely in BC-R C roceedin
1/17/2024		D	ir inia Electric Power Co	C-P R-2023-00138 Rider S 4	Sta to ile testimony in Rider S-4 roceedin
1/24/2024		D	ir inia Electric Power Co	C-P R-2023-00184 Rider RBB	Direct testimony due in Rider RBB roceedin
1/26/2024	MC	E C	Potomac Electric Power Co	C-9702	Rebuttal testimony due in multiyear rate lan case
1/29/2024	DC	E C	Potomac Electric Power Co	FC-1176	Rebuttal testimony due in electric multiyear rate lan roceedin
2/1/2024-2/29/2024	MC	E RC	E er y Missouri West		Rate case ilin e ected
2/1/2024-2/28/2024		D	ir inia Electric Power Co	C-P R-2023-00094 Rider G	Decision e ected in Rider G u date roceedin
2/1/2024-2/28/2024		D	ir inia Electric Power Co	C-P R-2023-00142 Rider CE	Hearin E aminer s re ort may be issued in Rider CE roceedin
2/5/2024	C	PCG	Paci ic Gas and Electric Co		Commission decision on etition to trans er non-nuclear eneration assets a ter
2/7/2024		D	ir inia Electric Power Co	C-P R-2023-00137 Rider S 3	Hearin scheduled in Rider S-3 roceedin
2/14/2024		D	ir inia Electric Power Co	C-P R-2023-00138 Rider S 4	Hearin scheduled in Rider S-4 roceedin
2/21/2024		D	ir inia Electric Power Co	C-P R-2023-00184 Rider RBB	Hearin scheduled in Rider RBB roceedin
2/23/2024	MC	E C	Potomac Electric Power Co	C-9702	Surrebuttal testimony due in multiyear rate case
2/27/2024		D	ir inia Electric Power Co	C-P R-2023-00136 Rider GT	Hearin scheduled in Rider GT roceedin

S urce S&P Gl al Mar et Intelligence C any Filings Guggenhei Securities LLC

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Key Research

Guggenheim's Forward Commodity Curves

- Forward Power Curves, GenCo MtM, and Weekly Commentary

Key Research

- OGS: 2024 Guidance Misses Expectations; New 5yr Plan Leaves LT Rate Base Growth Trajectory Intact; Larger Capex Plan Brings Bigger Equity Need Too
- SO – Statewide Elections to Continue at Georgia PSC; Ruling Constructive for Buy Rated SO
- NRG: Quick Thoughts - Follow-Up Conversation(s) Reiterate No Change in Strategy/Capital Allocation; Renewed Focus on Operations – No Hidden Landmines Here
- NRG: CEO Departure Brings Elliott Standstill; Strategy Unchanged
- EEI: Wandering Desert Ridge, Parched for Alpha…
- NI – Remarketing Process Postponed; Substitute Equity Not Needed Until YE24; More Details to Come Tomorrow/Friday
- UTL: "It's Not the Size of the Dog in the Fight, It's the Size of the Fight in the Dog"; Valuation Full but Has Potential; Initiating Coverage at NEUTRAL
- NRG: Steadfast Capital Return Commitment, Confidence in Management, and Clear Messaging Go a Long Way…. Upgrading to BUY
- IDA: "Here We Have Idaho", and No Drama – What's Not to Like?; Initiating Coverage with a BUY
- NI NDR: A Hidden Gem with Catalysts & Clearing Events Ahead
- '23 LCOE Analysis – Inflation Now Embedded, But IRA Keeps Solar/Wind Competitive; Renewables Not Dead Despite Higher Interest Rates; NEE Positive Lateral
- ES – The Wind Keeps Blowing in the Wrong Direction: Another Messaging Miss, Downgrading to NEUTRAL on Balance Sheet, Protracted OSW Process
- Utilities: Perfect Storm of Rates, Tax-Loss Selling, and Macro Concerns Weigh on Sector Valuation: We Remain Cautious and Selective Despite Sell-Off
- DTE – 2023 Electric Rate Case PFD Drops Revenue Request Below Bid-Ask; MPSC Has Final Say, But Litigation Risk Now Apparent
- EVRG: Kansas Settlement Improves on Tough Bid-Ask but Leaves Cap Structure Overhang for Another Day
- NEE/NEP: Cat's Out of the Bag – Capital Markets Weigh Heavy on NEP Growth, NEE Readthrough Too Punitive In Our View
- CPK-NEE – CPK Announces Transformative Florida City Gas Acquisition; Efficient Cash Source for NEE, Strategic for CPK
- Power/Gas: No Country for New Gas…
- PCG: 2023 GRC PD Comes With Tough Headline Reductions For PG&E and Two Alternates Proposed; Non-GRC Recovery and Workarounds TBD
- CMS – Timely NDR on the Heels of Regulatory and Weather Events; Mgmt. Highlights Gradualist Approach With LT Upside on Infrastructure Needs
- D: Strategic Review Enters Home Stretch
- SO – Vogtle Prudency Review Begins with a Multi-Party Stipulation Right Out of the Gate
- Arizona Regulation: Drawing a Line in the Sand? Not with this Commission — Continuing Our Deep Dive in the Desert with Commissioner Myers and Commissioner Thompson
- POR: Valuation Dislocation on Wildfire Misconception Provides Fresh Entry Point: Upgrade to BUY
- SO: Fruitful Conversation With Georgia PSC Chair: "If It Isn't Broke, Don't Fix It"
- SO: "Georgia on My Mind" While Racing Porsches - Looking Past a Few NT Potholes to LT Sunny Skies with the Right Team at the Wheel
- Lead in the Water? We Don't Think So – First Glance at Utility Related Lead (Pb) Cable Insulation Exposure
- Guggenheim Regulatory Baseline: Taking the Midyear Pulse of Our 40+ States
- Utilities: A Midsummer Night's Dream or Daydream? Making Valuation and Ratings Changes but Has Sector Thesis Changed?
- ES: Calmer Waters Ahead? Yes, But Wind and Connecticut Cross Currents Remain – Updating Our Thoughts Ahead of Imminent Wind Deal
- AEP – One Notch Victory; Even More Confidence Built – Execution Story Remains but Back on Track; Reiterate BUY on Deep Value and Regulatory Turnaround

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- NRG: Management Stays the Course as Analyst Day Delivers More Guardrails on Capital Allocation
- NI: Healthy Multiple for NIPSCO 19.9% Sale in Line with Consensus Expectations; Questions Remain Around Equity Needs & Blackstone Equity Contributions
- POR: Stepping to the Sidelines as 1H23 Momentum Closes Valuation Gap, NT Catalyst Pathway Quiets, Downgrading to Neutral
- PCG NDR: If You Declare It, They Will Come
- POR: Initial Testimony Points to a Slightly Wider Bid-Ask
- DTE – 2023 Electric Rate Case Gets Direct Testimony; 50-60% of Ask Revenue Recommendation, Details Show Normal Bid-Ask, ROE Shows Slight Uptick
- DTE NDR – Constructive Discussion on Upside Trends; 2023 Headwinds Language Softened, Regulatory Alignment in Progress
- DUK: Disappointing Transaction Valuation But A Clearing Event Nonetheless; Focus Shifts To NC Rate Case Conclusions
- CNP – Mgmt. Engagement, Regulatory Alignment and Capex Upsides Could Further Differentiate CNP; Upgrading to Buy on a Selective Premium Call, $32PT
- PNW – Staff Files Constructive Testimony, Just Like Last Rate Case; All Eyes on Aug/Sept ACC Hearings While We Remain More Constructive on AZ Overall
- FE – Meeting with FE's New CEO Reinforces Our Confidence in the Existing Plan, No Rebasing Ahead – Bear Calls Won't Likely Work, Remains Our Best Idea
- CEG/NRG: STP Transaction Embodies the Tectonic Rift in IPP Strategies – Deal Supports Our BUY Stance on CEG; Neutral Stance on NRG
- PCG Analyst Day: Digging for Gold in All the Right Places; Investor Day Highlights Tangible Risk Reduction and Stakeholder Buy-In
- ES: Gets Offshore Sale Process in Motion
- AGA 2023 Recap: Acquisitions, Guidance and Growth Dominate Discussion
- AEP – Now TX?? Yes, EPS Trajectory Intact but These Misses Are Becoming Hard to Digest for Anyone – Questions Surround Regulatory Affairs Naiveté
- AEP NDR: Death By 1,000 Cuts? No. Despite Some Stumbles Out of the Gate, CEO Very Honed In; Focus on Execution and B/S Dominates Conversations
- EXC NDR: Post-AEE Selloff Gets Interesting as the Pathway to a Boring Story Runs Through Illinois
- NRG: Hotel NRG - You Can Check Out Anytime You Like but You Can Never Leave… Activist Points Make Sense to Us but Pathways Forward Unclear
- IL: Staff Direct Testimony Sets Disappointing Floor in MYP Bid-Ask vs. Investor Expectations
- ETR – ETR-TX Settlement Filed Resolving Most Issues; 9.57% ROE, 51.21% ER and Full Rate Base Approval
- NEP: NEP Announces Strategic Steps to Minimize Equity; LT Platform Positioning
- Quarterly Weather Review: Cloudy With a Chance of Lower EPS
- Rising Debt Costs a Problem? Nah, Fake It Till You Make It
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Correction (See disclosures for details)

Electric Utilities & Power

Takeaways from the 58th Edison Electric Institute Conference

US Credit Research

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- We hosted over 30 1x1 meetings with investors and management teams at EEI this week alongside our equity counterparts Jeremy Tonet and Rich Sunderland. We'd like to thank both investors and management teams for another successful conference and we look forward to staying in touch. We highlight some of our key takeaways from our meetings in this note
- **Macroeconomic headwinds have improved, but record capex and debt issuance remain lingering issues.** Compared to last year, we are of the view that the macro environment around utilities has improved incremental as concerns around higher natural gas prices and bill pressure have been meaningfully offset by lower commodity prices and supportive regulatory action that has helped to protect consumers and utilities alike. However, capital expenditures remain at record highs across the industry, and we expect debt issuance to meet or exceed 2023's ~$110 billion in gross issuance to date. Still, we think there is opportunity in new OpCo deals coming in 2024, particularly for the more idiosyncratic stories that show positive credit momentum.
- **Equity issuance a key theme at EEI.** Management teams, investors, and credit rating agencies all highlighted equity as a key component of maintaining credit quality this year in stark contrast to last year's conference. Management teams were generally more willing to consider equity issuance beyond just DRIP and ATM programs and even equity investors seemed to have more concerns around balance sheet strength this year as equity issuance appears to be the most likely lever for some companies to pull to fund increasing capital needs.
- **Wildfire risks have come down meaningfully.** In our discussions with management teams and investors, we found that concerns around wildfire risks have subsided meaningfully, though a relatively uneventful 2023 wildfire season has certainly helped sentiment. Regardless, with growing wildfire headlines out of HI, CO, OR, and even VA, we thought it was interesting that public perception of wildfire risk seems to be turning away from pointing fingers at utilities or individuals in recent years and has been more focused on how to address the broader problem of perpetual fire risk in at-risk territories.
- **XEL and WEC stand out; Downgrading AEP on expected agency action.** XEL and WEC reiterated their positions as two of the top quality utilities during our meetings. Neither company has had to engage in asset sales or minority interest sales in order to maintain credit metrics, and both companies were first to propose equity issuance plans to fund capex needs next year. FE was also a constructive meeting as we had a strong impression of newly appointed CEO Brian Tierney. Separately, AEP's targeted FFO/debt range remains below S&P's downgrade threshold, and we are downgrading AEP to Neutral on our expectation of a negative action from S&P, and the company's 10 year bonds have already been trading in-line with mid-BBB peers.

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EEI Takeaways

AEE

AEE started off the meeting discussing their multi-year rate case at AEE IL. **Management doesn't view the 9.24% ROE in the ALJ recommendation as appropriate, and has updated its filing requesting for a 9.85% ROE.** The decision is expected mid-December. **On the credit metrics front, AEE is committed to their current ratings (split-rated, Baa1 at Moodys', and BBB at S&P). Management also mentioned that they are not necessarily looking to push for an upgrade to BBB+ at S&P.** On the other hand, the company does not view tax credit transferability as a material source of capital at AEE. Management also mentioned that they see their 2024 maturities as manageable, and will time the market (potentially using CP to term out debt). Overall, AEE remains one of the more stable stories, and the near-term focus is on its IL rate case outcome expected in mid-December.

AEP

AEP initiated its FY24 guidance of $5.53-$5.73, compared to Bloomberg consensus of $5.60, and reaffirmed its 6-7% EPS growth rate at EEI. Management also announced its new five-year 2024-28 capital plan of ~$43bn, up ~7.5% from the $40bn prior plan. **On the credit metrics front, AEP continues to target FFO/Debt in the 14-15% range by 2024. However, this targeted range is lower than the 16% downgrade threshold at S&P, where they are currently on negative outlook. Management commented that AEP would probably be downgraded by S&P. Nonetheless, we also note that if AEP gets downgraded to a BBB+ issuer rating at S&P, that would bring the rating more in-line with their Baa2 rating at Moody's.** Separately, management noted that it would likely take multiple rate cases for KY Power to close its ROE gap. Management sees it feasible for FFO/Debt at KY Power to get above its 10% downgrade threshold, depending on the current rate case outcome. Finally, AEP also put out its 2024 gross debt issuance guidance at ~$4.4bn, including $2.2bn of refinancing. **Overall, we find the AEP update at EEI incrementally negative given their expectation of a downgrade at S&P. As a result, we are downgrading AEP to Neutral from Overweight, as the 10 yr bonds are currently trading in-line with mid-BBB peers.** Risks to our rating include adverse regulatory decision, elevated capital spending, accelerated improvement of credit metrics.

AES

AES started off its meeting defending the renewables subsector, stating that the market was painting renewables with a broad brush, and that there is some misunderstanding of the company's use of project level debt. Management reiterated that it has limited FX, interest, and commodity risk compared to other renewable growth companies and that it has no plans to issue equity for the next few years. Most of the company's growth plans will be funded with cash from operations and additional asset sales, including its Panama portfolio. In addition, the company reiterated that its backlog is very firm, with all projects signed on PPAs. **Finally, management reiterated that balance sheet health is a priority for the team, and that they continue to target mid-BBB credit metrics as the company's asset base becomes higher quality and lower risk over time. While execution risk still remains for AES on its asset sales, we continue to see an attractive renewable credit story at AES despite some of the recent growth concerns that we think is more of an equity concern.**

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AWK

AWK kicked off its meeting with an update on its PFAS. **Most of the $1bn capex planned on PFAS treatment will be back-end loaded in the five-year plan at 2025-27. The EPA has yet to finalize the rule, which is expected YE23 or 1Q24. Specifically, once the EPA finalizes the rule, it usually gives the companies 3 years for them to comply, and the companies could also then apply for a 2-year extension, bringing in the total years to comply to 3-5 year time frame. AWK also had some experience treating PFAS in NJ, where regulation already requires a higher standard than EPA.** Separately, management sees M&A mechanism as a two-way flow. While they actively look for opportunities, they also receive interests from surrounding communities when they do an acquisition. Rates continue to be the biggest hurdle in the M&A process. **Finally, the company may push for an upgrade at Moody's, as there is currently a two-notch difference vs. S&P. The management highlighted that they have proven to the agencies that they have properly equitized and their balance sheet is in a good shape.** Overall, AWK provides mostly incremental operational updates, but continues to maintain a steady M&A path.

BRKHEC

The entirety of our meeting was focused on the PacifiCorp James case, which was not a surprise. Management noted that they could see a final judgement from the judge in December, and the company does not expect any change in the final verdict at this time. **Once the final order is filed, PacifiCorp plans to appeal, primarily focused on 1) the belief that wildfire damages cannot be classified as a class action given the unique damages to each victim and 2) the use of a 2013 statute where non-economic damages were determined unrecoverable in wildfires in the state of Oregon.** Regardless, management reiterated that full litigation could last anywhere from 10-30 years depending on the way victims are grouped or classified and that PacifiCorp is prepared to go the distance should the case get dragged out. **The company increased its best estimate of loss by $1.3 billion to $2.4 billion in its most recent filings, and noted that they expect PacifiCorp to accumulate $4-5 billion in cash over the next 3-4 years through the appeals process, which would allow the company to handle any damages on a standalone basis. When pressed, BRKHEC management did not deny or commit to any equity or cash support for PacifiCorp.** Should the company not be successful in the James case, they noted that they could defer capex and generation investments that could help to bolster their cash position. While the company does not have any planned BRKHEC HoldCo issuance expected in their 2024 debt issuance guidance provided on slide 59 of their EEI slides, they seem to be testing appetite for PacifiCorp long bonds in 1H24.

CMS

CMS began its meeting with updates on its MI rate case. **Management expects to see constructive outcomes for both CMS's and DTE's electric rate cases in the state, and has no plan to pursue a settlement. On a positive note for credit metrics, CMS expects a ~50bps uplift in FFO/Debt at Moody's, driven by changes in equity treatment of their junior subordinated notes (40% to 50% equity treatment). CMS expects about 50% of its capital plan to be funded by utility-level debt, and the rest could be either equity, tax credit transferability or even holding company debt, with the primary goal of maintaining mid-teens FFO/Debt.** Separately on load growth, CMS currently assumes a conservative flat load growth, inclusive of energy efficiency in its financial plan. Finally, the new MI energy legislation also gives them

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flexibility to play ownership vs. PPA (typically 50-60% ownership), and CMS remains selective on its owned generation. Overall, we see CMS as a steady story with constructive outcomes expected from pending rate cases and the expected uplift of metrics at Moody's.

CNP

The new chairman for the PUCT remains the main focus for managing the company's regulatory relationship in TX. The governor is likely to make an appointment once they are out of the open session. Separately, CNP's O&M trajectory is improving, as they pulled in some cost savings earlier in 2023. Management also pointed out TX now suffers from intermittency as peaking comes from mostly solar. Overall, there were not many new updates vs. 3Q23 earnings, and the near-term focus remains on the new chairman appointment at the PUCT.

D

The Dominion meeting started off with a discussion on its VA OSW equity partner transaction. Management mentioned that the selection criteria for a partner includes price, certainty to close, ability to take on pro-rata share of costs, as well as financing availability. **D also highlighted that no supplier is under water on D's contract for the OSW project. On credit metrics, Dominion is committed to manage above its downgrade threshold (14% at Moody's) over the next few years. Management expects FFO/Debt to be at mid to high teens following the OSW transaction, and should trend down over time. Also, they don't expect their downgrade threshold to change following the OSW equity partner transaction.** Overall, we view the update from D at EEI as neutral, and continue to wait for the OSW equity partner transaction announcement.

DQE

Duquesne noted its continued intent to shed assets, but reiterated that it does not have a near-term mandate to do so and can be strategic around timing. **The company noted that it does not actively plan to reduce its HoldCo debt, and will likely address these liabilities as they get closer to their maturities in 2027. Over time, the company expects to shift Management does not see any need to change from its preference as a 144a issuer and will remain opportunistic with accessing the market.** DQE's only floating rate debt remains at their term loan, so interest rate exposure remains limited in the near-term. The company also recently benefitted from an uplift in revenue with new rates implemented in 2022, but population growth has remained stagnant in the Pittsburgh area. Still, management expects their rate base growth CAGR to be around 4-5% going forward.

DTE

DTE primarily focused on its IRP plan in MI as the focus remains on a recent bill from the governor that could push the IRP forward. Management noted that its bill inflation also remains under control and is on average at 1.6%, compared to 5% for peers. **On their ongoing rate case, DTE expects some resolution on or around December 8th**, and a favorable ruling should help to push along the company's electric capital plan. **On credit metrics, management noted that its FFO/debt was weak in 2022 due to power cost recoveries, but is expected to recover in the 15-16% range near-term as the company remains committed to its mid-BBB ratings.**

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DUK

On financing, Duke expects to fund incremental capital needs with around 30-50% equity. **The company will use DRIP and ATM programs to support is balance sheet and sees no need to utilize block equity issuance. Duke's 2024 maturities are light, and the company will look to refinance the ~$1bn HoldCo maturities and issue some OpCo debt**. The detailed financing plan will be updated in February alongside 4Q earnings. Duke currently has under 10% floating debt, compared to mid-teens about 18 months ago. The parent to total debt ratio is in the low-30% range, and the company continues to work to bring that down, but admittedly sees that as a long process. On the regulatory front in Florida, the priority is on storm prevention and grid hardening. Duke FL is in the final year of its current 3yr MYP, and are looking for a potential settlement. They will file a rate case in early 2024 if they don't settle. **In Ohio, management sees some improvement in the regulatory environment. The commission remains cautious in the post-HB6 era, but outcomes have been good in the state.** Additionally, KY has also had reasonable rate case outcomes recently. Overall, we see Duke as one of the strongest stories, with good regulatory momentum across its jurisdictions.

EIX

Our EIX meeting was focused primarily on the company's evolving 2017/2018 $2.4 billion cost recovery application as the company proposes for a CPUC decision in early 2025. As mentioned on the 3Q call, the company's overall $9.3 billion cost estimate remains firm, and the company has paid off 92% of the claims to date, with only $700 million remaining to be resolved. **Management's primary focus remains on the general rate case, which EIX expects to be approved based off of recent conversations they've had with the CPUC. To date, all of the company's wildfire claims have been financed with OpCo debt, but management noted that additional HoldCo debt could be necessary if not all of their costs are recoverable.** On credit metrics, the company continues to target 15-17% FFO/debt and will stay below 20-25% holdco/total company debt.

ES

The focus of the ES meeting remained on the pending OSW sale. **Management continues to expect an announcement of sale terms and buyer later this year or next year, and remains confident that the deal will go through. ES highlighted that the buyer has a long-standing relationship with Orsted and is involved in the company's other projects.** On the credit ratings front, management pointed out that they can achieve its 15% FFO/Debt upgrade threshold at Moody's post the sale, and that would imply higher metrics at S&P and Fitch as well. They see the negative outlooks at S&P and Fitch as primarily related to the company's Offshore Wind sale. **On the financing front, management commented that they would probably have another issuance in 1Q24, with the remainder coming after the Offshore Wind deal closes.** Overall, we think the ES update is positive on the margin as management remains very confident about the OSW deal, and we think the deal is more likely to close than not, but execution risk remains.

EXC

EXC's meeting started with a discussion on its pending rate case at ComEd. **Management pointed out that the ALJ recommended ROE of 9.28% was below the**

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national average, and compared to 10.65% requested. In addition, investors were focused on whether or not the company can get a return on pension assets, which have been in place for 20 years. Both the union and witness support ComEd's case with respect to the pension asset return and the final order is expected on 12/14/2023. On the other hand, the BG&E case is proceeding as expected and also expects a final order on 12/14/2023. On credit metrics, EXC continues to target 100-200bps cushion above its downgrade threshold of 12%. **Management highlighted that they typically would like to have above 150bps of cushion, but will be close to 100bps due to the impact of the AMT. The company is working to get a repairs inclusion in the calculation, and that will get them 60bps back in cushion. Management is still waiting to hear back from Treasury on that front, which is likely be early next year due to the complexity of the issue.** Overall, we see EXC as a strong T&D only utility with strong focus on balance sheet and see their upcoming rate case at ComEd as a near-term focus point for investors.

FE

We had a positive first impression of new CEO Brian Tierney, who reiterated the company's focus on completing the FET minority sale transaction, paying down HoldCo debt, and moving forward with the PA and OH consolidations. **Management also noted the expectation of a Moody's upgrade following the deployment of FET proceeds, which will target the FE 2031 HoldCo bonds, along with revolver borrowings. The company believes it is on a similar upgrade track with S&P, who is also focused on the company coming off of its DPA.** On the PA consolidation order, management expects some resolution by year end, and will likely file to begin the OH consolidation process shortly thereafter. **FE expects the OH consolidation process to be smoother than PA, with a similar timeline of 12-18 months until closing.** In the next few weeks, the company should also announce its new COO and additional hires, underscoring a complete management reset at the company.

NEE

NextEra management maintained its firm FY23 guide that was reiterated on their 3Q call, highlighting their optionality on monetizing their tax credits that remain a source of funding for their growing capital plan. On NEP, the company noted the subsidiary's strong execution on its transition plan, and the company remains on track to achieve 6% growth as well as asset sales as they wait for cost of capital to reach a more sustainable level. **Notably, the company highlighted that of the $20-30 billion of debt issuance in their 2024-2026 plan, roughly $8-10 billion will be at FPL.** The company is also open to using its commercial paper and debenture programs to build projects at NEER, which could eventually get taken out with longer-term financing. **On the company's ongoing FPL investigation, management did not provide any meaningful updates, other than that these types of investigations have historically taken 12-18 months, which could imply some resolution in mid-2024.**

NI

We found most of NI's updates to be incremental from their 3Q call. The company emphasized that it has some flexibility around the recently postponed remarketing of its converts due to the cash they received from the NIPSCO minority interest sale**. In addition, the company plans to keep FFO/debt in the 14-16% range this year, which is 100bps above their downgrade threshold.** On the company's IRP, they plan to have a refresh closer to the end of 2024 that could include additional storage assets.

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On debt issuance, the company noted that they have some bias toward 30 year issuance and will likely look to access the market in the 1H24 timeframe, and sees some attractiveness in the junior sub market as well.

ONCRTX

We found our Oncor meeting to be one of the more constructive meetings at EEI. Management reiterated its upcoming resiliency plan as its next focus following its TX rate case settlement earlier this year, and could see the potential for another rate case process in 2027. **While the company received a 9.7% ROE from its rate case, representing a 10bp decline, management noted that this ROE is still one of the highest among peers and that the PUCT is beginning to look at the relatively weak 42.5% equity layer that is supported by the state, so there could be some upside to the rate case process.** In addition, the company's DCRF rider that was approved in its latest rate case allows the company have a faster cash recovery cycle that should help boost metrics. Management expects its rate base to double in the next 2-3 years with its current $19.2 billion capex plan from 2023-2027, but should have a more detailed update early next year. **Oncor also seemed to show some preference for long-term bonds, but will still look across the curve as the company will have plenty of funding needs in the coming years as 70% of the company's budget is growth capex.**

PCG

The first update at the PCG meeting was on undergrounding. The team at PCG managed to stay under budget, with costs at $3mn/mile compared to the $3.3mn/mile budget as the company aims to achieve $2.8mn/mile. Separately, the PacGen transaction is expected to close by the end of 1H24. On the ongoing GRC process, management emphasized that the recent APD revision was marginally positive, and that they expect a final decision by YE23. Notably, the CFO reiterated their commitment to mid-teens FFO/Debt metrics, and pointed out that **they would focus on achieving IG next year. Moody's currently has PCG on positive outlook and is two-notches below IG. Management said that they met the threshold metric-wise, and Moody remains satisfied with their wildfire mitigation efforts. PCG noted that they would need to go through another wildfire season (through November next year) for a potential IG upgrade.** On financing, PCG sees up to $7 billion in DOE loan opportunities next year, and has one more tranche of AB1054 securitization ($1bn) in 2024. Overall, we continue to see PCG on a positive trajectory, with near-term focus on the GRC outcome before year-end.

PEG

PSE&G has a rate case scheduled for 2024. **Management mentioned that while the NJ commission generally likes to keep ROE the same for everyone in the state, PSE&G would like to ask for more than the 9.6% ROE granted for Atlantic City's recent case.** On tax credit transferability, PEG commented that they utilize most of the tax credits generated in house, and don't need to rely on transferability. **Finally, run-rate collateral postings have come down to a normal level, at about $200-300 million now**. Overall, we see minimal new updates, and continues to like PEG's a robust story with its strong nuclear fleet and completed OSW exit.

SO

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To no surprise, the main focus of our SO meeting was on Vogtle. **Management pointed out that all cost sharing disputes have been resolved and all co-owners chose to not tender their shares. The company is currently on positive outlooks at the agencies, and are are close to resolutions, pending a Vogtle prudence review vote on December 19**. It was also brought up that they receive special PTCs that are slightly richer than what the IRA offers for Vogtle Unite 3&4 (for nine years), giving them a slight edge on nuclear PTCs. On tax credit transferability, SO Power has a backlog of PTCs from prior renewable projects that they could sell at 95c on the dollar in the market. **On the financing front, SO mentioned that they might issue convertibles again next year to take care of the $1.5 billion of maturities in 2024.** Separately, management also provided color on its DOE loan opportunities, highlighting that those loans are 100-150bps lower on rates than typical senior debt. Finally, SO looks to maintain a parent to total debt ratio of below 30%. Overall, we see the post-Vogtle SO as one of the strongest stories in our coverage, and the near-term focus is on the prudence review next month.

SRE

On SIP, SRE parent benefits from a fair amount of cash flow generated at SIP, which helps it to alleviate financing needs. **Management emphasized that they like the current 75-80/20-25 regulated vs. unregulated business mix. Notably, S&P is also comfortable with the mix.** Similar to the message delivered at the 3Q23 earnings call, SRE continues to see strong growth at Oncor. **On its CA utilities, management started off the conversation by clarifying that they have no intention to combine SDG&E and SoCalGas. SRE sees positive momentum in CA's regulatory environment and expects robust outcomes from their CA rate case.** Overall, we continue to like the SRE story with positive momentum both in regulated utilities growth and LNG business.

WEC

Our WEC meeting began with management highlighting the new Microsoft technology park expansion announced late last Friday night. The project got expanded to over 1,000 acres from 358 acres, and is now a multi-billion dolalr project. WEC's current capital plan does not include the new updates, and they look to update the five year plan next year. The conversation then went on to focus on S&P's latest report affirming its rating and negative outlook. **WEC pointed out that the report has not incorporated new data points that WEC recently presented to S&P. Management feels good about their credit metrics and believe they are in good standing with current ratings. Therefore, the company expects S&P to resolve the negative outlook after its current review process concludes**. Separately, WEC also noted that they have not put an end to Gale (Chairman)'s role, and he will stay through transition. On the financing front, the company sees themselves with less refinancing risks compared to its peers, with $600mn maturities next March. **Specifically, management said that they are not looking to add much holding company debt in the new five year plan, and are mostly focused on utility debt.** Overall, we view the WEC meeting as providing constructive updates. WEC continues to maintain its position as a strong and reliable credit that has not yet had to engage in pulling any levers that many of its peers utilized.

XEL

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We thought XEL was one of our more positive meetings during the conference, as management highlighted its increasing willingness to use equity to right size the balance sheet, including tapping the ATM for $500 million per year, accessing the DRIP facility for $100 million per year, and is also considering the converts market. The company did not have any new updates on its Marshall Fire litigation at PS Colorado and still sees some resolution by the end of 2024 and early 2025, which management also sees as a potential resolution of the negative outlook at S&P for PS Colorado. The company also reemphasized its dislike of minority interest sales and prefers equity issuance when it is accretive to the story. Overall, we still consider XEL as one of the highest quality names in the space, and we think the company's increasing willingness for equity issuance is indicative of management's focus on maintaining balance sheet strength.

For risks to our ratings, please see coverage reports here, here, here and here.

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Correction: We corrected Duke's funding of incremental capital needs to 30-50% of equity.

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Power & Utilities
Initiating Coverage
October 6, 2023
BUY

Paul Fremont; pfremont@ladenburg.com
212.409.2057

NiSource Inc.

Initiating NiSource with a Buy Rating and PT of $25.00

NI (NYSE)

Company & Market Data	
Closing Price (as of 10/05/2023)	$23.83
Rating:	BUY
Price Target:	$25.00
52 Week Range:	$22.86 - $28.95
Shares Outstanding (MM):	413.3
Market Capitalization (MM):	$9,848
Avg Daily Volume (M):	4,521.6
Enterprise Value (MM):	$23,772
Book Value per share:	$27.46
Debt (MM):	$7,950.0
Annual Dividend/Share:	$0.70
Current Dividend Yield:	2.9%
Fiscal Year End:	Dec

Estimates			
EPS	**2023E**	**2024E**	**2025E**
1Q	—	—	—
2Q	—	—	—
3Q	—	—	—
4Q	—	—	—
Full Year	$1.58	$1.69	$1.81
Revenue (MM)	$5,363.9	$5,760.4	$6,114.9
EBITDA (MM)	$2,172.4	$2,449.8	$2,716.1

Ratios			
P/E	15.1x	14.1x	13.2x
EV/EBITDA	10.9x	9.7x	8.8x

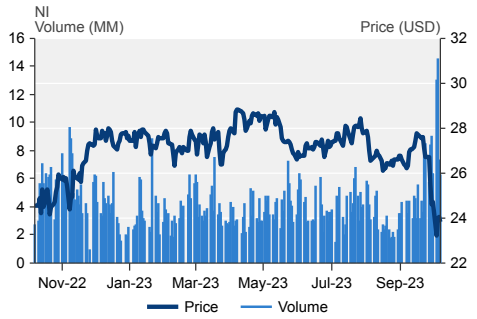


Chart data: Bloomberg

We are initiating coverage of NiSource Inc. with a Buy rating and $25.00 price target. NiSource has taken meaningful action to right size its balance sheet through the sale of a minority interest in its NIPSCo subsidiary. Proceeds will be used to reduce debt and fund future capital spending. The company has identified significant additional investment opportunities and plans to update its capital spending forecast next month. Although not yet included in our estimates our valuation assumes $0.05 of accretion from assumed higher capital spending.

- We are projecting compound annual growth in earnings of 6.8% off of 2021 earnings. Our estimate is slightly below the mid-point of the company's 6%-8% EPS growth target.
- We are initiating 2023-26 EPS estimates as follows: $1.58, $1.69, $1.81 and $1.90, respectively.
- Rate base is projected to grow 8%-10% off of a 2021 base driven by the retirement of coal units at the company's electric operations and pipeline replacement and reliability spending at the company's gas LDCs.
- We believe NiSource will add roughly $1.0 billion to its capital spending forecast. The most likely source of uplift would be using NIPSCo capital to fund four renewable BTA projects in lieu of tax equity. Other possible spending opportunities include advanced meter infrastructure and accelerated gas pipeline replacement. Our valuation includes $0.05 of associated accretion.
- The company has recently received rate orders at is larger subsidiaries. This should mitigate regulatory risk in the near term.
- Upon closing the sale of a 19.9% interest to Blackstone expected around year-end, NiSource is expected to use the proceeds to repay preferred and debt helping to improve the company's ratio of FFO/Debt. Funds will also be used for ongoing construction. We are projecting FFO/Debt of 15.4% in 2026.
- The company will issue equity units next year including shares currently reflected in its diluted share count. Beginning in 2025, we assume annual equity issuance of $200 million through an ATM program.
- Using a sum of the parts valuation methodology, we arrive at a price target of $25.00 (see Valuation, page 7).

Background

NiSource is an energy holding company that owns and operates electric and gas utilities. Roughly two-thirds of the company's earnings are derived from its gas distribution business and the remainder from its integrated electric utility business. Its largest subsidiary, Northern Indiana Public Service Company (NIPSCo), provides electric and gas service to customers in Indiana. The remaining operations are comprised of gas local distribution companies (LDCs) which the company acquired when it purchased Columbia Energy in 2000 serving customers in five Midwest and east coast states.

NIPSCo electric operations consist of generation, transmission, and distribution of electricity to 486,000 customers in Northern Indiana. The company owns and operates roughly 2,300 MW of generation including 1,175 MW of coal, 725 MW of gas fired units and the remainder comprised of renewables.

NiSource gas distribution operations include NIPSCo which serves 859,000 gas customers in Northern Indiana as well as its Columbia Energy gas LDCs that serve 2.4 million customers in Ohio, Pennsylvania, Virginia, Kentucky and Maryland.

NiSource has $1.5 billion of goodwill booked at its parent company mostly derived from its purchase of Columbia Energy in 2000.

NIPSCo

In June 2023, NiSource entered into an agreement to sell a 19.9% ownership interest in NIPSCo to Blackstone Infrastructure Partners for $2.15 billion in cash. Upon closing, Blackstone will also be responsible for funding its share in NIPSCo capital spending. The sale is expected to close by the end of 2023 and is subject to regulatory approval by the Federal Energy Regulatory Commission (FERC). NiSource plans to use the proceeds from the sale to pay down debt and fund ongoing capital needs.

In November 2021 the company submitted its integrated resource plan to the Indiana Utility Regulatory Commission (IURC). The plan reaffirms NIPSCo's 2018 IRP under which the company plans to retire its coal units by 2028 and replace them with renewables and additions to gas capacity.

The current replacement plan primarily includes renewables including wind, solar and battery storage to be obtained through a combination of NIPSCo ownership and purchase power agreements (PPAs). NIPSCo has also executed several build-transfer agreements (BTAs) with developers. Through March 2023 NIPSCo has executed contracts (with IURC regulatory approval) for 1,950 MW of BTAs and 1,380 MW of PPAs.

Regulation

NIPSCo filed an electric rate case in September 2022 seeking approval of a $291.8 million increase in rates. Parties reached a settlement in March 2023 including a revenue increase of $261.9 million predicated on rate base of $5.95 billion, a 51.6% equity ratio and a 9.8% return on equity. In August 2023 the IURC issued a final order approving the terms of the settlement.

Columbia Gas of Maryland filed a rate case on May 12, 2023, requesting an $8.1 million annual increase in rates. The request is predicated on a rate base of $235 million, a 52.1% equity ratio and a 10.95% ROE. Parties filed a settlement on September 8, 2023, to increase annual rates $5.4 million. The settlement is predicated on a rate base of $235 million and a 52.1% equity ratio. While no return on equity is specified the settlement provides for a 7.2% weighted average cost of capital.

Equity Units

In April 2021, NiSource issued 8.625 million equity units raising $835 million after fees and expenses. Each unit consists of a forward contract to purchase NiSource shares in the future and 10% ownership interest in one share of Series C mandatory preferred stock.

The purchase contract obligates holders to purchase NiSource common shares on December 31, 2023. The series C mandatory convertible preferred stock will be initially pledged upon issuance as collateral to secure the purchase of common stock under the related purchase contracts.

Under the terms of the equity units, the maximum number of shares of common stock to be issued under the purchase contract is 35.2 million shares and the maximum number of shares NiSource will issue under the series C mandatory convertible preferred stock is 35.2 million shares.

The equity units will pay quarterly contract adjustment payments at a 7.75% rate per year. The contract adjustment payments are payable in cash, NiSource shares, or a combination thereof. The payment of contract adjustment payments can also be deferred until purchase contract settlement date of December 31, 2023, at the election of the company. As of the end of 2022, no contract settlement payments have been deferred with quarterly cash payments being remitted to the holders. The remaining liability at the end of 2022 was $65 million. Purchase contract payments are recorded against this liability. Accretion of the purchase contract liability is recorded as interest expense.

The shares underlying the series C mandatory convertible preferred stock included within the equity units are contingently convertible as the conversion is dependent on a successful remarketing. The mandatory convertible preferred stock is expected to be remarketed prior to December 31, 2023, and each share, unless previously converted, will automatically convert to common stock based on a conversion rate on the mandatory conversion date which is expected to be on or about March 1, 2024. Prior to December 31, 2023, the mandatory convertible preferred stock will not bear any dividends. Following a successful remarketing, dividends may become payable. If no successful remarketing has previously occurred, effective as of December 31, 2023, the conversion rate will be zero. In the event of a remarketing failure all mandatory convertible stock will be delivered to NiSource on December 31, 2023, in full satisfaction of the holder's obligation under the related purchase contracts.

The series C mandatory convertible preferred stock is supposed to be remarketed prior to December 31, 2023. On September 15, 2023, NiSource announced its intention to remarket the securities during the period October 2-October 23. On September 27, the company announced that it was postponing the remarketing to the next remarketing period expected to occur in November 2023 due to market conditions.

Our forecast assumes the issuance of additional equity units in 2024, which would increase the diluted share count from its current levels.

Dividend

On January 25, 2023, NiSource announced a 6.4% increase in its annual dividend to $1.00 per share. NiSource is currently targeting a payout range of 60%-70%. We are forecasting a 6.5% annual dividend increase, which is roughly in line with our projected earnings growth. Based on our estimates the company's payout ratio increases from 63% in 2023 to 64% in 2026 which is close to the middle of the company's target range. The current dividend yield of 4.0% is roughly in line with the average utility dividend yield of 4.1%.

Strengths & Weaknesses

Strengths

- We are projecting compound annual growth in earnings of 6.8% off 2021 operating EPS which is slightly below the mid-point of the company's EPS growth target of 6%-8%.

- We are projecting an annual dividend growth of 6.5%, roughly in line with our projected growth in earnings.

- NiSource is projecting that rate base will grow 8%-10% off a 2021 base. Rate base spending will include NIPSCo's plan to retire its coal generation by 2028 and to replace it mostly with renewables. The company is also planning to add a gas combustion turbine unit and to implement demand side management programs. Growth will also include the company's gas division's spending on pipeline replacement and reliability.

- NiSource has identified a number of additional investment opportunities. It will provide an update of its capital spending forecast next month. Additional investment opportunities through 2027 include gas pipeline replacements and upgrades, advanced metering infrastructure and increased ownership of electric generation. Substituting ownership for tax equity on renewable projects would add $1.0 billion to capex. We estimate roughly $0.04 accretion associated with $1.0 billion of additional investment.

- The sale of a minority interest in NIPSCo significantly reduces the company's future equity need. The sales price of $2.15 billion represents an attractive 1.76 EV/Rate base multiple including affiliate debt. It also provides NiSource with an opportunity to improve its ratio of FFO/Debt by roughly 250 basis points.to 15.5% in 2026. NiSource unsecured debt, rated Baa2/BBB by Moody's and S&P respectively, was reaffirmed following the announcement of the sale.

- Our estimates assume $600 million of equity issuance issued ratably under an ATM over the period 2025-27. The company had projected its equity funding need to be roughly 15% of its total capital requirement for the period 2023-26. NiSource plans to fulfill its equity requirement through an ATM program rather than through a block issuance.

Weaknesses

- NiSource faces industrywide challenges posed by higher interest rates, inflation and rising pension costs. The company's goal is to keep operating and maintenance costs flat despite these rising cost pressures.

- NiSource has operational risk associated with the operation of its gas distribution business. The company continues to be exposed to litigation and damages related to a series of gas pipeline explosions that occurred in September 2018 at its formerly owned Columbia Gas of Massachusetts. On March 12, 2020, a Massachusetts state court approved a settlement in a class action suit. However there remain wrongful death and bodily injury legal claims not included within the class action. The company continues to discuss settlement with remaining claimants.

- Efforts by midwestern and East Coast states to limit carbon emissions could limit future growth in gas volume sales. Following the replacement of old cast iron and

steel gas mains, the level of rate base growth in NiSource gas operations may slow. Gas comprises roughly two-thirds of the company's operations.

- NiSource will continue to be exposed in future rate proceedings. Recently the company has been successful in achieving settlements in major rate cases in Indiana, Ohio and Maryland. Regulatory risk is mitigated by tracker mechanisms in place in most of the states in which the company operates.

EPS

We are initiating our 2023-26 EPS estimates of $1.58, $1.69, $1.81 and $1.90, respectively. Our estimates equate to a 4-year compound annual growth rate of 6.8% off 2021 operating EPS. Our estimates are slightly below the midpoint of the company's 6%-8% targeted growth rate.

Consolidated	2023E	2024E	2025E	2026E
Current	$1.58	$1.69	$1.81	$1.90
Prior	-	-	-	-
Difference	$1.58	$1.69	$1.81	$1.90

Source: Ladenburg Thalmann Estimates

Valuation

Using a sum of the parts valuation approach we arrive at a price target of $25.00. Based on yesterday's closing price of $23.83 this represents price appreciation potential of 4.9% and total return potential of 9.1% including the company's current yield of 4.2%.

We value the electric utility 2025 EPS of $0.57 at a 14.0 P/E multiple, a 5% premium to the electric utility group average multiple, resulting in a price target of $8.00. The premium reflects the expected high growth rate in earnings.

We value the gas utility 2025 EPS of $1.44 at a 14.8 P/E multiple, a 5% premium to the gas utility group average multiple, resulting in a price target of $21.50.

We include in our valuation $0.50 of uplift from estimated accretion arising from $1.0 billion of higher capital spending.

We deduct $5.00 from our price target for parent unallocated debt of $3.3 billion.

Financial Statements

Consolidated Income Statement						
($ millions)	2021A	2022A	2023E	2024E	2025E	2026E
Revenues	$4,901	$5,834	5,364	5,760	6,115	6,396
Cost of Goods Sold	1,392	2,111	1,441	1,556	1,641	1,653
O&M	1,409	1,487	1,478	1,478	1,478	1,478
Taxes Other then Income	288	268	272	276	280	284
Other Expenses	0	0	0	0	0	0
EBITDA	**$1,811**	**$1,968**	**$2,172**	**$2,450**	**$2,716**	**$2,981**
D&A	748	821	887	959	1,029	1,099
EBIT	**$1,063**	**$1,147**	**$1,285**	**$1,491**	**$1,687**	**$1,882**
Interest	341	362	490	514	625	741
Other Income	41	42	50	53	53	51
EBT	**$763**	**$828**	**$845**	**$1,030**	**$1,115**	**$1,192**
Taxes	132	137	123	162	162	160
Non-Controlling	4	(12)	(12)	78	86	102
Preferred Dividends	55	55	31	(1)	(1)	(1)
Net Income	**$571**	**$648**	**$704**	**$791**	**$867**	**$932**
Shares Million	417	443	446	468	480	489
EPS	**$1.37**	**$1.46**	**$1.58**	**$1.69**	**$1.81**	**$1.90**

Consolidated Cash Flow Statement						
($ millions)	2021A	2022A	2023E	2024E	2025E	2026E
Net Income	$571	$648	$704	$791	$867	$932
Depreciation	723	788	855	926	996	1,066
Deferred Taxes	112	157	166	164	165	163
Maintenance Cap-Ex	(860)	(1,169)	(983)	(1,100)	(1,070)	(1,077)
Grow th Cap-Ex	(1,005)	(1,276)	(1,904)	(1,703)	(1,781)	(1,650)
Net Cash Generation	**(459)**	**(852)**	**(1,162)**	**(923)**	**(823)**	**(566)**
EBITDA + Other Income	**1,447**	**1,635**	**1,775**	**1,933**	**2,081**	**2,212**
Interest Expense	51	40	124	100	167	243
Pfd. Dividends	54	54	30	0	0	0
Common Dividends	378	421	446	499	550	596

Consolidated Balance Sheet						
($ millions)	2021A	2022A	2023E	2024E	2025E	2026E
Cash & Equivalents	$95	$75	$191	$54	$108	$155
Short Term Debt	560	1,764	1,599	599	599	599
Revolver	0	0	0	0	0	0
Current Portion of Long Term Debt	58	30	29	1,250	0	1,088
Long Term Debt	9,183	9,255	11,001	10,251	12,576	12,388
Total Debt	**$9,801**	**$11,049**	**$12,629**	**$12,100**	**$13,175**	**$14,075**
Mandatorily Convertible Preferred (0% Equity Credit)	667	667	1,333	0	0	0
Preferred Stock	879	879	479	0	0	0
Total Debt & Preferred	**$11,347**	**$11,929**	**$13,109**	**$12,101**	**$13,176**	**$14,076**
Shareholder's Equity	7,273	7,902	7,214	6,578	6,201	5,879
Goodw ill Portion of Equity	1,486	1,486	1,486	1,486	1,486	1,486
Goodwill / Shareholder's Equity	20%	19%	21%	23%	24%	25%
Total Book Capitalization	**$18,620**	**$19,830**	**$20,323**	**$18,678**	**$19,376**	**$19,954**
Off-Balance Sheet Debt	0	0	0	0	0	0
Consolidated Debt/Pfd. Assoc. w /Min. Int. Exp.	0	0	0	0	0	0
Total Credit Capitalization	**$18,620**	**$19,830**	**$20,323**	**$18,678**	**$19,376**	**$19,954**

Source: Ladenburg Thalmann Estimates

Risks

In addition to the normal economic and market risk factors that potentially impact the value of most equities, the primary risks associated with owning shares of NiSource, include, but are not limited to:

NiSource's gas distribution and transmission activities, as well as generation, transmission, and distribution of electricity, involve a variety of inherent hazards and operating risks, including potential public safety risks.

Failure to adapt to advances in technology and manage the related costs could make NiSource less competitive and negatively impact its results of operations and financial condition.

Aging infrastructure may lead to disruptions in operations and increased capital expenditures and maintenance costs, all of which could negatively impact NiSource's financial results.

Aspects of the implementation of NiSource's electric generation strategy, including the retirement of its coal generation units, may be delayed and may not achieve intended results.

NiSource's capital projects and programs subject them to construction risks and natural gas costs and supply risks, and are subject to regulatory oversight, including requirements for permits, approvals and certificates from various governmental agencies.

Fluctuations in weather, gas and electricity commodity costs, inflation and economic conditions impact demand of NiSource's customers and its operating results.

Fluctuations in the price of energy commodities or their related transportation costs or an inability to obtain an adequate, reliable, and cost-effective fuel supply to meet customer demands may have a negative impact on NiSource's financial results.

Failure to attract and retain an appropriately qualified workforce, and maintain good labor relations, could harm NiSource's results of operations.

The actions of activist stockholders could negatively affect NiSource's business and stock price and cause NiSource to incur significant expenses.

NiSource is subject to operational and financial risks and liabilities associated with the implementation and efforts to achieve its carbon emission reduction goals.

A drop in NiSource's credit ratings could adversely impact its cash flows, results of operation, financial condition, and liquidity.

Adverse economic and market conditions, including increased inflation, increases in interest rates, recession or changes in investor sentiment could materially and adversely affect NiSource's business, results of operations, cash flows, financial condition, and liquidity.

The COVID-19 pandemic has adversely impacted and may continue to adversely impact NiSource's business, results of operations, financial condition, liquidity and cash flows. Most of NiSource's revenues are subject to economic regulation and are exposed to the impact of regulatory rate reviews and proceedings.

The actions of regulators and legislators could result in outcomes that may adversely affect NiSource's earnings and liquidity.

The outcome of legal and regulatory proceedings, investigations, inquiries, claims, and litigation related to NiSource's business operations may have a material adverse effect on its results of operations, financial position or liquidity.

Changes in taxation and the ability to quantify such changes as well as challenges to tax positions could adversely affect NiSource's financial results.

NiSource has significant goodwill. Any future impairments of goodwill could result in a significant charge to earnings in a future period and negatively impact its compliance with certain covenants under financing agreements.

The trading prices for NiSource's Equity Units, initially consisting of Corporate Units, and related treasury units and Series C Mandatory Convertible Preferred Stock, are expected to be affected by, among other things, the trading prices of its common stock, the general level of interest rates and its credit quality.

A significant portion of the gas and electricity the company sells is used by residential and commercial customers for heating and air conditioning. Accordingly, fluctuations in weather, gas and electricity commodity costs, inflation and economic conditions impact demand of customers and operating results.

The company has substantial indebtedness which could adversely affect financial condition.

The company is a holding company and is dependent on cash generated by subsidiaries to meet debt obligations and pay dividends on the company's stock.

The Greater Lawrence Incident has materially adversely affected and may continue to affect the company's financial condition materially adversely, results of operations and cash flows and the company may have continued financial liabilities related to the sale of the Massachusetts Business.

APPENDIX A: IMPORTANT RESEARCH DISCLOSURES

ANALYST CERTIFICATION

I, Paul Fremont, attest that the views expressed in this research report accurately reflect my personal views about the subject security and issuer. Furthermore, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report, provided, however, that:

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COMPANY BACKGROUND

NiSource is an energy holding company that owns and operates electric and gas utilities. Roughly two-thirds of the company's earnings are derived from its gas distribution business and the remainder from its integrated electric utility business. Its largest subsidiary, Northern Indiana Public Service Company (NIPSCo) provides electric and gas service to customers in Indiana. The remaining operations are comprised of gas local distribution companies (LDC's) which the company acquired when it purchased Columbia Energy in 2000 serving customers in five Midwest and east coast states.

NIPSCo electric operations consist of generation, transmission, and distribution of electricity to 486 thousand customers in Northern Indiana. The company owns and operates roughly 2,300 MW of generation including 1,175 MW of coal, 725 MW of gas fired units and the remainder comprised of renewables.

NiSource gas distribution operations include NIPSCo which serves 859 thousand gas customers in Northern Indiana as well as its Columbia Energy gas LDCs that serve 2.4 million customers in Ohio, Pennsylvania, Virginia, Kentucky and Maryland.

VALUATION METHODOLOGY

Using a sum of the parts valuation approach we arrive at a price target of $25.00. Based on yesterday's closing price of $23.83 this represents price appreciation potential of 4.9% and total return potential of 9.1% including the company's current yield of 4.2%.

We value the electric utility 2025 EPS of $0.57 at a 14.0 P/E multiple, a 5% premium to the electric utility group average multiple, resulting in a price target of $8.00. The premium reflects the expected high growth rate in earnings.

We value the gas utility 2025 EPS of $1.44 at a 14.8 P/E multiple, a 5% premium to the gas utility group average multiple, resulting in a price target of $21.50.

We include in our valuation $0.50 of uplift from estimated accretion arising from $1.0 billion of higher capital spending.

We deduct $5.00 from our price target for parent unallocated debt of $3.3 billion.

RISKS

In addition to the normal economic and market risk factors that potentially impact the value of most equities, the primary risks associated with owning shares of NiSource, include, but are not limited to:

NiSource's gas distribution and transmission activities, as well as generation, transmission, and distribution of electricity, involve a variety of inherent hazards and operating risks, including potential public safety risks. Failure to adapt to advances in technology and manage the related costs could make NiSource less competitive and negatively impact its results of operations and financial condition. Aging infrastructure may lead to disruptions in operations and increased capital expenditures and maintenance costs, all of which could negatively impact NiSource's financial results.

Aspects of the implementation of NiSource's electric generation strategy, including the retirement of its coal generation units, may be delayed and may not achieve intended results. NiSource's capital projects and programs subject them to construction risks and natural gas costs and supply risks, and are subject to regulatory oversight, including requirements for permits, approvals and certificates from various governmental agencies.

Fluctuations in weather, gas and electricity commodity costs, inflation and economic conditions impact demand of NiSource's customers and its operating results. Fluctuations in the price of energy commodities or their related transportation costs or an inability to obtain an adequate, reliable, and cost-effective fuel supply to meet customer demands may have a negative impact on NiSource's financial results.

Failure to attract and retain an appropriately qualified workforce, and maintain good labor relations, could harm NiSource's results of operations. The actions of activist stockholders could negatively affect NiSource's business and stock price and cause NiSource to incur significant expenses.

NiSource is subject to operational and financial risks and liabilities associated with the implementation and efforts to achieve its carbon emission reduction goals.

A drop in NiSource's credit ratings could adversely impact its cash flows, results of operation, financial condition, and liquidity. Adverse economic and market conditions, including increased inflation, increases in interest rates, recession or changes in investor sentiment could materially and adversely affect NiSource's business, results of operations, cash flows, financial condition, and liquidity.

The COVID-19 pandemic has adversely impacted and may continue to adversely impact NiSource's business, results of operations, financial condition, liquidity and cash flows. Most of NiSource's revenues are subject to economic regulation and are exposed to the impact of regulatory rate reviews and proceedings. The actions of regulators and legislators could result in outcomes that may adversely affect NiSource's earnings and liquidity. The outcome of legal and regulatory proceedings, investigations, inquiries, claims, and litigation related to NiSource's business operations may have a material adverse effect on its results of operations, financial position or liquidity.

Changes in taxation and the ability to quantify such changes as well as challenges to tax positions could adversely affect NiSource's financial results. NiSource has significant goodwill. Any future impairments of goodwill could result in a significant charge to earnings in a future period and negatively impact its compliance with certain covenants under financing agreements.

The trading prices for NiSource's Equity Units, initially consisting of Corporate Units, and related treasury units and Series C Mandatory Convertible Preferred Stock, are expected to be affected by, among other things, the trading prices of its common stock, the general level of interest rates and its credit quality.

A significant portion of the gas and electricity the company sells is used by residential and commercial customers for heating and air conditioning. Accordingly, fluctuations in weather, gas and electricity commodity costs, inflation and economic conditions impact demand of customers and operating results.

The company has substantial indebtedness which could adversely affect financial condition.

The company is a holding company and is dependent on cash generated by subsidiaries to meet debt obligations and pay dividends on the company's stock.

The Greater Lawrence Incident has materially adversely affected and may continue to affect the company's financial condition materially adversely, results of operations and cash flows and the company may have continued financial liabilities related to the sale of the Massachusetts Business.

STOCK RATING DEFINITIONS

Buy: The stock's return is expected to exceed 12.5% over the next twelve months.

Neutral: The stock's return is expected to be plus or minus 12.5% over the next twelve months.

Sell: The stock's return is expected to be negative 12.5% or more over the next twelve months.

Investment Ratings are determined by the ranges described above at the time of initiation of coverage, a change in risk, or a change in target price. At other times, the expected returns may fall outside of these ranges because of price movement and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review.

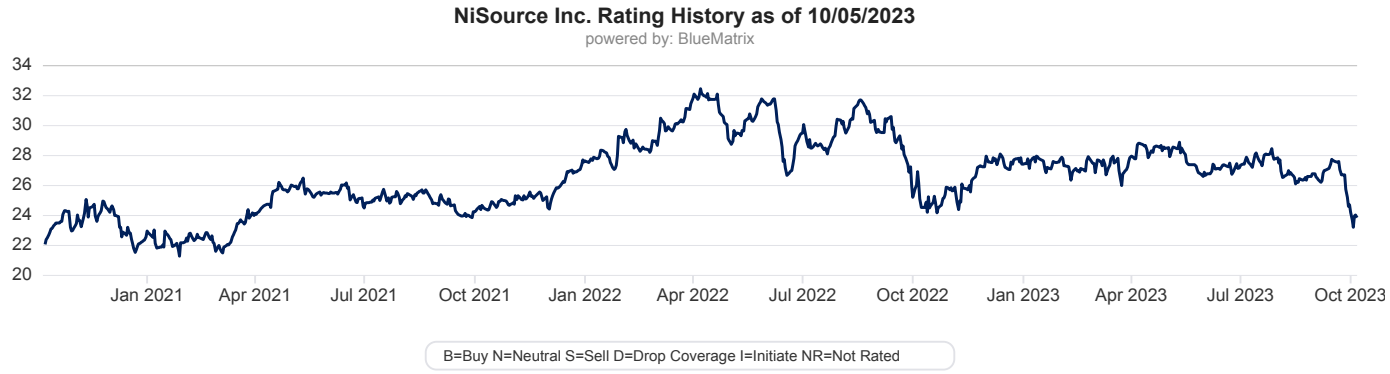
RATINGS DISPERSION AND BANKING RELATIONSHIPS AS OF (October 6, 2023)

Rating	%	IB %
BUY	78.7	57.7
NEUTRAL	21.3	46.0
SELL	0.0	0.0

COMPANIES UNDER PAUL'S COVERAGE

American Electric Power Company Inc. (AEP)
Entergy Corp. (ETR)
NiSource Inc. (NI)
OGE Energy Corp. (OGE)
Public Service Enterprise Group Inc. (PEG)
WEC Energy Group Inc. (WEC)
Edison International (EIX)
Alliant Energy Corporation (LNT)
NorthWestern Corporation (NWE)
PG&E Corporation (PCG)
Southern Company (SO)

INVESTMENT RATING AND PRICE TARGET HISTORY



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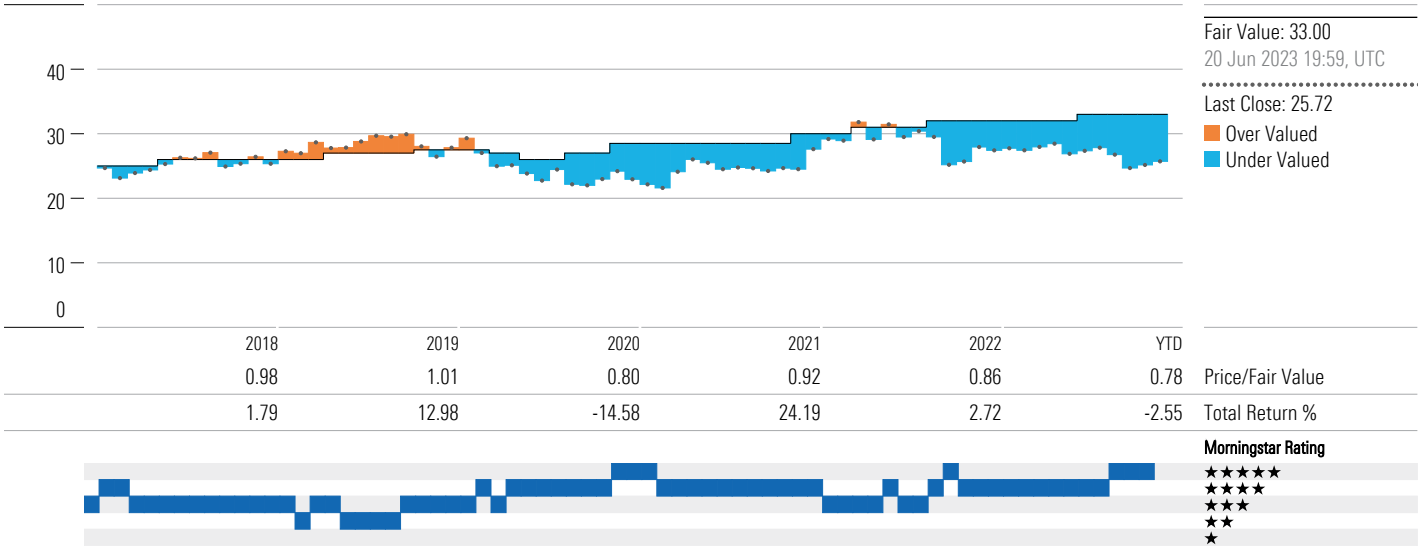
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NiSource Inc NI ★★★★★ 3 Nov 2023 21:23, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
25.72 USD 3 Nov 2023	33.00 USD 20 Jun 2023 19:59, UTC	0.78	10.63 USD Bil 3 Nov 2023	Narrow	Mid Value	Low	Standard	1 Nov 2023 05:00, UTC

Price vs. Fair Value



	2018	2019	2020	2021	2022	YTD	
	0.98	1.01	0.80	0.92	0.86	0.78	Price/Fair Value
	1.79	12.98	-14.58	24.19	2.72	-2.55	Total Return %

Total Return % as of 3 Nov 2023. Last Close as of 3 Nov 2023. Fair Value as of 20 Jun 2023 19:59, UTC.

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

NiSource Continues to Find New Investment Opportunities to Support Growth

Business Strategy & Outlook Travis Miller, Strategist, 6 Nov 2023

NiSource's focus on electric and gas infrastructure, including renewable energy, creates a long runway of growth opportunities.

We expect about half of NiSource's operating income will come from its Indiana gas and electric utility, NIPSCO, and the rest from its six natural gas distribution utilities, excluding minority interest. We expect the gas utilities to grow along with the electric business in the near term, keeping that earnings mix about the same for at least the next four years.

Driving that growth is $16 billion of investment that NiSource plans during the next five years for electric and gas system infrastructure projects. Key initiatives include replacing steel and cast iron pipe with plastic at its natural gas distribution utilities and replacing coal plants with renewable energy at its electric business.

Constructive state rate regulations allow NiSource's utilities to collect a return of and a return on the bulk of its investments within 18 months, enhancing cash flow. We expect modest customer growth combined with NiSource's infrastructure growth investments to support 7% long-term annual earnings growth and 6% annual dividend growth.

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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 3.2 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.

To help fund its growth and strengthen its balance sheet, NiSource sold a 19.9% interest in its Indiana utility to Blackstone in 2023 for $2.15 billion, an 80% premium to sector valuations at the time. The dilution will stall earnings growth in 2024, but the premium price provides low-cost equity financing for its growth plan.

NiSource's business simplification started with its Columbia Pipeline Group separation in 2015. 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. 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.

Bulls Say Travis Miller, Strategist, 6 Nov 2023

- We expect the dividend to grow near 6% annually during the next few years before accelerating to keep pace with earnings in 2025 and beyond.
- NiSource's growth plan will support Indiana policymakers' desire to cut the state's carbon emissions by replacing coal generation with renewable energy and energy storage.
- New legislation has improved the regulatory framework in Indiana for NiSource's electric and natural gas distribution utilities.

Bears Say Travis Miller, Strategist, 6 Nov 2023

- 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.
- Policies to reduce carbon emissions could be a long-term threat for NiSource's natural gas distribution business if policymakers in states it serves aim to reduce retail gas use.
- NiSource's large capital investment plan raises execution risk and the possibility project delays.

Economic Moat Travis Miller, Strategist, 6 Nov 2023

Service territory monopolies and efficient scale advantages are the primary moat sources for NiSource's regulated gas and electric utilities. State and federal regulators grant regulated utilities like NiSource 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 networks. 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.

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.

We estimate NiSource will derive roughly half of its operating earnings from its natural gas distribution

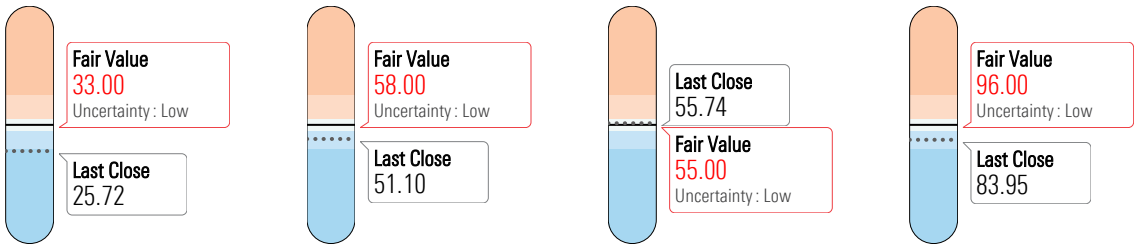
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Competitors



	NiSource Inc NI	Alliant Energy Corp LNT	CMS Energy Corp CMS	WEC Energy Group Inc WEC
Economic Moat	Narrow	Narrow	Narrow	Narrow
Currency	USD	USD	USD	USD
Fair Value	33.00 20 Jun 2023 19:59, UTC	58.00 8 Nov 2022 17:16, UTC	55.00 20 Mar 2023 19:16, UTC	96.00 5 Dec 2022 16:31, UTC
1-Star Price	41.25	72.50	68.75	120.00
5-Star Price	26.40	46.40	44.00	76.80
Assessment	Significantly Undervalued 5 Nov 2023	Under Valued 5 Nov 2023	Fairly Valued 5 Nov 2023	Under Valued 5 Nov 2023
Morningstar Rating	★★★★★ 3 Nov 2023 21:23, UTC	★★★★ 3 Nov 2023 21:23, UTC	★★★ 3 Nov 2023 21:23, UTC	★★★★ 3 Nov 2023 21:24, UTC
Analyst	Travis Miller, Strategist	Andrew Bischof, Strategist	Travis Miller, Strategist	Andrew Bischof, Strategist
Capital Allocation	Standard	Standard	Standard	Exemplary
Price/Fair Value	0.78	0.88	1.01	0.87
Price/Sales	1.99	3.12	2.08	2.87
Price/Book	1.75	1.94	2.34	2.25
Price/Earning	17.15	18.72	21.94	19.43
Dividend Yield	3.89%	3.54%	3.50%	3.65%
Market Cap	10.63 Bil	13.04 Bil	16.26 Bil	26.48 Bil
52-Week Range	22.86—28.95	45.15—57.52	49.87—65.72	75.47—101.11
Investment Style	Mid Value	Mid Core	Mid Core	Mid Core

utilities and half from its integrated electric business in Indiana, excluding minority interest in its Indiana utility, NIPSCO. In all cases, state and federal regulators set customer rates that allow NiSource to recover its operating and capital costs.

NiSource has no direct commodity price risk that could weaken its moat. NiSource exited the no-moat retail energy supply business in 2010.

Fair Value and Profit Drivers Travis Miller, Strategist, 6 Nov 2023

Our fair value estimate for NiSource is $33 per share.

We assume NiSource invests nearly $14 billion of capital in 2024-27, including $2 billion for renewable energy projects in Indiana to replace its coal-fired power generation fleet by 2028.

We expect NiSource's safety-related gas distribution investments will remain well above maintenance-level spending for several more years, resulting in earnings growth at all of its gas utilities. We expect

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investment at the gas utilities to slow beyond 2026 while growth investment at the Indiana electric utility continues.

In total, we expect 11% average annual rate base growth and 7% average annual earnings growth through 2027 on a consolidated basis. The electric rate increase in Indiana as part of a regulatory settlement will help offset earnings dilution in 2024 from the NIPSCO minority interest sale. We expect regulatory rate negotiations to continue across its service territories in 2024.

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 like NiSource operating in states that have constructive regulatory frameworks.

Risk and Uncertainty Travis Miller, Strategist, 6 Nov 2023

We assign NiSource a Low Morningstar Uncertainty Rating. Regulatory risk remains the key uncertainty. However, NiSource's regulatory exposure is diversified with state-regulated gas and electric operations in six states and a federally regulated electric transmission system.

NiSource has reduced some of the regulatory uncertainty related to its planned investments by securing preapprovals and favorable rate mechanisms that provide for customer rate increases as the utility makes its infrastructure investments. A constructive rate ruling in Indiana in 2023 suggests state regulators support NiSource's investment plan.

In 2020, NiSource announced it would eliminate all coal-fired generation from its power plant fleet by 2028, significantly reducing environmental, social, and governance 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 away from coal generation.

Capital Allocation Travis Miller, Strategist, 6 Nov 2023

We assign NiSource a Standard Morningstar capital allocation rating primarily due to management's work with regulators and policymakers to build support for its investments in clean energy, infrastructure modernization, and safety.

NiSource's management team under CEO Lloyd Yates has continued to find ample areas for growth investment. it has an aggressive 6%-8% annual earnings growth target and a $16 billion capital investment plan that will test management's ability to execute.

There was speculation when Yates took over in early 2022 that NiSource would divest one or more of its

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gas distribution utilities to raise equity to fund its growth investments. But the market collapse in 2022 made that a less attractive option. Instead, NiSource agreed to sell a 19.9% minority interest in its Indiana electric utility to Blackstone for $2.15 billion.

We think the price NiSource secured was exceptional at a near-80% premium to NiSource's consolidated valuation at the time of the announcement in mid-2023. The premium deal price reduces the dilution that shareholders otherwise would have faced if NiSource had to raise market equity.

Current and former NiSource management made two key capital allocation decisions 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.

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.

Previous CEO Joe Hamrock championed NiSource's clean energy growth strategy after succeeding Bob Skaggs in mid-2015. Skaggs, a 32-year NiSource veteran, left to lead the newly formed Columbia Pipeline Group when NiSource spun it off. CFO Donald Brown joined NiSource in April 2015 after stints at UGI Utilities and Constellation Energy.

Analyst Notes Archive

NiSource Earnings: New Investment Opportunities Support Growth Outlook; Top Utilities Pick Travis Miller, Strategist, 1 Nov 2023

We are reaffirming our $33 fair value estimate for NiSource after the company reported $0.19 per share of operating earnings in the third quarter, up from $0.10 in the same period last year. Year-to-date earnings are up 10% from last year and on track to meet our full-year estimate and the high end of management's $1.54-$1.60 EPS guidance range. We are reaffirming our narrow moat rating.

Several updates from management support our view that NiSource has some of the best long-term growth prospects in the sector. Combined with constructive regulation, we expect NiSource to grow earnings faster and for longer than most other utilities.

NiSource's stock trades at a 24% discount to our fair value estimate as of Oct. 31, making it one of the

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NiSource Inc NI ★★★★★ 3 Nov 2023 21:23, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
25.72 USD 3 Nov 2023	33.00 USD 20 Jun 2023 19:59, UTC	0.78	10.63 USD Bil 3 Nov 2023	Narrow	Mid Value	Low	Standard	1 Nov 2023 05:00, UTC

cheapest U.S. utilities. Its 4% dividend yield and 16 P/E are in line with the sector medians, but we think the stock should trade at a premium because of NiSource's long-term growth potential and regulatory support.

Management raised its five-year capital investment plan by 7% to $16 billion in 2024-28, implying 8%-10% annual regulatory asset growth and 6%-8% annual EPS growth, in line with our outlook. Management also initiated 2024 EPS guidance of $1.68-$1.72, implying at least 7% growth. We expect dividend growth to track earnings growth.

Management also detailed $2 billion of potential investment opportunities pending regulatory support. NiSource has a history of regulatory support, particularly in Indiana, its largest service territory. Additional growth investments likely would lead us to raise our fair value estimate.

We also have confidence in management's financing plan. NiSource's significant equity needs will keep earnings growing more slowly than the regulatory asset base. However, earnings growth could trend toward 8% annually if NiSource finds low-cost financing opportunities like the $2.15 billion minority interest sale of its Indiana electric utility earlier this year.

Utilities Finally Feel Heat From Rising Interest Rates; Sector Cheapest Since 2009 Travis Miller, Strategist, 2 Oct 2023

We are reaffirming our fair value estimates and economic moat ratings for all U.S. utilities after the sector fell nearly 5% on Monday. We think the sector's 11% drop since last week offers a rare opportunity for investors to buy high-quality utilities at very attractive prices.

U.S. utilities now trade at a median 15% discount to our fair value estimates. This matches the largest discount since the market bottoms in March 2020 and March 2009. Utilities' median 16 P/E is the lowest since exiting the 2008-09 recession.

We considered U.S. utilities 15% overvalued last August before the sector began a 25% slide through Monday, including dividends. The sector trails the Morningstar U.S. Market Index by 30 percentage points year to date after coming into the year slightly overvalued based on our fair value estimates.

The increasing probability of higher-for-longer interest rates has finally caught up to utilities. With the 10-year U.S. Treasury yield up to 4.7% from 3.3% in April, utilities' dividend yields are less attractive and financing costs likely will climb. The sector's 3.9% dividend yield has been lower than the 10-year U.S. Treasury yield since August 2022, the first time since the 2008-09 recession.

Despite the negative sentiment, utilities' fundamentals are strong. We think most utilities deserve premium valuations compared with historical averages given their better growth prospects, improving rate regulation, and less-volatile earnings. We forecast a median 6% annual EPS and dividend growth

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NiSource Inc NI ★★★★★ 3 Nov 2023 21:23, UTC

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across our coverage. Our top picks are utilities that we think can grow earnings and dividends faster and for longer than their current market valuations imply.

We have long warned investors that utilities with aggressive growth plans and high valuations would fall the fastest if interest rates rose. NextEra Energy (down 38% year to date) and American Water Works (down 21%) are among those that we long considered overvalued but now trade below our fair value estimates.

NiSource Earnings: Executing Growth Plan After Finalizing Minority Interest Sale Travis Miller, Strategist, 2 Aug 2023

We are reaffirming our $33 fair value estimate for NiSource after the company reported $0.11 per share of weather-adjusted operating earnings in the second quarter, down from $0.12 in the second quarter of 2022. First-half earnings are up 1% and on track to meet our full-year expectations for 7% growth given the large revenue step-ups that will take effect in the second half of the year. We are reaffirming our narrow moat rating.

NiSource is one of our top utilities picks, trading at a 17% discount to our fair value estimate as of Aug. 1. We think it has better regulation and more long-term investment opportunities than most other utilities relative to its size. The stock's 3.6% dividend yield and our 7% annual earnings growth outlook for the next five years offer investors what we consider an attractive total return.

Management reaffirmed its 6%-8% annual earnings growth rate target through 2027 and suggested EPS this year will be at the high end of its $1.54-$1.60 guidance range, up from the $1.50-$1.57 range it initiated in November. These are both in line with our outlook.

A series of constructive regulatory outcomes, notably a $291.8 million rate increase settlement in its largest service territory, Indiana, have contributed to the upside. Other approved and anticipated rate increases in Maryland, Virginia, and Ohio give us high confidence that NiSource can achieve 7% earnings growth during at least the next two years.

Constructive regulation also supports NiSource's $15 billion capital investment plan during the next five years, setting a path for 6%-8% annual earnings and dividend growth beyond 2024. Support for renewable energy investments, particularly in Indiana, is a key piece of that long-term growth.

We expect NiSource to close its $2.15 billion minority interest sale of its Indiana utility by year-end, eliminating most financing needs in 2024. The premium deal price led us to raise our fair value estimate by $1 per share in June.

NiSource: Blackstone Pays Premium Price for Indiana Utility Share; NiSource a Top Utilities Pick Travis Miller, Strategist, 20 Jun 2023

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NiSource Inc NI ★★★★★ 3 Nov 2023 21:23, UTC

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We are raising our fair value estimate to $33 from $32 after NiSource announced a deal to sell a 19.9% interest in its largest subsidiary, NIPSCO, to Blackstone Infrastructure Partners. We are reaffirming our narrow moat and stable moat trend ratings. The stock trades at a 17% discount to our updated fair value estimate.

The long-anticipated transaction priced far above our expectations at $2.15 billion, implying a $10.8 billion equity value for NiSource's Indiana gas and electric utility, which contributes about half of NiSource's total earnings. NiSource's consolidated market cap, including its six gas distribution utilities, was $11.3 billion as of June 16. We had expected $1.5 billion of proceeds based on current utilities sector valuations.

At 32 times earnings, the deal is one of the richest ever for a regulated utility and an 80% premium to the utilities sector median and NiSource's 17.5 P/E as of June 16. This confirms our view that NiSource deserves a premium valuation because of its clean energy growth opportunities and constructive regulation in Indiana.

Despite the premium price, the incremental value for NiSource shareholders is limited because of the small relative size of the deal and NiSource's need to reduce debt with about half of the proceeds. The remaining proceeds and ongoing equity contributions from Blackstone will help fund what we expect will be $15 billion of capital investment during the next five years, in line with management's plan.

On a consolidated basis, we forecast 7% average annual earnings growth during the next five years, in line with management's 6%-8% target and among the top half of U.S. utilities in our coverage. Constructive regulatory outcomes at NiSource's six gas utilities and a recent electric rate settlement at NIPSCO provide good earnings growth visibility for 2023 and 2024. We expect earnings dilution from the Blackstone deal to keep consolidated earnings mostly flat in 2024.

NiSource: Minority Interest Sale Is the Best Option for Investors; Remains Top Utilities Pick Travis Miller, Strategist, 26 May 2023

We are reaffirming our $32 fair value estimate for NiSource after meeting with management and learning more about the strategic decision to sell a minority stake in its largest subsidiary, NIPSCO. We are reaffirming our narrow moat and stable moat trend ratings.

Management's plan, announced last year, to sell a 19.9% minority stake in its Indiana gas and electric utility raised questions about how NiSource could raise equity to fund its growth and improve its balance sheet. Options included selling one or more of its six gas distribution utilities, raising market equity, or selling a portion of NIPSCO. Management said they chose the NIPSCO sale in part because of the more favorable tax implications. We continue to believe the deal will have no material impact on our fair value estimate.

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NiSource Inc NI ★★★★★ 3 Nov 2023 21:23, UTC

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We think raising market equity at NiSource's current stock price would be unfavorable for shareholders. NiSource trades at a 16% discount to our fair value estimate as of May 25, making it one of the cheapest U.S. utilities in our coverage. The stock's dividend yield has climbed to 3.7% and we forecast 7% average annual earnings growth, offering what we consider an attractive total return during the next five years. Management is targeting 6%-8% annual earnings growth.

After settling its electric rate review in Indiana, NiSource has a light regulatory agenda for the rest of the year. This provides good earnings visibility for 2023 and 2024. Earnings growth in 2024 likely will lag management's target as NiSource works through dilution from the NIPSCO sale.

We estimate proceeds could be as much as $1.5 billion based on current market valuations for electric and gas distribution utilities. This is slightly higher than the equity we estimate NiSource could raise in the market without suffering more dilution. We expect NiSource to use the proceeds to reduce debt and help fund its five-year, $15 billion capital investment plan.

NiSource Earnings: Top-Tier Regulation Supporting Growth in 2023 Travis Miller, Strategist, 3 May 2023

We are reaffirming our $32 fair value estimate for NiSource after the company announced $0.77 per share of operating earnings in the first quarter, up from $0.75 in the first quarter of 2022 despite abnormally warm winter weather that depressed gas demand. Results are on track to meet our full-year expectations. We are reaffirming our narrow moat and stable moat trend ratings.

NiSource is one of our top utilities picks, trading at a 13% discount to our fair value estimate. We think it has better regulation and more long-term investment opportunities than most other utilities relative to its size. The stock's 3.6% dividend yield and our 7% annual earnings growth outlook offer investors what we consider an attractive total return during the next five years.

Management reaffirmed its 6%-8% annual earnings growth rate target through 2027 and $1.54-$1.60 EPS guidance for 2023, both in line with our outlook.

As expected, rate increases were the biggest growth driver in the quarter following several regulatory proceedings last year. A gas rate increase in Ohio and a settlement that will raise electric rates in Indiana later this year will support earnings growth into 2024. We expect Indiana regulators to approve the settlement.

These regulatory developments along with smaller rate increases at its other utilities support our view that NiSource enjoys highly constructive regulation. This gives us confidence that NiSource will receive regulatory support for as much as $15 billion of capital investment during the next five years, driving earnings growth.

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NiSource's usage-decoupled rates in four of its six states were a huge benefit for investors during the quarter, offsetting what otherwise would have been a $0.06 EPS drag from the unusually warm weather.

We think the electric rate case settlement will expedite NiSource's plan to sell 19.9% of its Indiana utility, NIPSCO, this year.

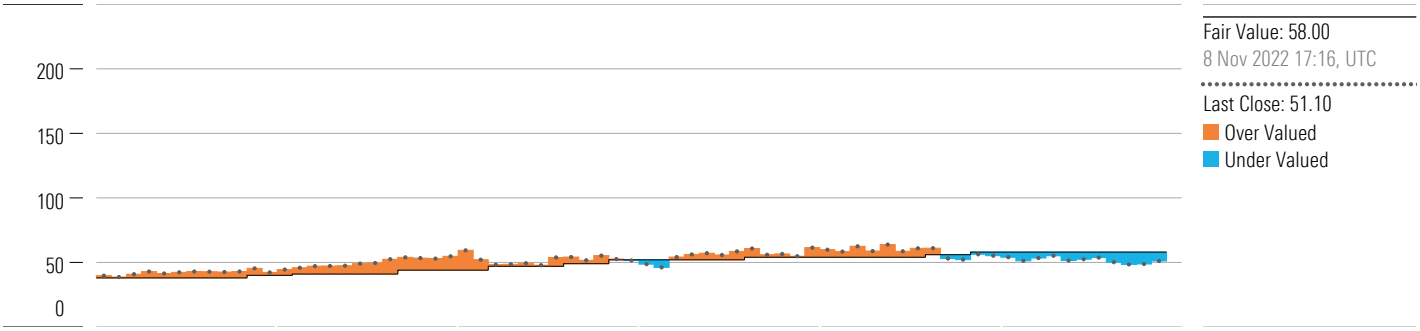
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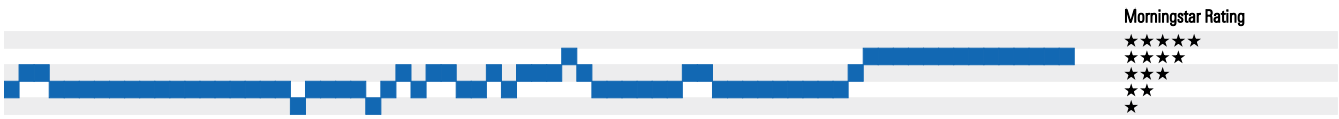
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Competitors Price vs. Fair Value

Alliant Energy Corp LNT

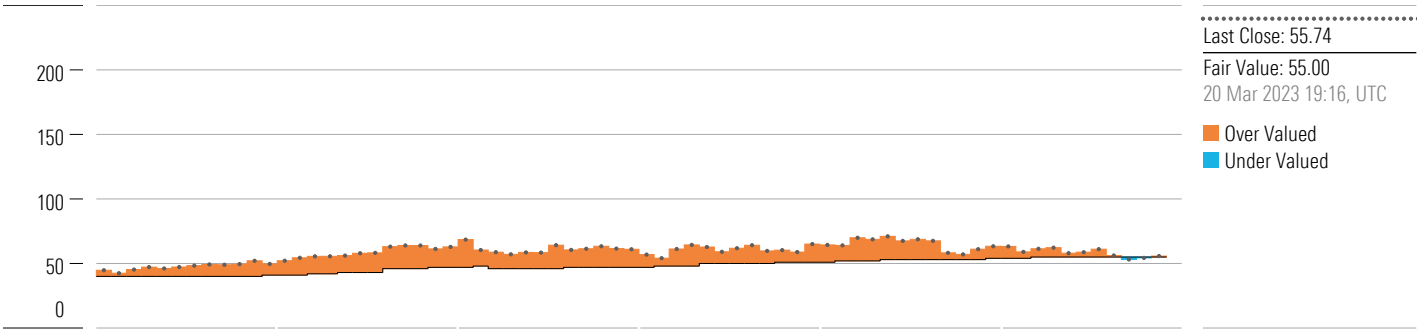


	2018	2019	2020	2021	2022	YTD	
	1.06	1.24	0.99	1.14	0.95	0.88	Price/Fair Value
	2.30	32.88	-3.05	22.41	-7.40	-4.17	Total Return %

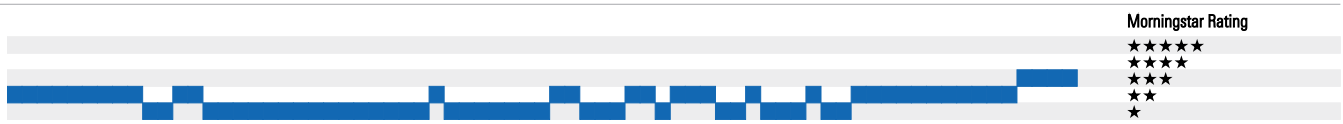


Total Return % as of 3 Nov 2023. Last Close as of 3 Nov 2023. Fair Value as of 8 Nov 2022 17:16, UTC.

CMS Energy Corp CMS



	2018	2019	2020	2021	2022	YTD	
	1.21	1.34	1.30	1.28	1.17	1.01	Price/Fair Value
	7.99	29.65	-0.32	9.47	0.18	-8.91	Total Return %



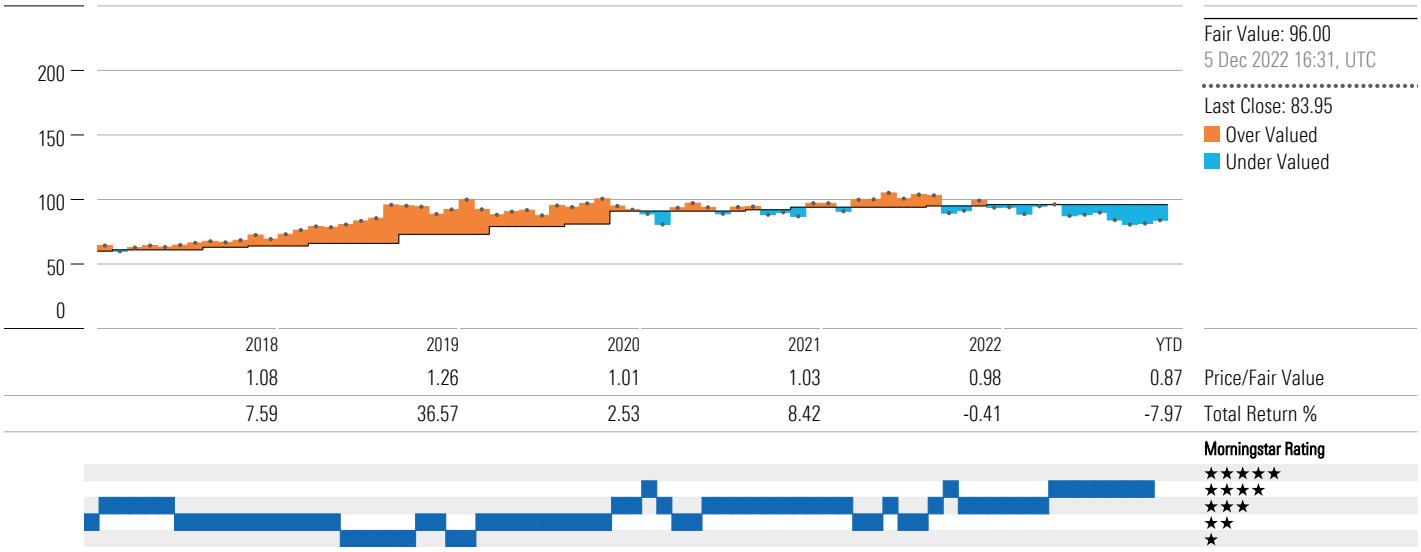
Total Return % as of 3 Nov 2023. Last Close as of 3 Nov 2023. Fair Value as of 20 Mar 2023 19:16, UTC.

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WEC Energy Group Inc WEC



	2018	2019	2020	2021	2022	YTD
Price/Fair Value	1.08	1.26	1.01	1.03	0.98	0.87
Total Return %	7.59	36.57	2.53	8.42	-0.41	-7.97

Total Return % as of 3 Nov 2023. Last Close as of 3 Nov 2023. Fair Value as of 5 Dec 2022 16:31, UTC.

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Morningstar Historical Summary

Financials as of 30 Sep 2023

Fiscal Year, ends 31 Dec	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD	TTM
Revenue (USD Mil)	4,625	5,272	4,652	4,493	4,875	5,115	5,209	4,682	4,900	5,851	4,083	5,788
Revenue Growth %	-8.1	14.0	-11.8	-3.4	8.5	4.9	1.8	-10.1	4.7	19.4	-1.5	4.2
EBITDA (USD Mil)	1,161	1,278	1,239	1,417	1,377	734	1,595	1,057	1,787	2,138	1,586	2,189
EBITDA Margin %	25.1	24.3	26.6	31.5	28.2	14.4	30.6	22.6	36.5	36.5	38.8	37.8
Operating Income (USD Mil)	699	792	802	865	927	126	1,305	961	1,015	1,162	932	1,299
Operating Margin %	15.1	15.0	17.2	19.3	19.0	2.5	25.1	20.5	20.7	19.9	22.8	22.4
Net Income (USD Mil)	532	530	287	332	129	-51	383	-18	585	804	477	721
Net Margin %	11.5	10.1	6.2	7.4	2.6	-1.3	6.3	-1.6	10.8	12.8	10.7	11.5
Diluted Shares Outstanding (Mil)	314	317	320	324	331	357	376	384	417	443	447	447
Diluted Earnings Per Share (USD)	1.70	1.67	0.90	1.02	0.39	-0.18	0.87	-0.19	1.27	1.70	0.98	1.50
Dividends Per Share (USD)	0.98	1.02	0.83	0.64	0.70	0.78	0.80	0.84	0.88	0.94	0.75	0.99

Valuation as of 31 Oct 2023

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Recent Qtr	TTM
Price/Sales	1.9	2.1	1.0	1.7	1.7	1.8	2.0	1.8	2.4	2.2	1.9	1.9
Price/Earnings	21.6	25.3	12.8	23.3	31.3	-87.7	22.6	-29.4	25.3	17.8	17.2	17.5
Price/Cash Flow	7.3	10.8	3.8	9.0	10.5	7.8	12.3	7.2	9.5	9.1	6.5	6.6
Dividend Yield %	2.98	2.4	4.25	2.89	2.73	3.08	2.87	3.66	3.19	3.43	3.99	3.97
Price/Book	1.8	2.2	1.6	1.9	2.0	2.0	2.1	2.0	2.3	2.0	1.7	1.7
EV/EBITDA	16.1	18.1	10.4	10.5	12.5	25.3	13.1	19.3	12.6	11.0	0.0	0.0

Operating Performance / Profitability as of 30 Sep 2023

Fiscal Year, ends 31 Dec	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD	TTM
ROA %	2.4	2.2	1.4	1.8	0.7	-0.3	1.5	-0.3	2.3	2.9	—	2.5
ROE %	9.3	8.8	5.7	8.4	3.1	-1.4	6.6	-1.5	10.3	13.1	—	11.4
ROIC %	5.4	4.9	3.8	4.9	2.7	1.4	4.2	1.3	5.4	6.3	—	5.8
Asset Turnover	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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Recent Qtr	TTM
Debt/Capital %	56.3	56.9	60.8	59.8	63.5	55.3	56.8	61.6	57.4	56.2	60.4	—
Equity/Assets %	26.0	25.1	22.0	21.8	21.6	22.3	22.5	22.1	22.4	22.5	21.8	—
Total Debt/EBITDA	7.6	7.8	5.6	5.6	6.5	14.7	7.1	10.9	7.2	6.8	10.0	—
EBITDA/Interest Expense	3.2	3.5	3.3	4.0	3.8	2.0	4.3	2.9	5.4	5.9	4.5	4.9

Morningstar Analyst Historical/Forecast Summary as of 01 Nov 2023

Financials

Fiscal Year, ends 31 Dec 2022	2021	2022	Estimates 2023	2024	2025
Revenue (USD Mil)	4,900	5,851	6,105	6,385	6,621
Revenue Growth %	4.7	19.4	4.4	4.6	3.7
EBITDA (USD Mil)	1,755	2,087	2,185	2,459	2,656
EBITDA Margin %	35.8	35.7	35.8	38.5	40.1
Operating Income (USD Mil)	1,007	1,266	1,315	1,529	1,656
Operating Margin %	20.5	21.6	21.5	23.9	25.0
Net Income (USD Mil)	572	651	714	772	840
Net Margin %	11.7	11.1	11.7	12.1	12.7
Diluted Shares Outstanding (Mil)	417	443	450	454	459
Diluted Earnings Per Share(USD)	1.37	1.47	1.59	1.70	1.83
Dividends Per Share(USD)	0.83	0.86	1.00	1.06	1.12

Forward Valuation

	2021	2022	Estimates 2023	2024	2025
Price/Sales	2.3	1.9	1.7	1.7	1.6
Price/Earnings	20.2	18.7	16.2	15.1	14.1
Price/Cash Flow	-18.0	-14.0	-11.9	-8.9	-8.8
Dividend Yield %	3.0	3.1	3.9	4.1	4.4
Price/Book	1.7	1.6	1.5	1.4	1.3
EV/EBITDA	12.8	11.2	11.4	10.2	9.4

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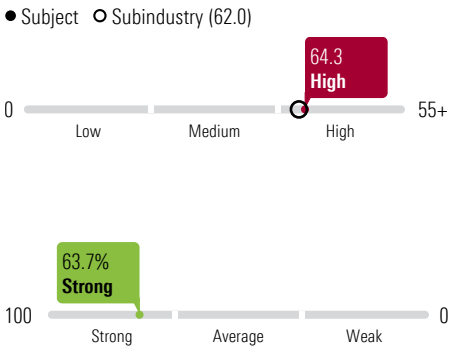
MORNINGSTAR®

NiSource Inc NI ★★★★★ 3 Nov 2023 21:23, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
25.72 USD 3 Nov 2023	33.00 USD 20 Jun 2023 19:59, UTC	0.78	10.63 USD Bil 3 Nov 2023	Narrow	Mid Value	Low	Standard	 1 Nov 2023 05:00, UTC

ESG Risk Rating Breakdown

Exposure	
Company Exposure[1]	64.3
– Manageable Risk	60.0
Unmanageable Risk[2]	**4.3**
Management	
Manageable Risk	60.0
– Managed Risk[3]	38.2
Management Gap[4]	**21.8**
Overall Unmanaged Risk	**26.0**



- Exposure represents a company's vulnerability to ESG risks driven by their business model
- Exposure is assessed at the Subindustry level and then specified at the company level
- Scoring ranges from 0-55+ with categories of low, medium, and high-risk exposure

- Management measures a company's ability to manage ESG risks through its commitments and actions
- Management assesses a company's efficiency on ESG programs, practices, and policies
- Management score ranges from 0-100% showing how much manageable risk a company is managing

ESG Risk Rating



ESG Risk Ratings measure the degree to which a company's value is impacted by environmental, social, and governance risks, by evaluating the company's ability to manage the ESG risks it faces.

1. A company's Exposure to material ESG issues 2. Unmanageable Risk refers to risks that are inherent to a particular business model that cannot be managed by programs or initiatives 3. Managed Risk = Manageable Risk multiplied by a Management score of 63.7% 4. Management Gap assesses risks that are not managed, but are considered manageable 5. ESG Risk Rating Assessment = Overall Unmanaged Risk = Management Gap plus Unmanageable Risk

ESG Risk Rating Assessment[5]



ESG Risk Rating is of Nov 01, 2023. Highest Controversy Level is as of Oct 08, 2023. Sustainalytics Subindustry: Multi-Utilities. Sustainalytics provides Morningstar with company ESG ratings and metrics on a monthly basis and as such, the ratings in Morningstar may not necessarily reflect current Sustainalytics' scores for the company. For the most up to date rating and more information, please visit: sustainalytics.com/esg-ratings/.

Peer Analysis 01 Nov 2023

Peers are selected from the company's Sustainalytics-defined Subindustry and are displayed based on the closest market cap values

Company Name	Exposure			Management			ESG Risk Rating		
NiSource Inc	64.3 | High	0	55+	63.7 | Strong	100	0	26.0 | Medium	0	40+
Alliant Energy Corp	55.4 | High	0	55+	65.7 | Strong	100	0	21.4 | Medium	0	40+
WEC Energy Group Inc	55.4 | High	0	55+	54.0 | Strong	100	0	27.5 | Medium	0	40+
Xcel Energy Inc	60.6 | High	0	55+	60.4 | Strong	100	0	26.4 | Medium	0	40+
CMS Energy Corp	59.4 | High	0	55+	68.0 | Strong	100	0	21.7 | Medium	0	40+

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Appendix

Historical Morningstar Rating

NiSource Inc NI 3 Nov 2023 21:23, UTC

Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
—	★★★★★	★★★★★	★★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★★★	★★★★	★★★★★	★★★★	★★★	★★★	★★★★	★★★	★★★	★★★	★★★	★★★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★★	★★★★★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★	★★★★	★★★	★★★
Dec 2019	Nov 2019	Oct 2019	Sep 2019	Aug 2019	Jul 2019	Jun 2019	May 2019	Apr 2019	Mar 2019	Feb 2019	Jan 2019
★★★	★★★	★★★	★★	★★	★★	★★	★★★	★★★	★★	★★★	★★★
Dec 2018	Nov 2018	Oct 2018	Sep 2018	Aug 2018	Jul 2018	Jun 2018	May 2018	Apr 2018	Mar 2018	Feb 2018	Jan 2018
★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★★	★★★★	★★★

Alliant Energy Corp LNT 3 Nov 2023 21:23, UTC

Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
—	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★★★	★★★★	★★★★	★★★	★★	★★	★★	★★	★★	★★	★★	★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★★	★★★	★★★	★★	★★	★★	★★	★★	★★	★★★	★★★★	★★★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★★★	★★★	★★	★★★	★★	★★	★★★	★★★	★★	★★★	★★	★
Dec 2019	Nov 2019	Oct 2019	Sep 2019	Aug 2019	Jul 2019	Jun 2019	May 2019	Apr 2019	Mar 2019	Feb 2019	Jan 2019
★★	★★	★★	★★	★	★★	★★	★★	★★	★★	★★	★★
Dec 2018	Nov 2018	Oct 2018	Sep 2018	Aug 2018	Jul 2018	Jun 2018	May 2018	Apr 2018	Mar 2018	Feb 2018	Jan 2018
★★	★★	★★	★★	★★	★★	★★	★★	★★	★★★	★★★	★★

CMS Energy Corp CMS 3 Nov 2023 21:23, UTC

Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
—	★★★	★★★	★★★	★★★	★★	★★	★★	★★	★★	★★	★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★	★★	★★	★★	★	★	★★	★	★	★	★★	★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★	★★	★★	★★	★	★★	★★	★	★	★	★★	★★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
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Dec 2019	Nov 2019	Oct 2019	Sep 2019	Aug 2019	Jul 2019	Jun 2019	May 2019	Apr 2019	Mar 2019	Feb 2019	Jan 2019
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Dec 2018	Nov 2018	Oct 2018	Sep 2018	Aug 2018	Jul 2018	Jun 2018	May 2018	Apr 2018	Mar 2018	Feb 2018	Jan 2018
★★	★	★	★★	★★	★★	★★	★★	★★	★★	★★	★★

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WEC Energy Group Inc WEC 3 Nov 2023 21:24, UTC

Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
—	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★	★★★	★★★	★★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★★	★★★	★★★★	★★★	★★	★★	★★★	★★	★★	★★★	★★★	★★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★	★★	★★★	★★★★	★★★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★★★	★★	★★	★★	★★	★★	★★	★★	★★	★★	★	★
Dec 2019	Nov 2019	Oct 2019	Sep 2019	Aug 2019	Jul 2019	Jun 2019	May 2019	Apr 2019	Mar 2019	Feb 2019	Jan 2019
★★	★★	★	★	★	★	★	★★	★★	★★	★★	★★
Dec 2018	Nov 2018	Oct 2018	Sep 2018	Aug 2018	Jul 2018	Jun 2018	May 2018	Apr 2018	Mar 2018	Feb 2018	Jan 2018
★★	★★	★★	★★	★★	★★	★★★	★★★	★★★	★★★	★★★	★★

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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.

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 is designed to capture the range of potential outcomes for a company's intrinsic value. This rating is used to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating is aimed at identifying the confidence we should have in assigning a fair value estimate for a given stock.

Our Uncertainty Rating is meant to take into account anything that can increase the potential dispersion of future outcomes for the intrinsic value of a company, and any-

Morningstar Equity Research Star Rating Methodology



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Research Methodology for Valuing Companies

thing that can affect our ability to accurately predict these outcomes. The rating begins with a suggested rating produced by a quantitative process based on the trailing 12-month standard deviation of daily stock returns. An analyst overlay is then applied, with analysts using the suggested rating, historical rating data, and their own knowledge of the company to inform them as they make the final Uncertainty Rating decision. Ultimately, the rating decision rests with the analyst. Analysts take into account many characteristics when making their final decision, including cyclical factors, operational and financial factors such as leverage, company-specific events, ESG risks, and anything else that might increase the potential dispersion of future outcomes and our ability to estimate those outcomes.

Our recommended margin of safety—the discount to fair value demanded before we'd recommend buying or selling the stock—widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the potential dispersion of outcomes, 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 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

Our uncertainty rating is based on the interquartile range, or the middle 50% of potential outcomes, covering the 25th percentile–75th percentile. This means that when a stock hits 5 stars, we expect there is a 75% chance that the intrinsic value of that stock lies above the current market price. Similarly, when a stock hits 1 star, we expect there is a 75% chance that the intrinsic value of that stock lies below the current market price.

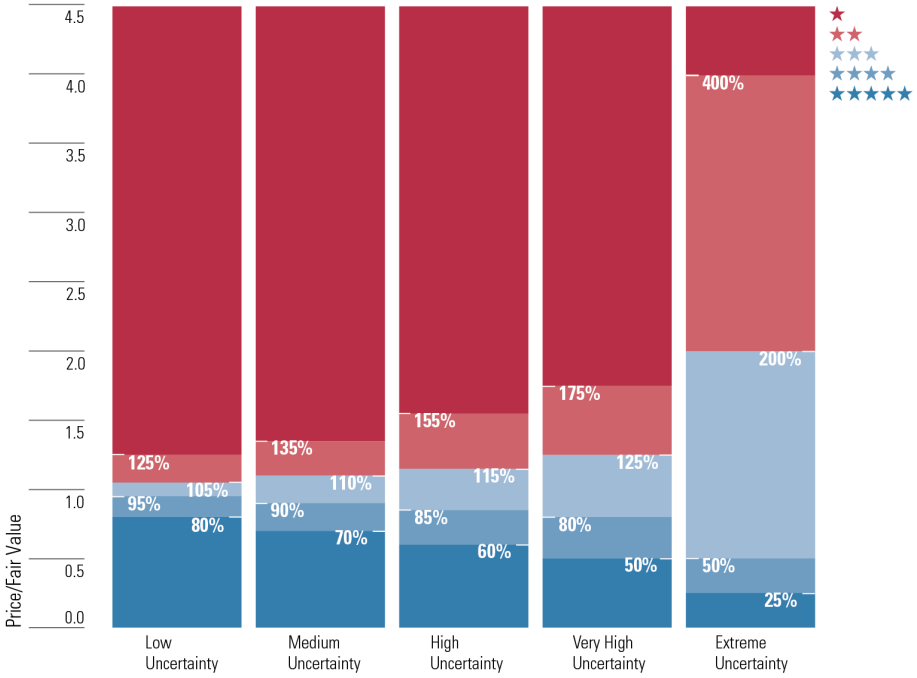
4. Market Price

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

Morningstar Equity Research Star Rating Methodology



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.

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 compan-

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ies' 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.

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NiSource Inc NI ★★★★★ 29 Nov 2023 22:19, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
25.81 USD 29 Nov 2023	33.00 USD 20 Jun 2023 19:59, UTC	0.78	10.67 USD Bil 29 Nov 2023	Narrow	Mid Value	Low	Standard	1 Nov 2023 05:00, UTC

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

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

COP28 Highlights U.S. Utilities' Clean Energy Growth Potential

Analyst Note Travis Miller, Strategist, 30 Nov 2023

With the U.N. Climate Change Conference, otherwise known as COP28, starting this week, we are reasserting our view that the market underappreciates utilities' critical role in limiting global warming.

We consider utilities to be the gatekeepers of decarbonization. Utilities are doing more than any sector to increase renewable energy, cut emissions, expand the energy grid, enable electric vehicles, and maintain energy reliability during extreme weather. This requires huge, multidecade investments that should drive earnings and dividend growth for utilities. We expect COP28 to support our bullish clean energy outlook, which is reflected in our fair value estimates and economic moat ratings.

We think many of our top utilities picks will play a bigger role in decarbonization than the market expects. These include Entergy, NiSource, WEC Energy, Portland General, and Duke Energy. We think their high dividend yields and underappreciated long-term clean energy growth offer attractive investment opportunities.

We forecast clean energy will be two thirds of total U.S. power generation by 2032. This is due to increasingly attractive economics, especially for solar, and state policymaking. We don't expect any significant new federal policies following the 2022 Inflation Reduction Act.

Utilities in states with aggressive clean energy goals should outpace our 6% annual average sector growth forecast. Half of the U.S. population lives in states with 100% clean energy mandates.

U.S. utilities trade at a median 7% discount to our fair value estimates after falling 9% this year, including dividends. Utilities are trailing the market by 29 percentage points, on track for the second-worst full-year relative

Financial Summary and Key Statistics

	Actual		Forecast	
	2021	2022	2023	2024
Revenue (USD Mil)	4,900	5,851	6,105	6,385
Revenue Growth %	4.7	19.4	4.4	4.6
Operating Income (Mil)	1,007	1,266	1,315	1,529
Operating Margin %	20.5	21.6	21.5	23.9
Adjusted EBITDA (Mil)	1,755	2,087	2,185	2,459
Adjusted EBITDA Margin %	35.8	35.7	35.8	38.5
Earnings Per Share (Diluted) (USD)	1.27	1.69	1.59	1.70
Adjusted Earnings Per Share (Diluted) (USD)	1.37	1.47	1.59	1.70
Adjusted EPS Growth %	3.8	7.3	7.9	7.3
Price/Earnings	20.2	18.7	16.2	15.2
Price/Book	1.7	1.6	1.5	1.4
EV/EBITDA	12.8	11.2	11.5	10.2
Free Cash Flow Yield %	-5.5	-7.1	-8.4	-11.2

Source: Morningstar Valuation Model. Data as of 03 Nov 2023.

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NiSource Inc NI ★★★★★ 29 Nov 2023 22:19, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
25.81 USD 29 Nov 2023	33.00 USD 20 Jun 2023 19:59, UTC	0.78	10.67 USD Bil 29 Nov 2023	Narrow	Mid Value	Low	Standard	1 Nov 2023 05:00, UTC

Sector

Utilities

Industry

Utilities - Regulated Gas

Business Description

NiSource is one of the nation's largest natural gas distribution companies with approximately 3.2 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, including coal, natural gas, and renewable energy.

performance in at least 30 years.

Despite the negative sentiment, utilities' fundamentals are strong. We think they deserve premium valuations compared with historical averages, given their better growth potential, improving rate regulation, and less volatile earnings.

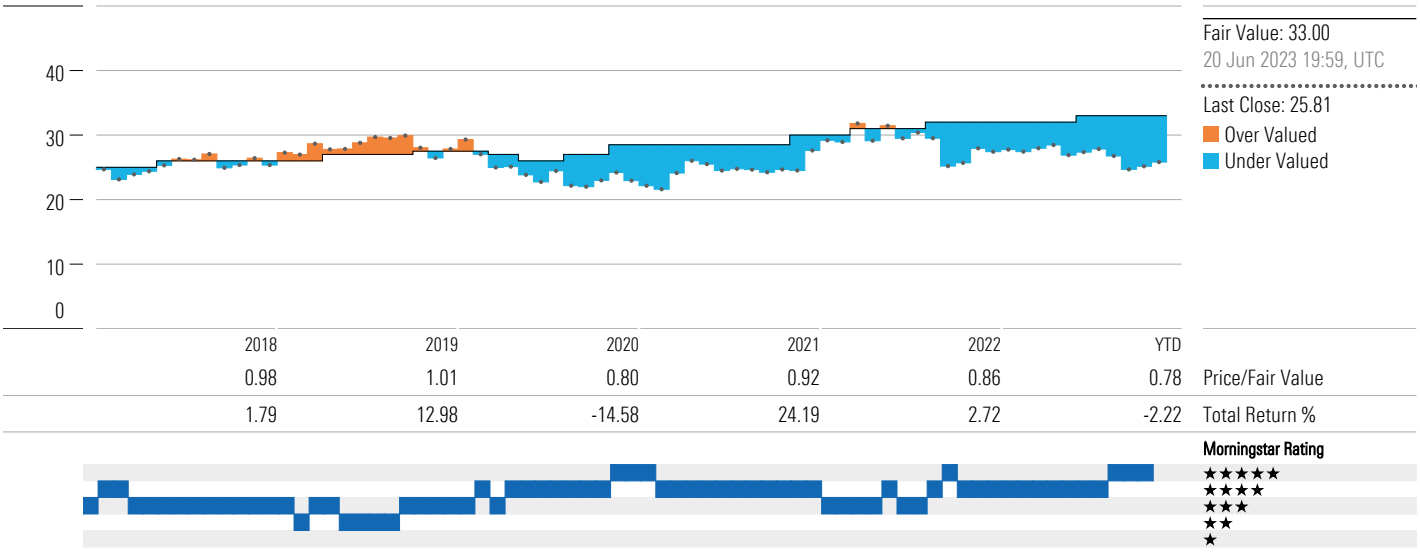
For more on our U.S. renewable energy outlook, see our Utilities Observer, "Renewable Energy Growth Still Outpacing Expectations," published in October.

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Price vs. Fair Value



	2018	2019	2020	2021	2022	YTD	
	0.98	1.01	0.80	0.92	0.86	0.78	Price/Fair Value
	1.79	12.98	-14.58	24.19	2.72	-2.22	Total Return %

Competitors

	NiSource Inc NI	Alliant Energy Corp LNT	CMS Energy Corp CMS	WEC Energy Group Inc WEC
	Fair Value 33.00 Uncertainty : Low Last Close 25.81	Fair Value 58.00 Uncertainty : Low Last Close 49.94	Last Close 56.75 Fair Value 55.00 Uncertainty : Low	Fair Value 96.00 Uncertainty : Low Last Close 82.97
Economic Moat	Narrow	Narrow	Narrow	Narrow
Currency	USD	USD	USD	USD
Fair Value	33.00 20 Jun 2023 19:59, UTC	58.00 8 Nov 2022 17:16, UTC	55.00 20 Mar 2023 19:16, UTC	96.00 5 Dec 2022 16:31, UTC
1-Star Price	41.25	72.50	68.75	120.00
5-Star Price	26.40	46.40	44.00	76.80
Assessment	Significantly Undervalued 29 Nov 2023	Under Valued 29 Nov 2023	Fairly Valued 29 Nov 2023	Under Valued 29 Nov 2023
Morningstar Rating	★★★★★29 Nov 2023 22:19, UTC	★★★★29 Nov 2023 22:19, UTC	★★★29 Nov 2023 22:19, UTC	★★★★29 Nov 2023 22:19, UTC
Analyst	Travis Miller, Strategist	Andrew Bischof, Strategist	Travis Miller, Strategist	Andrew Bischof, Strategist
Capital Allocation	Standard	Standard	Standard	Exemplary
Price/Fair Value	0.78	0.86	1.03	0.86
Price/Sales	1.99	3.05	2.12	2.84
Price/Book	1.76	1.89	2.38	2.23
Price/Earnings	17.21	18.29	22.34	19.21
Dividend Yield	3.87%	3.62%	3.44%	3.76%
Market Cap	10.67 Bil	12.74 Bil	16.56 Bil	26.17 Bil
52-Week Range	22.86—28.95	45.15—57.52	49.87—65.72	75.47—101.11
Investment Style	Mid Value	Mid Core	Mid Core	Mid Core

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Morningstar Valuation Model Summary

Financials as of 03 Nov 2023	Actual			Forecast				
Fiscal Year, ends 31 Dec	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Revenue (USD Mil)	4,682	4,900	5,851	6,105	6,385	6,621	6,937	7,246
Operating Income (USD Mil)	551	1,007	1,266	1,315	1,529	1,656	1,832	2,002
EBITDA (USD Mil)	978	1,755	2,087	2,185	2,459	2,656	2,932	3,202
Adjusted EBITDA (USD Mil)	1,277	1,755	2,087	2,185	2,459	2,656	2,932	3,202
Net Income (USD Mil)	-372	530	749	714	772	840	927	1,020
Adjusted Net Income (USD Mil)	507	572	651	714	772	840	927	1,020
Free Cash Flow To The Firm (USD Mil)	457	-765	-917	30	-1,015	-1,019	-649	-602
Weighted Average Diluted Shares Outstanding (Mil)	384	417	443	450	454	459	467	476
Earnings Per Share (Diluted) (USD)	-0.97	1.27	1.69	1.59	1.70	1.83	1.98	2.14
Adjusted Earnings Per Share (Diluted) (USD)	1.32	1.37	1.47	1.59	1.70	1.83	1.98	2.14
Dividends Per Share (USD)	0.84	0.83	0.86	1.00	1.06	1.12	1.20	1.28

Margins & Returns as of 03 Nov 2023		Actual			Forecast					
	3 Year Avg	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**5 Year Avg**
Operating Margin %	18.0	11.8	20.5	21.6	21.5	23.9	25.0	26.4	27.6	24.9
EBITDA Margin %	—	20.9	35.8	35.7	35.8	38.5	40.1	42.3	44.2	—
Adjusted EBITDA Margin %	32.9	27.3	35.8	35.7	35.8	38.5	40.1	42.3	44.2	40.2
Net Margin %	5.2	-7.9	10.8	12.8	11.7	12.1	12.7	13.4	14.1	12.8
Adjusted Net Margin %	11.2	10.8	11.7	11.1	11.7	12.1	12.7	13.4	14.1	12.8
Free Cash Flow To The Firm Margin %	-7.2	9.8	-15.6	-15.7	0.5	-15.9	-15.4	-9.4	-8.3	-9.7

Growth & Ratios as of 03 Nov 2023		Actual			Forecast					
	3 Year CAGR	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**5 Year CAGR**
Revenue Growth %	4.0	-10.1	4.7	19.4	4.4	4.6	3.7	4.8	4.5	4.4
Operating Income Growth %	12.4	-38.2	82.8	25.7	3.9	16.3	8.3	10.6	9.3	9.6
EBITDA Growth %	0.0	—	—	—	—	—	—	—	—	0.0
Adjusted EBITDA Growth %	9.1	-20.6	37.5	18.9	4.7	12.5	8.0	10.4	9.2	8.9
Earnings Per Share Growth %	3.8	—	—	—	—	—	—	—	—	7.8
Adjusted Earnings Per Share Growth %	3.8	0.3	3.8	7.3	7.9	7.3	7.6	8.4	8.1	7.8

Valuation as of 03 Nov 2023	Actual			Forecast				
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Price/Earnings	17.4	20.2	18.7	16.2	15.2	14.1	13.0	12.1
Price/Sales	1.9	2.3	1.9	1.7	1.7	1.6	1.5	1.5
Price/Book	1.5	1.7	1.6	1.5	1.4	1.3	1.2	1.2
Price/Cash Flow	-13.7	-18.0	-14.0	-11.9	-8.9	-8.8	-11.5	-11.6
EV/EBITDA	16.0	12.8	11.2	11.5	10.2	9.4	8.5	7.8
EV/EBIT	37.1	22.3	18.5	19.0	16.4	15.1	13.7	12.5
Dividend Yield %	3.7	3.0	3.1	3.9	4.1	4.3	4.7	5.0
Dividend Payout %	-86.5	65.2	50.9	63.1	62.3	61.2	60.5	59.7
Free Cash Flow Yield %	-7.3	-5.5	-7.1	-8.4	-11.2	-11.3	-8.7	-8.6

Operating Performance / Profitability as of 03 Nov 2023	Actual			Forecast				
Fiscal Year, ends 31 Dec	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
ROA %	-1.7	2.3	2.9	2.6	2.7	2.7	2.8	2.9
ROE %	-7.4	10.3	13.1	11.5	11.8	11.9	12.0	12.0
ROIC %	2.1	4.5	5.2	5.0	5.3	5.1	5.2	5.2

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NiSource Inc NI ★★★★★ 29 Nov 2023 22:19, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
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Financial Leverage (Reporting Currency)	Actual			Forecast				
Fiscal Year, ends 31 Dec	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Debt/Capital %	62.9	58.5	59.9	61.0	59.4	59.5	59.6	59.4
Assets/Equity	3.8	3.5	3.5	3.5	3.7	3.6	3.6	3.5
Net Debt/EBITDA	9.8	5.5	5.4	5.5	4.7	4.9	4.8	4.8
Total Debt/EBITDA	7.6	5.6	5.4	5.6	4.9	4.9	4.8	4.8
EBITDA/ Net Interest Expense	3.4	5.1	5.8	5.6	5.9	6.0	5.9	5.7

Forecast Revisions as of 6 Nov 2023	2023		2024		2025	
Prior data as of 1 Nov 2023	**Current**	**Prior**	**Current**	**Prior**	**Current**	**Prior**
Fair Value Estimate Change (Trading Currency)	33.00	33.00	—	—	—	—
Revenue (USD Mil)	6,105	6,105	6,385	6,385	6,621	6,621
Operating Income (USD Mil)	1,315	1,315	1,529	1,529	1,656	1,656
EBITDA (USD Mil)	2,185	2,185	2,459	2,459	2,656	2,656
Net Income (USD Mil)	714	714	772	772	840	840
Earnings Per Share (Diluted) (USD)	1.59	1.59	1.70	1.70	1.83	1.83
Adjusted Earnings Per Share (Diluted) (USD)	1.59	1.59	1.70	1.70	1.83	1.83
Dividends Per Share (USD)	1.00	1.00	1.06	1.06	1.12	1.12

Key Valuation Drivers as of 03 Nov 2023

Cost of Equity %	7.5
Pre-Tax Cost of Debt %	5.5
Weighted Average Cost of Capital %	5.8
Long-Run Tax Rate %	27.0
Stage II EBI Growth Rate %	6.0
Stage II Investment Rate %	75.0
Perpetuity Year	15

Additional estimates and scenarios available for download at https://pitchbook.com/.

Discounted Cash Flow Valuation as of 03 Nov 2023

	USD Mil
Present Value Stage I	-2,714
Present Value Stage II	3,174
Present Value Stage III	23,564
Total Firm Value	**24,024**
Cash and Equivalents	75
Debt	-11,316
Other Adjustments	2,998
Equity Value	**14,235**
Projected Diluted Shares	449
Fair Value per Share (USD)	**33.00**

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Income Statement (USD)	Actual			Forecast				
Fiscal Year, ends 31 Dec	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Revenue (Mil)	**4,682**	**4,900**	**5,851**	**6,105**	**6,385**	**6,621**	**6,937**	**7,246**
Cost of Goods Sold (Mil)	1,109	1,392	2,111	2,097	2,085	2,106	2,127	2,148
Gross Profit (Mil)	**3,572**	**3,507**	**3,740**	**4,008**	**4,300**	**4,515**	**4,810**	**5,098**
Selling, General, Administrative & Other Expenses (Mil)	1,586	1,456	1,489	1,539	1,555	1,570	1,586	1,602
Advertising & Marketing Expenses	—	—	—	—	—	—	—	—
Research & Development	—	—	—	—	—	—	—	—
Depreciation & Amortization (if reported separately) (Mil)	726	748	821	870	930	1,000	1,100	1,200
Adjusted Operating Income (Mil)	**551**	**1,007**	**1,266**	**1,315**	**1,529**	**1,656**	**1,832**	**2,002**
Financial Non-Cash (Gains)/Losses (Mil)	0	0	0	0	0	0	0	0
Irregular Cash (Gains)/Losses (Mil)	299	0	0	0	0	0	0	0
Operating Income (Mil)	**252**	**1,007**	**1,266**	**1,315**	**1,529**	**1,656**	**1,832**	**2,002**
Net Interest Expense (Mil)	582	300	309	351	377	404	459	518
Income Tax Expense (Mil)	-17	118	165	183	219	238	261	267
After-Tax Items (Mil)	-55	-55	-55	-62	-65	-65	-65	-65
(Minority Interest) (Mil)	-3	-4	12	-5	-96	-110	-120	-131
Net Income (Mil)	**-372**	**530**	**749**	**714**	**772**	**840**	**927**	**1,020**
Adjusted Net Income (Mil)	**507**	**572**	**651**	**714**	**772**	**840**	**927**	**1,020**
Weighted Average Diluted Shares Outstanding (Mil)	384	417	443	450	454	459	467	476
Diluted Earnings Per Share	**-0.97**	**1.27**	**1.69**	**1.59**	**1.70**	**1.83**	**1.98**	**2.14**
Diluted Adjusted Earnings Per Share	**1.32**	**1.37**	**1.47**	**1.59**	**1.70**	**1.83**	**1.98**	**2.14**
Dividends Per Common Share (USD)	0.84	0.83	0.86	1.00	1.06	1.12	1.20	1.28
EBITDA (Mil)	**978**	**1,755**	**2,087**	**2,185**	**2,459**	**2,656**	**2,932**	**3,202**
Adjusted EBITDA (Mil)	**1,277**	**1,755**	**2,087**	**2,185**	**2,459**	**2,656**	**2,932**	**3,202**

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NiSource Inc NI ★★★★★ 29 Nov 2023 22:19, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
25.81 USD 29 Nov 2023	33.00 USD 20 Jun 2023 19:59, UTC	0.78	10.67 USD Bil 29 Nov 2023	Narrow	Mid Value	Low	Standard	1 Nov 2023 05:00, UTC

Key Cash Flow Items (USD)	Actual			Forecast as of 3 Nov				
Fiscal Year, ends 31 Dec	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Cash from Working Capital (Mil)	-34	83	58	-97	182	19	7	8
(Capital Expenditures) (Mil)	-1,758	-1,838	-2,203	-2,620	-3,420	-3,420	-3,320	-3,520
Depreciation (Mil)	726	748	821	870	930	1,000	1,100	1,200
Amortization (Mil)	—	—	—	—	—	—	—	—
Net New (Investment), Organic (Mil)	**-402**	**-1,718**	**-2,035**	**-1,175**	**-2,308**	**-2,401**	**-2,163**	**-2,262**
(Purchases)/Sales of Companies & Assets (Mil)	0	1	0	0	0	0	0	0
Net New (Investment), Total (Mil)	**-402**	**-1,717**	**-2,035**	**-1,175**	**-2,308**	**-2,401**	**-2,163**	**-2,262**
Other Non-Cash Items, From Cash Flows (Mil)	653	5	-100	0	0	0	0	0
Free Cash Flow to the Firm (Mil)	**457**	**-765**	**-917**	**30**	**-1,015**	**-1,019**	**-649**	**-602**

Balance Sheet (USD)	Actual			Forecast				
Fiscal Year, ends 31 Dec	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Assets								
Cash and Equivalents (Mil)	126	95	75	361	530	141	101	87
Inventory (Mil)	401	499	752	718	571	577	583	589
Accounts Receivable (Mil)	791	826	1,042	1,004	962	998	1,045	1,092
Net Property, Plant and Equipment (Mil)	16,620	17,882	19,843	21,593	24,083	26,503	28,723	31,043
Goodwill (Mil)	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486
Other Intangibles (Mil)	0	0	0	0	0	0	0	0
Other Operating Assets (Mil)	2,136	2,788	3,063	2,300	2,300	2,250	2,200	2,200
Non-Operating Assets (Mil)	481	582	476	476	476	476	476	476
Total Assets (Mil)	**22,041**	**24,157**	**26,737**	**27,938**	**30,408**	**32,430**	**34,613**	**36,972**
Liabilities								
Accounts Payable (Mil)	589	698	900	1,034	1,028	1,039	1,049	1,060
Debt (Mil)	9,746	9,802	11,316	12,316	12,116	13,116	14,216	15,316
Other Operating Liabilities (Mil)	4,539	4,932	5,599	5,350	5,500	5,650	5,850	6,100
Non-Operating Liabilities (Mil)	1,329	1,452	1,020	1,020	1,020	1,020	1,020	1,020
Total Liabilities (Mil)	**16,203**	**16,884**	**18,835**	**19,720**	**19,664**	**20,825**	**22,135**	**23,495**
Equity								
Shareholders' Equity (Mil)	5,752	6,947	7,575	7,892	8,268	8,930	9,652	10,451
Minority Interest (Mil)	86	326	326	326	2,476	2,676	2,826	3,026
Total Equity (Mil)	**5,838**	**7,273**	**7,902**	**8,218**	**10,744**	**11,606**	**12,478**	**13,477**

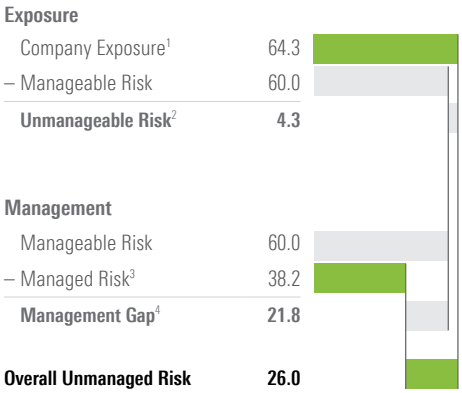
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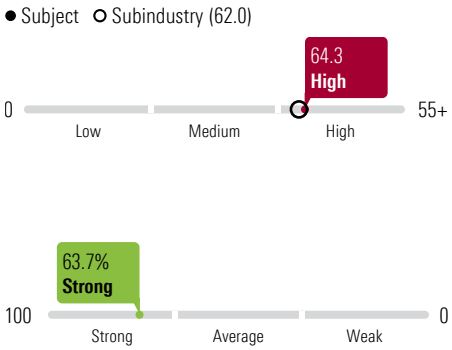
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ESG Risk Rating Breakdown

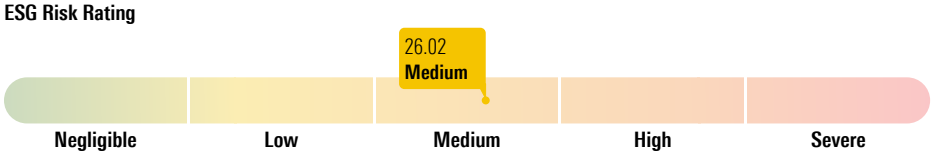




- Exposure represents a company's vulnerability to ESG risks driven by their business model
- Exposure is assessed at the Subindustry level and then specified at the company level
- Scoring ranges from 0-55+ with categories of low, medium, and high-risk exposure

- Management measures a company's ability to manage ESG risks through its commitments and actions
- Management assesses a company's efficiency on ESG programs, practices, and policies
- Management score ranges from 0-100% showing how much manageable risk a company is managing

ESG Risk Rating



ESG Risk Ratings measure the degree to which a company's value is impacted by environmental, social, and governance risks, by evaluating the company's ability to manage the ESG risks it faces.

ESG Risk Rating Assessment[5]



ESG Risk Rating is of Nov 01, 2023. Highest Controversy Level is as of Nov 08, 2023. Sustainalytics Subindustry: Multi-Utilities. Sustainalytics provides Morningstar with company ESG ratings and metrics on a monthly basis and as such, the ratings in Morningstar may not necessarily reflect current Sustainalytics' scores for the company. For the most up to date rating and more information, please visit: sustainalytics.com/esg-ratings/.

1. A company's Exposure to material ESG issues 2. Unmanageable Risk refers to risks that are inherent to a particular business model that cannot be managed by programs or initiatives 3. Managed Risk = Manageable Risk multiplied by a Management score of 63.7% 4. Management Gap assesses risks that are not managed, but are considered manageable 5. ESG Risk Rating Assessment = Overall Unmanaged Risk = Management Gap plus Unmanageable Risk

Peer Analysis 01 Nov 2023

Peers are selected from the company's Sustainalytics-defined Subindustry and are displayed based on the closest market cap values

Company Name	Exposure			Management			ESG Risk Rating		
NiSource Inc	64.3 | High	0	55+	63.7 | Strong	100	0	26.0 | Medium	0	40+
Alliant Energy Corp	55.4 | High	0	55+	65.7 | Strong	100	0	21.4 | Medium	0	40+
WEC Energy Group Inc	55.4 | High	0	55+	54.0 | Strong	100	0	27.5 | Medium	0	40+
Xcel Energy Inc	60.6 | High	0	55+	60.4 | Strong	100	0	26.4 | Medium	0	40+
CMS Energy Corp	59.4 | High	0	55+	68.0 | Strong	100	0	21.7 | Medium	0	40+

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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.

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 is designed to capture the range of potential outcomes for a company's intrinsic value. This rating is used to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating is aimed at identifying the confidence we should have in assigning a fair value estimate for a given stock.

Our Uncertainty Rating is meant to take into account anything that can increase the potential dispersion of future outcomes for the intrinsic value of a company, and any-

Morningstar Equity Research Star Rating Methodology



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thing that can affect our ability to accurately predict these outcomes. The rating begins with a suggested rating produced by a quantitative process based on the trailing 12-month standard deviation of daily stock returns. An analyst overlay is then applied, with analysts using the suggested rating, historical rating data, and their own knowledge of the company to inform them as they make the final Uncertainty Rating decision. Ultimately, the rating decision rests with the analyst. Analysts take into account many characteristics when making their final decision, including cyclical factors, operational and financial factors such as leverage, company-specific events, ESG risks, and anything else that might increase the potential dispersion of future outcomes and our ability to estimate those outcomes.

Our recommended margin of safety—the discount to fair value demanded before we'd recommend buying or selling the stock—widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the potential dispersion of outcomes, 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 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

Our uncertainty rating is based on the interquartile range, or the middle 50% of potential outcomes, covering the 25th percentile–75th percentile. This means that when a stock hits 5 stars, we expect there is a 75% chance that the intrinsic value of that stock lies above the current market price. Similarly, when a stock hits 1 star, we expect there is a 75% chance that the intrinsic value of that stock lies below the current market price.

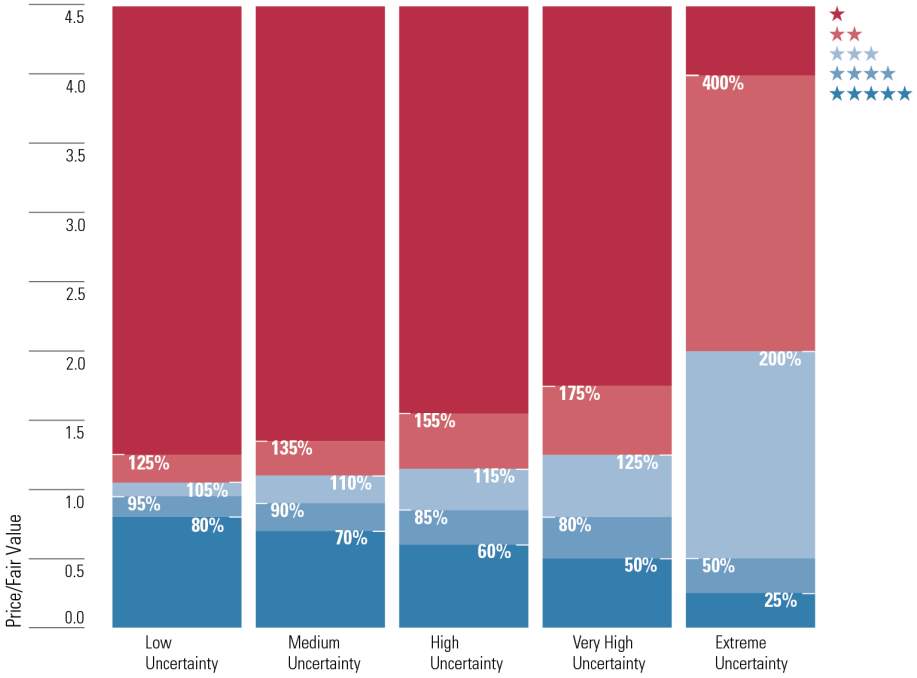
4. Market Price

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

Morningstar Equity Research Star Rating Methodology



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.

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 compan-

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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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EEI Conference 2023

We attended the EEI Financial Conference in Scottsdale, Arizona and over the last three days met with over 30 management teams in the utility sector.

General Takeaways & Themes - Balance Sheets and Equity

Equity needs are back for the industry as was made clear by increased discussions around equity in plans on the 3Q earnings calls, and subsequent releases on equity financing (SRE's forward sale, EMA's re-upping of the ATM to name a couple) prior to and during the EEI conference. We also believe that the rating agencies have started to articulate a view of being stricter around achievement of metrics, and that equity will become a feature for the sector moving forward. Equity needs remain uncertain for ES and D as processes around OSW continue. We also believe there may be expression of equity needs for some companies that have not yet given a plan refresh but will do so on the year end conference calls. Those companies tracking below their downgrade thresholds that are on negative outlook at S&P are WTRG, AEP, EVRG, WEC, ES, FTS, D, and EMA. Those companies tracking below their downgrade threshold that are not on negative outlook are AWK, LNT, CNP, EIX, and PCG. See individual company takeaways for more detail on commentary on balance sheet and equity needs. We generally believe equity for growth is accretive and will be required across the majority of the sector to fund the higher capital requirements related to the clean energy transition.

General Takeaways & Themes - Higher Load Growth

Increasing electricity demand, some from reshoring and a lot from data centers was a theme across most of our meetings. While this is beneficial for industrial growth as it spreads fixed costs over higher volumes, margins remain low so there is no direct financial benefit to the bottom line between rate cases. Hopefully industrial growth away from data centers (which aren't significant job creators in our view) will drive higher commercial and residential demand over time which are higher margin volumes. Ultimately longer term demand growth with margins is more likely to be connected to EVs in our view. We do have marginal concerns that data center growth eats into reserve margins with little margin opportunity in a grid with increasing intermittency in generation over time. We would also note that load growth estimates are higher, but in several cases we have yet to see prior load growth estimates to materialize, so it's a wait and see story.

Company Takeaways

Any takeaways for individual companies are provided in more detail below.

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Electric Utilities

AES Corp

The company is confident it can settle AES Indiana case and is confident in their growth projections. The company is hopeful in rate base growth because the ESP 4 in Ohio lays foundation for growth. For AES Ohio, $4Bln of $5Bln of the 5 year capex plan is approved or in formula rates. The company has delayed coal retirement exit to 2027 for reliability and customer transition reasons. Management indicated that the do not need equity for balance sheet repair.

Alliant Energy Corp

The company remains focused on meeting customer needs and aligning interests with regulators and stakeholders. Regarding a recent WPL oral order, the company views this as the regulators utilizing rate gradualism, spreading the increase out over two years. The 9.8% ROE was slightly better than expectations and the 52.5% equity ratio was a bit lower than expectations. Notably, there's $150mm of investment regulators didn't allow around solar projects, which LNT will follow up with a separate filing to seek to defer it and then decide if they will do a reopener or roll it into the next rate case. The company has decided that $200mm of equity has come out the plan and only equity will be $25mm DRIP in 2024.

Currently, the company has 26% of its distribution system underground and they view reliability as the currency going forward and undergrounding promotes that. The cost varies depending on the location, ranging from $300k per mile in rural areas to $750k per mile in urban areas. They also recognize that there is a 1.3 GWs of repowering opportunity beyond 2027.

In Iowa, they will argue for higher ROE on solar assets; seeking 52% equity ratio and 10% ROE. The bulk of the case is to recover 400 MWs of solar and a two step rate increase, 9% in year 1 and 7% year 2. This is the first rate change since 2019 and there's a 10 month clock with final decision in Q3 and settlement window in late Q2. The company notes that in their view the current Iowa Utilities Board is now focused on implementing the policy of the state.

The company is focused on selling 2023 transferability of $140mm with $1.5bn of tax credits to be monetized over next five years as a target. The goal is to do so quarterly as pricing market is better than what they showed to the regulators at the low 90c on the dollar as demand has been stronger.

They are maintaining solid credit metrics with a range of 14-15%, a 100-150bps cushion for Moody's and 15% threshold for S&P. Moody's rates them Baa2 and S&P A-, reflecting a two notch difference.

The company is seeing demand growth from Agriculture and Biofuels, which are the bread and butter in Iowa. Total retail sales outlook is 50bps and has been tracking slightly better on trailing basis.

Ameren Corp

The company has a long runway of growth to support the 8.4% rate base growth and Illinois with the MYP is a very good framework in their view. If the final order is aligned with ALJ, AEE will honor the outcome, but incremental investments can go elsewhere into transmission and Missouri. With that, PIMS are +24bps and they should be able to earn the authorized.

The company will file for securitization w/ MO PSC on securitization which will retire mid-October and will receive $500mm securitization proceeds. The two renewable projects are Huck Finn and Boomtime. The Missouri rate case will likely be filed in July 2024, with new rates in June 2025. The rate case will capture the Rush Island

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retirements and the renewable projects coming online.

Management is focused on strengthening and lengthening the 6-8% EPS growth rate, while the IRP capex has an upside of $1.5bn. The company is losing 2000MW of capacity to retirements and need to add gas peaking capacity to backstop renewables. The seasonal capacity reserve margin moved up to 25% from 15.9%. Management currently does not have a lot of data center demand.

In transmission, the company was awarded $1.8Bln in Tranche 1 and won $84mln for a competitive project. Bids went in for two additional projects at $560mln and $22mln. Tranche 2 update coming in mid-year in terms of what projects will be assigned and which will be competitively bid.

On the Q4 call, the company will update the financing plan that will include transferability. In Missouri, 50bps of load growth is the target and the company is on track for that. They do see some upside from C&I load, for example a GM plant coming and are targeting flat to down O&M in the plan.

American Electric Power

The company remains customer focused and recognizes that if they take care of them, they will be in good standing with regulators. The midpoint of new 2024 guidance at $5.63 is 6.5% off of 2023 midpoint of $5.29. Regulated renewables make up $9.4Bln of $43Bln capital plan with customer rates now projected to increase by 3% from 4%; $6.0Bln has regulatory approvals. Management appeared frustrated by discount at which the stock trades, but trying to show the balance sheet is in good shape and they won't take dilutive actions.

The company expects to announce New Mexico Renewable Development (NMRD) sale soon, which will close by year-end or early 2024. The company is also looking to sell retail and will announce in early 2024 and try to close by mid 2024. Management notes that retail is a different type of business, so buyer pool is wider. They assume 12c of earnings from the assets that are up for sale in 2024, but will redeploy proceeds when they come in, so no change in guidance or growth from 2024 to 2025.

AEP is awaiting West Virginia deferred fuel order, in excess of $500mln, but if they take a haircut it is unlikely to hurt FFO/Debt, but will hurt debt/capital a bit as they'll take a write-off. They feel like Kentucky rate case is a typical process so far and hearings at the end of this month. By end of this month there will be an order in Virginia at APCo. Ohio ESP V order should come in Q1 and PSO received order last week but already filed notice of intent to file again.

The company assumes 9.1% earned ROE across the board for 2024; through 9/30/23 its 8.7%, but there's 40bps of weather in their estimation. Also, 20-30bps of authorized going up, and 50-60 bps improvement overall through 2028 is assumed. The $700mm is the after tax proceeds for the intended asset sales at book value but tax hit is very small given tax credits on balance sheet. Management thinks proceeds coming in on 12/31and the push out of capex is related to timeline on regulated renewables moving out a bit in the forecast.

Virginia and Kentucky rate cases are helping ROE improve in 2024. Kentucky will take several rate cases to materially improve the ROE off the TTM of 1.9%. It will be key to watch trackers being approved, while APCo has 100bps of weather drag in the TTM of 6.7%. The company is not pushing more capital into the under earning jurisdictions so rate base growth slowing but they want to get the earned ROEs up. S&P incorporated this new plan before their negative outlook report but management won't take any dilutive actions to defend the rating.

The company has load growth baked into the customer bill so pressure is going down by 100bps. They are looking for more trackers and Rock Falls into rates in PSO. They also did seek Performance Based Rates initially, but that proposal didn't gain traction. A lot of the load growth is going through FERC formula rates, so it doesn't create lag and they are comfortable with the 6-7% eps growth range, diversified portfolio, so no one outcome is going to dramatically swing it up or down, but management acknowledged it's a lot

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more work to manage and follow. We believe it is unlikely that management would alter the current growth guidance to make it a wider range.

AEP Texas saw 40-50bps improvements from DCRF being filed twice a year plus the incentive comp recovery will help improve the TTM ROE of 7.7%. They haven't experienced supply chain issues with their renewables projects, but they are further out in time so not as much of a concern.

American Water Works Company

The company's FFO/debt downgrade threshold at both agencies is 12% which reflects low business risk. Next equity need is $1 billion in middle of 2024-2028. Pfas spending anticipated at $1 billion capex and $55 million in annual operations and maintenance spending. The company is seeing annual declines in water demand of -2% with pockets of increases. The Pennsylvania rate case filing would roll in $1 billion of rate base including Butler and other acquisitions.

CMS Energy Corp

The company highlighted Michigan's clean energy legislation doubles the need for solar power, reaching 16 GW. This could be owned or PPA'd as the economics for PPAs in the legislation could be attractive without the construction risks as the company can earn on PPA's in Michigan. The Governor has yet to sign the legislation. Furthermore the company intends to file a renewable energy plan within one year, a much shorter timeline than the initially projected five years, which would supersede the IRP. The company has signed contracts for 525 MW of load growth, and sees potential amounting to ~3x yearly average. Despite this, the company still anticipates the need for up $350 mln in equity annually. We believe the company is not likely to settle the current rate case but rather to fully litigate it.

CenterPoint Energy Inc

The company has built a strong reputation with investors, consistently delivering solid results for 14 consecutive quarters. Their approach with rate cases is favorable, with 80% of capital company wide being recovered through trackers, and no big rate case asks, other than Indiana Electric.

In Texas Gas, the four subsidiaries are being rolled into one case, which includes an 18% reduction in rates for C&I with rural and Houston metro customers seeing reductions. The company is closely watching the cost of capital, 61% is the ask, up from 55% and it is prefunded. They have filed for a 10.5% ROE, up from 9.6% from the last commission ROE.

In Minnesota Gas, they historically file every other year; it's 10% of the business. Previously, they had lumpiness in earnings and they are trying to address that with a multi-year approach by asking for a rate increase of 6%. The Commission was on record saying the LDCs should get higher ROEs than electrics.

Indiana Electric presents a unique case as they haven't been in a rate case in 15 years. They are seeking an increase of 10.4% and will be seeking a large ask in terms of percent, with two thirds being the gas plant. The company has made conservative assumptions with 9.8% being the last authorized in Indiana with the NIPSCO case.

Houston Electric is well positioned having pushed out timing to allow for another DCRF and TCOS filing. The revenue ask will be flat to declining and will be about cost of capital, O&M, D&A, and regulatory assets, which are small. They are targeting a 45% equity layer with Oncor. Oncor got a 9.7% ROE and Houston Electrric is at 9.4%. The company anticipates at least one new commissioner, possibly two as Peter Lake left and the new chairman is potentially someone they know well. The company is also preparing for a Grid Resiliency rule making in the second week of December. Every $300 mln is $0.01 of EPS benefit from the reduction in lag. The company will file the resiliency plan in Texas in Q1'24.

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The company expects $2.0bn of Houston Electric capex. There's $600mm of new hook up capex that's ineligible, so goal is to increase the capex and get as much of the remaining $1.4bn+ of the capex to be designated as grid resiliency. This would piggy back on DCRF in terms of recovery. The company is gearing up to support hydrogen with 10 GW expected to be lined up before 2030, even if half actually shows up, peak would increase from 22 GWs to 27 GWs. Currently, there's a huge existing infrastructure and capabilities within the energy space and the balance sheets to do it. Industrial growth is being driven by LNG trains and electric furnaces, while the Houston population is expected to be growing at ~120k per year.

The company is closely monitoring credit metrics, with 13% FFO/Debt as the downgrade threshold and 100-150bps as the cushion target. The company is currently at 14.3%. The company plans to incorporate capex quarter by quarter as they see it and it can be financed.

Consolidated Edison Inc

The company is expecting steam rate settlement approval shortly. Management expects to add 5 cents to returns for getting back to allowed and the 11/21 storm resiliency filing will be a sizable capital filing outside of rate base. The new base for EPS growth rate is the midpoint of 2024 EPS guidance. The company plans to earn a return on $2.3 billion in energy efficiency spending from 2025-2030. The company is among highest residential rates in country with bills about $100 month and a third of its rates is taxes. If the company is asked to own renewables, they would but they do not need it.

Dominion Energy Inc

The company reaffirmed the priorities and commitments all along during the business review and they know they must meet the financial commitments consistently moving forward. Their final strategic step is finding partner for OSW. Potential partners are both strategic and financial. Criteria the company is considering are premium for customers, pro rata sharing of costs, speed to close, and certainty of financing. Appealing aspects to buyers is the project is regulated, it's on time and on budget and has support in Virginia. OSW will get PTCs and 5 yr MACRs which flows back to customers, but the company will realize a cash timing benefit that helps credit metrics.

Regarding 2025, management is not offering more color, but reiterated that the bridge from adjusted EPS in 2023 to 2025 isn't a standard growth rate. The company is retaining a positive position for the LDC Pension but O&M savings won't be a game changer. For interest rate swaps, $8bn is notional value with 1/3 at VEPCO and 2/3 at Parent. They become realizable at VEPCO in 2024/2025 and Corp level can be used before 2028. Last comment management made was that it represented $1.0bn of cash value right now but is somewhat less as rates have come in. The 5% load growth target at VEPCO is on track.

There are currently six operating projects at RNG, which management will provide an update on at analyst day. There are also $700mm of residual value in contracted solar. It will go up a bit as they finish the last few projects they were contractually committed to finish. Contracted Energy business has zero debt, so the holdco debt should be allocated.

The Millstone 2029 contract has 55% of capacity with no room for uprates. In transmission constraints, 4 projects COD with one more that’s COD at the end of 2025 and is larger and addresses the constraint issue. PJM saying $5.0bn of projects were needed and $2.5bn in projects were awarded to D.

D has proposed gas peaker in Virginia. Regarding the SCC, 1 commissioner is there with 2 open slots, and they've been operating with a retired commissioner. Session opens in January and usually open vacancies are filled in the first 30 days. The House of Delegates flipped to Democrats, and commissioners will be elected in a joint session. Any OSW sale will need approval under affiliates act and transfer act, which is a 3-7 month window. Meanwhile, the company is utilizing existing tax credits.

DTE Energy

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The company expects a rate case decision in December. They will also provide an earnings update and 5 year plan refresh in December. EPS guidance will be based off a normalized 2023 midpoint. Management believes they can work with the staff position but would prefer a more constructive outcome. The ALJ was unproductive and it is a critical case to get right. The company had a $100mm headwind from the rate case to start the year along with the ice storm and warm winter and it went to $270mm at end of Q2. They had plan in place to offset the $270mm but then had a cool summer and tornados added $100mm more resulting in a total of $370mm, which is 28% of the O&M budget and it was too much to overcome.

The company plans on a lot of the O&M cuts pushing into in 2024 as they were one-time, but aiming to make a subset permanent and recent Michigan legislation could drive upside capex for gas generation and renewables. Carbon capture and storage also materially improve the economics with the $40/ton CCS tax credit. Management sees good head room to reach credit thresholds and they hedged a quarter of the corporate level debt interest rate exposure.

Vanatage has four projects coming online in 2024 and they like the business, but will stay at 10% or less of the overall business. The company also sees capital recycling opportunities exist at Vantage, but haven't made any decisions. There is a power uprate opportunity of 150 MWs, which would be in excess of a billion but the decision is several years away. The company is also looking for transferability, but they don't have the tax appetite currently.

Duke Energy Corp

Coming into 2023, the company had $300mm in structural O&M cuts with a the target of 70% to be sustainable, but that is now 100%. The company is now looking to keep $150mm of the $300mm of tactical cuts, which helping to offset additional interest costs and discover the sustainability of the cuts. If the company was able to decouple, it would have saved 24c of the 40c weather headwind in 2023.

In North Carolina MYP, the price changes take effect on 1/1 each year, before all of the capital has flowed resulting in regulatory lag of 20-25c, so the changes will improve that materially. However, the equity layer increased to 53% from 52%, ROE is 9.8%, but effectively the same earnings power as a 10% ROE at a 52% equity ratio. Textiles and paper manufacturing has been softer on load growth with data centers being great for load growth, but regulators like manufacturers. In May/June of next year there will be hearings on the North Carolina Plan.

The company plans to file CPCN for 900 MW/ 1300 MW in North Carolina, while in Florida, the new MYP for new rates in 2025 can likely settle in 2024. The company has stated that earned returns are strong, except Indiana, where they are evaluating a GRC given only 80% of investment is tracker. Since the last case was in 2019, the company has to likely go in to true up. Every year in June and February succession reviews are done, allowing Duke to have rotating senior management.

Edison International

The company reiterated their 5% to 7% EPS growth to 2028. It was noted that every $100mm of preferred tender adds 2c to EPS. They do expect cost of capital formulaic increase is likely to be approved as standard practice in California and the inflationary index adjustor is an annual mechanism implemented through an advice letter and has been in place for several years. In December, the company expects scoping memo in TKM 17/18 fires liability recovery. There are approximately 11k settlements settled with approximately 2k remaining. There is an ALJ scoping memo in December which is likely to set a schedule of intervenor testimony in the spring, briefs late next year and a final order in 2025. Estimates were increased in the company and has the lowest rates in state but see several years of high single digit rate increases possible. Rates remain 18% lower than PG&E and 45% lower than SDG&E.

Emera Inc

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In our view, Florida and Nova Scotia remain core, and the other assets across the portfolio would be the ones under review around the 15% asset sale that the company discussed on their earnings call this past Friday. Part of the Tampa Electric rate case that will be helpful is the true up to the higher cost of debt but it will otherwise be a typical rate case around capital investment and returns. The company has delivered 7% rate base growth over time, so that aligns with the forecast off of the 2022A base year rate base, which is standard practice with prior forecast updates. The change in control restriction on NM Gas related to the TECO Acquisition had a 10 year time frame and expires in September 2024. Pricing remains high in the Canadian preferred market and that would have to come down for them to execute financing against the C$500mln of headroom that they have. Management believes full litigation was a preferred path as settlements in Florida have typically led to stay outs and with the higher growth stay outs without trackers or attrition revenue mechanisms create significant regulatory lag. A test year letter for Tampa Electric will be sent to the commission for 1Q 2024.

In Nova Scotia there is now allignment around the clean energy plan that the Government has sponsored which aligns with one of NS Power's IRP options, now that Atlantic Loop is off the table. The government will procure 800-1000MWs of onshore wind to PPA with the company, and Emera will participate with battery storage likely within the context of the 4 -year plan, and increased transmission with New Brunswick at the back end of the current capital plan. There is also a need for small scale natural gas peaking capacity for reliability, however that spending is likely in 2027 and after. The Province's goal is 80% clean energy by 2030.

Entergy Corp

Sales growth is higher and being driven by data centers, solar panel manufacturers and the IRA will likely incentivize CCS and blue and green hydrogen projects in their service territory. Generation CapEx now includes gas fired generation and CCS as well as solar versus only solar previously. ATM Equity remains $1.4Bln with the announced gas LDC sale pending.

The SERI issues are now 2/3rds settled with the clarifying ruling from the FERC meaning the parameters of settlement are now clearer to all parties. New Orleans in 21% of the remaining amount of 2/3rds of what is left, which is about $120mln. We believe it is more likely that New Orleans would settle before Louisiana but we also believe that the matter is likely to be fully settled.

Management expressed a view that the SERI process is not impacting the resiliency filing in the state. Management expects New Orleans to potentially be complete by the end of the year for the $1Bln that was scaled back from $1.5Bln. In Louisiana there has been significant stakeholder engagement and the staff outcome was viewed as constructive. There is support for replacement of assets not at the end of useful life given the storm resiliency experience in Florida. Louisiana could see an extension of the FRP in lieu of a rate case or a rate case followed by a FRP thereafter. There are three technical conferences once a month thru February or 2024 and after those the process moving forward will be clarified. Rates are due to go into effect on September 1 of next year. FFO/Debt will improve after SERI settlement cash rolls off and a securitization loan payoff that was delayed due to low cost is paid off.

Essential Utilities Inc

The company is filing Peoples Gas Pennsylvania rate case in late 2023 to reflect $1.9 billion of additional rate base including $1.6 billion of capex through 9/25 year-end test year. They will ask for weather normalization and flow back tax repair to customers for net revenue increase request. The company will also file a Aqua Pennsylvania case in 2024.

They will roll forward capex and EPS growth guidance to 2026. Annual capex will likely increase for several reasons consistent with peers from $1.1 billion annually including PFAS compliance discussed on 3Q investor call to $450 million from $350 million. Nationwide PFAS compliance could require $50 billion to $100 billion investment. Decision to opt in to PFAS class action settlements is by 12/3 and 12/11. Expect to net $100 million if they opt in.

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The company will work with East Whiteland and constituents to justify public benefits of the announced acquisition with the goal of reaching an outcome before PA Supreme Court rules which could take 1 year. S&P would like to see them over 12% FFO/debt in 2025 versus 11.0-11.5% range now to maintain A-.

Evergy Inc

The outcome in Kansas reflected the intense focus on customer rates and regional competitiveness. The customers have clearly benefited from the GXP/WR merger but company was not treated commensurate with supportive regulation, according to the company. The company settled as they saw a very challenging Staff position and chose to de-risk a final KCC outcome by settling to get some improvement over the Staff recommendation. From here, an all of the above approach will be pursued to address obstacles that lead to this outcome. This could include both legislative and regulatory approaches. Management pointed to examples for both, with the Transmission Delivery Charge changed via legislation, while the Environmental Cost Recovery Rider was done at the regulatory level. Capital structure is a topic ripe to be dealt with outside a rate case, to clarify once and for all, if modest levels of holding company debt should imputed (or not, as is the industry standard) down to the utility OpCo level.

The next case in Kansas will be filed within two years, but will not be seeking a double digit rate increase. The current plan calls for ~2% annual rate increases to customers. COLI outcome was a bit worse than expectations, but the program will now sunset in three years and the issue is off the table. FERC rate base is formula rate driven and based on actual capital structure. The focus on incremental capital will be on FERC and Missouri investments. Next Missouri rate case will be at MoWest only, and will likely come in 1H'24. Sales growth has been tracking better than expected at the Residential and Commercial segments, while Industrial has been softer on outages from two petrochemical customers.

Eversource Energy

Management indicated as on the earnings call that they had an agreement in place with a buyer, and that buyer must now be vetted by Orsted which is their JV partner in the projects. We would note that the news of the departure of the Orsted CFO and COO and the cancellation of their project in Norway occurred after our meeting with management.

Management indicated that the buyer was known to Orsted and that they had worked with them before, and that they had received commitments from Orsted's CEO around commitment of additional resources to close the sale process and get Revolution wind to a final investment decision. Sunrise will likely occur in a second transaction, but the first two projects will be, according to management completed by year-end. They believe Sunrise OREC is $130/MWh which compares favorably with the recent RFP in New York at $145/MWh but that the commission will require the correct administrative process. The ITC upside is retained by ES, and there are comments to treasury around the 100% domestic steel requirement not being possible, and the energy communities likely allowing projects to qualify. Management expects the buyer payment to come in all at once for the two projects and to occur with Sunrise at the time of that transaction. South Fork is 60 days from completion and that is 40% of the total.

Connecticut remains an unconstructive regulatory environment. The PURA case gets a decision on December 14 and is likely to be remanded back to the commission. There is a possibility for settlement. Senate Bill 7 was not a constructive development in the state, the Chair is up in March and it is up to the Governor to reappoint. Full electrification in Massachusetts is policy driven and so far rate pressure is not an issue.

Exelon Corp

The company is still on track for earnings this year with six rate cases ongoing right now; EPS target remains midpoint or better of 6-8% through 2026. In transmission, two transmission projects have been mandated to them by PJM that are not currently reflected in the capex plan. A $850mm project with COD in 2030 in the Dominion South zone and $810mm project to help address retirement Brandon Shores power plant with

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COD at end of 2028. The company's spending ramps over five years will be rolled under BGE capex bucket, but are FERC regulated projects. With the Wagner power plant retiring, some transmission upside will be associated with that, but not as much as Brandon Shores. The company's financing needs are $13bn of debt, $17bn of OCF, with modest amount of equity ($425mm of equity left in current plan). For additional equity needs they would dollar cost average and have $1.0bn ATM at their disposal.

The company is disappointed in ROE put forth by ALJ in Illinois, but pleased to see recognition of need for capital. Pension asset and 9.28% ROE were the areas of focus for EXC. On pension, EXC proposed using a debt return in follow up briefs. The company confirmed the 6-8% and is not solely dependent on Illinois. They have a portfolio of companies and transmission growth. The order will be issued December 14th. The company does have some flexibility on capital spend within MYP, but are mindful to ensure reliable service. The PIMS in new MYP are upside and not considered in base plan.

The company is in second three year multi-year plan in Maryland. Main areas of focus in current case: ROE, level of gas investment - how much accelerated gas main replacement, and Performance Incentive Mechanism (PIMS). The support from stakeholder in MD remains for the MYP. Order is expected December 14th. Three of the Five MD commissioners are new. Reconciliation amount recommended by Staff and OPC was very supportive (~90%). PECO is the highest earning utility and will file future test year. Management feels comfortable with current construct, they are unlikely to pursue change to a MYP.

Initial dis-synergies from separation have been offset and the company is pursuing more opportunities with the team focused on costs. For Treasury rules, the company is hoping by year-end, but no penalty per what Treasury says for not complying in 2023. Once MYPs set in MD and IL, the regulatory lag and disallowance risks are narrowed. Risk will continue to further with rising interest rates with PIMs and further transmission investments being the upside.

FirstEnergy Corp

The company expects to make COO and President Utilities hires in next few weeks and they are confident in 6% to 8% EPS growth long-term off 2023. The NJ settlement discussions are proceeding and they are optimistic of outcome. The company also made a $900 million capital infrastructure filing recently. Regarding Signal Peak, they expect 2024 EPS of 25 cents in line with 2023 and the FET sale, 30% expected, with 75% proceeds in 1Q'24 and remainder in late 2024. New Jersey and West Virginia pension treatment in cases could marginalize it as 2024 earnings driver.

Fortis Inc

The company has a 5 year capital plan that includes most of MISO Tranche 1, resulting in ITC now growing at 7%. In Arizona, capacity needs increased in IRP filing but there is no increase in capital needs within the plan. As ATM equity is flexible in addition to the DRIP program, equity is necessary to fund capex as well as to inject equity into balance sheet given the regulatory move in equity ratio to 45% from 38.5%.

S&P moved the downgrade threshold to 12% from 10.5% due to a qualitative view on increased physical and climate risks. Negative watch, but that doesn't alter the funding plan. MISO Tranche 2 likely 2-3x the scale of MISO Tranche 1, which would be as big as $20-$30Bln although who gets allocated projects within that is uncertain.

In Iowa, the ROFR process is at the district court, which will be decided in the next couple of weeks and will likely be remanded back to the commission. Ultimately may require a legislative effort if the outcome is not favorable. FERC still has ROFRs in their NOPR process, and there is hopefully some potential to address planning and cost allocation matters once FERC goes to three members. That is viewed as more important at this stage than addressing base ROE and incentives.

Coal will move to more restrictive seasonal operations to run for capacity and reliability post 2028 to comply with ELG rules. Natural gas will be a required part of the mix within

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Arizona.

IDACORP

IDA has one of the highest ROEs in the region and as part of the settlement, ROE did come down. The benefits of the ADITC limit being removed are a positive seeing that the equity ratio and capital structure was 42% of the revenue difference. The company rejected a forward look on labor which led to a16% impact with a 13% difference in revenue from the average for the year-end rate base. There was $55mm transfer from PCA to base rates with the total rate base increase of $230mm. Internal forecasting by the company assumes rate cases every year. They would consider going in for just labor and infrastructure, but the capital tracker doesn't get labor cost increases. Post rate case order they will have discussions with the staff.

AFUDC did mitigate about half of the D&A and with batteries going into service in 2024, more lag will add to D&A. The company did experience loss of AFUDC on Hells Canyon in 2025. Meanwhile, ADITC is likely increasing as a result of the ITCs from batteries by approximately $50mm. The battery revenue requirement will be $21mm, so that will most likely offset by ADITCs in 2024.

The company has stated that getting end of period rate base would be a big help to reduce lag, and the Southwest Intertie Project would be less than Gateway and B2H for IDA capital investment. The company is currently at 1.5x debt per unit of equity which is not a bad rule of thumb for go forward financing of capital project upside.

NextEra Energy Inc

The company did publish slides with additional accounting information around tax equity partnerships. While this was helpful to some degree, we think there were investors still trying to walk through the math and we point to our note from this past Friday here.

The company stated that the repowerings and leveraging of existing sites to add storage add a large avenue of lower risk growth. In terms of solar, levered returns is in the mid-teens and storage is in the 20% range, in which NEE has 20% market share.

To address market dynamic changes, Interest rate swaps have helped add value as cost of capital moved up. Renegotiation of PPAs were necessary while thinking more strategically about EPC and now entering programmatic interest rate swaps.

Renewables are 15-20% of the pie and growing and pie is growing. There is massive back log and some utilities are not well positioned to deal with the load. On the wind/ solar costs, there are more signs that costs are going lower. Global panel costs are much lower than US and the risk for panel manufacturers has gone down. The company doesn't see risk to costs rising unless they have a new round of supply chain issues.

There are NERC requirements related to batteries, but there are inverter and integration issues as well. There is a lot of opportunity in MISO and SPP to colocate storage at existing and new sites. NEP has to pay a competitive price but still has a spread. If they do transferability, they project finance upfront and tax equity will allow them to monetize depreciation as well, but with transferability they don't. The company has a big backlog of tax credits, so they need to move the accelerated depreciation so they can get that cash in the door. For Basel 3 rules, it will take a few months for it to get worked out, but NEER has secured the next few years of tax equity needs.

NiSource Inc

The stake sale of NIPSCO remains on track, and the remarketing will be price sensitive as the money is not required but if the cost of capital is accretive it could be used to fund capex. One year post analyst day O&M remains on track to be flat going forward and continuous improvement processes are gaining traction across the company. The NIPSCO gas rate case filing is a straight forward case.

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OGE Energy Corp

There is likely a second kick of electrification to come in the service territory. They are likely to have annual filings in Oklahoma as there are more distribution capex opportunities and also capital needs related to transmission upgrades. Management has a view to use T&D investments to mitigate generation needs. An IRP will be filed in the beginning of 2024 with scenarios presented to the commission and there could be some requirements for smaller scale plants for reliability needs, but all else equal we believe the company would like to avoid chunkier capex projects. Management prioritizes the strong balance sheet and the plan is to not live on the edge of credit metrics. The next hold co. maturity is in 2027 with a 6.7% coupon rate. The company will continue to pursue PBR in Oklahoma through both the NOIs at the commission and two bills in the state legislature. We don't perceive much risk to the PBR renewal process in Arkansas.

PG&E Corp

The company believes the rate case outcome will be a positive one for the company based on revised APD. After Thanksgiving, the company will host an investor call to discuss rate case outcome. The California Commission Staff gave themselves 60 days to rule on cost of capital. PCG has not filed a memo account in anticipation of a longer process and Staff could rule in favor of formulaic 70 bps increase in cost of capital. The company maintains a lean operating plan that will help reduce operations and maintenance expense per customer from fourth quartile currently. On 11/13, the company got a positive proposed decision approving a wildfire mitigation plan.

Pinnacle West Capital Corp

The company stated that Staff was at 75% of the ask with constructive dialog and better dynamic. The regulatory lag docket has opened. November 21st is last round of briefs and last chance for Staff to get behind the SRB which is the tracker they're seeking. Interest costs are also creating more lag. Staff wants to support something to help reduce lag and Staff is considering just waiting on the regulatory lag docket. PNW is offering up a discount to WACC plus will flow back tax credits. PNW stated they don't want it to be a blank check and they'll do an earnings test every year and but there has to be boundaries. PNW thinks there's a decent change when Staff comes around. PNW wants FRP in lieu of forward test year and transmission is the only tracked capital right now as they use to have the AZ Sun tracking mechanism.

The company notes that O&M, pension, and higher interest costs are the drags, but they have considerable rate headroom. Used to be 50bps under the old regime; $850mm in test year, now at $75mm. They state 30c of pension drag and $20mm of pension is the ask but Staff so far does not appear to have been constructive. The company is only doing 20% of self build option. PPA doesn't share tax credits necessarily, but could close that to 50%;

Regulatory lag docket will be advanced post the rate case. They will need six months of new rates before they can file again, which then they can look to settle. End of this year, early next year, which then should be on agenda quickly and can implement new rates within a month. They want the 5-7% to be evergreen; but at this point the company can't say it's smooth and like the load growth and longer term outlook, they need to work out lag issues. If they have SRB, then the company can ramp up generation capex and guide post is the 55% equity ratio. The $400-500mm is catch up equity and the company has some holdco debt capacity. The $400-$500mm gets them part of the way back but not all the way and there's discreet issuance on catch up equity. The 2024 term loans that mature are floating and reflect current rates. A bond matures in 2025 and management expects ratings outlooks to be resolved post rate case.

The company spent a lot of time discussing wildfire mitigation with 65% of lines already underground. The risk is in 20% of service territory. They don't face backlash to vegetation management that CA sees and they are putting in a PSPS protocol into place. No material wildfires in last few years and they invest $100mm per year; $75mm capital/ $25mm O&M. Insurance costs have gone up and insurance companies are trying to spread their risk across the whole sector. In the Berkshire JV for transmission in the Crosstie project, DOE is small de-risking and would backstop 25% of capacity of the line

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but need a lot of further de-risking. The company needs to see capacity contracts signed and the project financed. It is an estimated $750mm and then split 50/50.

Portland General Electric Company

The year-end capex update suggests the front year may be larger but overall smaller on the total plan due to DOE funding, which does not contribute to the rate base. In terms of the PCAM, only two of the three conditions are needed to declare a special event. The company has been averaging $7 mln per year, which translates to 5-10c accretive to earnings. POR is working on securing $300 mln in tax equity and has stated they don't need to be exactly at 50% equity. They are currently spending $45 mln per year on wildfire capex and O&M. The company's strong relationship with Intel supports 2% customer growth.

PPL Corp

The company's appeals are due to Kentucky commission 23 days from CPCN ruling. It is expected that they will get return of and on coal plants being retired. On the upcoming year end call, the company will roll forward to 2027 capex. Management expects to add transmission to the capex plan in Pennsylvania and Kentucky. The company remains confident that the facts are supportive of their position in the ongoing Talen lawsuit.

In Rhode Island, the offshore wind RFP would cover 700MW of 1500MW load. The Governor supported their rejection of the first auction. A second rejection would halt the plan and could occur in our view. In Pennsylvania, the case could help improve storm cost recovery but the company will watch other companies' cases in 2024.

Public Service Enterprise Group

The company feels the regulatory environment in NJ remains constructive into the coming rate case filing. This is evidenced by the GSMP II extension ruling with new Chair in place. Nuclear ZEC rolloff post May 2025 will allow for rate offset to balance against the rate case ask. GSMP III and EEII filings in NJ are also coming. The company executed well to get out of OSW in the state. Future of Natural Gas filing in the state will focus on RNG and H2. Ultimately the company serves gas and electric customers in the same footprint. Could change depreciable lives on gas assets but would potentially extend those on electric as an offset to customer rates to mitigate or eliminate any impact.

Opportunity for operating leverage to provide growth at PEG Power. Provides cash flow to the utility to avoid equity needs. Opportunities for uprate and refueling cycle timeline shift, present known opportunities for enhancement. PTC rules still to come for nuclear, expectation of rules clarification remains year end.

Sempra Energy

The $1.2Bln in recent equity issuance funds the incremental capex to the high end of the 10-20% plan which would be 20% of $40Bln or an incremental $8Bln. The reason for timing ahead of the updated financial plan details on the year end call was to de-risk the funding of the plan. For debt funding and corporate refinancings +/- 50bp is +/- $0.02/ share.

Oncor and Sempra are now aligned on capital updates in the spring and we believe there is enough line of sight to the capex around the resiliency filing in Texas to have the forward plan inclusive of that on the year-end call. The company is comfortable with the plan and affordability in Texas. Oncor has the lowest IOU rates in Texas and maintains that even at the end of the five year plan. The company will go in for Texas rate cases every four years, but could go in earlier. We are watching the CNP rate case and any adjustments to equity ratio. Growth in Texas is significant and 60% of Permian and Delaware Basin remains on diesel and can be electrified.

The 70bp upside in ROE in California for the Cost of Capital filing is within their 6-8% guidance range regardless of outcome and management believes that the mechanism is supported in regulation in the state. One-third of the CA rate case is settled and the

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RAMP process continue to create a backdrop for constructive outcomes. Management believes that the gas system in California will be used and useful for a long time, and cleaner molecule delivery whether from RNG, H2, or methanization is the way forward. CA has approved a memo account for R&D spend recovery on the Angeles Link H2 project and the Angeles Link project was cited as part of the recent successful H2 Hub bid.

Construction is proceeding well for both ECA Phase 1 and Port Arthur Phase 1 and the company is actively involved in all phases of moving Port Arthur Phase 2 forward - commercial, engineering, and financing. The ideal situation is likely to be continuous construction of Phase 1 to Phase 2 at the site. The company has completed land acquisition for Titan CCS for Port Arthur, and continue to advance Hackberry project, and exploring methanization opportunities with Japanese partners.

Southern Company

Southern Company is experiencing an increase in electricity demand, driven by factors such as electrification, on-shoring and relocations. They are recognizing the need for a 3-5 year lead time for economic development projects like data centers and EV factories.

Georgia is appealing economic development as it is supported by natural gas infrastructure, ports, transportation infrastructure, lower cost of living and competitive pricing power. Cumulatively, Georgia Power has seen a 30% rate increase from 2022 to 2025.

Load is up relative 5-7%, but interest rates are also rising, impacting the holdco the most. Despite this, earned ROEs are outperforming, with AFUDC at the midpoint. Of the 6000 MW peak load growth filed in the IRP, 5000 MW is tied to known and measurable projects driven by demand growth. It's worth noting that this was an IRP update, not a new IRP. A new IRP is planned for filing in 2025, and the company is seeking an exemption for Georgia Power to proceed with some of the proposals before that date without needing to wait until 2025 filing and subsequent RFPs. The 2007 IRP approval included the approval of Vogtle.

IRA and higher competitor cost of capital makes SO in better shape for RFPs. They aren't assuming transferability in numbers either. Southern Power refrained from announcing new projects for 3.5 years due to low returns but has now announced two projects in September. The industry has been grappling with battery challenges, particularly inverter problems, but the company remains technology agnostic. For go forward solar projects they do see utility ownership as preferable, although the transition for the industry from PPAs to utility ownership may not be entirely smooth. The natural gas system is required long term for reliability and all options must be explored in that regard. From CCS to H2 to RNG to deliver cleaner molecules and sequester carbon. PowerSecure is the largest micro grid developer in the U.S. and the EEI CEO/CFO meeting discussed an industry insurance for wildfires. The key players include Egis, EIM and NEIL.

The company believes the Illinois rate case is reasonable but that the equity layer could have been more constructive and believe the Governor and the ICC are focused on affordability dynamics in the state and that led to a slightly less than constructive outcome on that metric. The key deadline for the company is the ELG 2028 rule deadline, which compliance is site-specific, not unit-specific. They are keeping additional units open, so incremental capex isn't that much. Should they keep certain coal units open beyond 2028 that do not currently comply with the rules, they will run them as capacity machines below the required capacity factor to comply. The company is also closely monitoring 111(d) which pertains to GHG rules. More information is expected in the first half of 2024.

There is a 3c per month impact on Vogtle 4 not going COD, with 2c from the absence of uplift and 1c from the return going to zero. It all relates to Vogtle rate base not currently in rates.

The company is watching developments at GaPSC regarding district lines and voting procedures from 11 Circuit Court. This issue has a binary outcome. Either they overturn

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in the lower court, and then hold a special election under old rules or they up hold ruling, which then goes to legislature to redraw district lines or change the way they are voted on. Voting is then done by the respective districts.

Southern Company would like to improve their credit rating over time to achieve BBB+ at the holding company and A at the operating companies.

WEC Energy Group Inc

Microsoft agreed to buy 350 acres of land in Wisconsin and said they would invest $1.0bn. Last week, they are now saying they are tripling the acreage and didn't quantify the incremental investments but said total will be in the billions. While the additional investment by Microsoft is not included in the revised five year capex plan, it is seen as a key driver for affordability. The growth from Microsoft will occur in stages and the Governor strongly supports the investment. A key part is Microsoft won't be subsidized by other customers.

In May 2024, Gale Klappa will assume the role of non-executive chairman, stepping away from day-to-day operations, providing continuity and support.

The $400mm equity injection for the utilities was facilitated through holdco debt, helping address financial concerns. The company also has $1.7bn in transferability in cash flow from operations.

Adapting to market conditions, the company has adjusted its strategy regarding battery investments due to rising prices and pivoted to gas CTs that could work with hydrogen in the longer term. MISO rules on batteries are still pending.

The growth along the I-94 corridor in Wisconsin is significant, with companies like Haribo doubling their facilities, and the pharmaceutical industry also taking root. Affordability remains a focus as well, with rate projected to grow in line with inflation.

In Illinois, a final order is expected later in the month, with a constructive approach by the ALJ. Regarding Point Beach, WEC has told NEE they want a longer term solution that works for both sides, but affordability is paramount when the contract rolls in the early 2030s. WEC doesn't think the multiple responds if they grow faster, so they're comfortable to continue to execute and de-risk the plan.

Xcel Energy Inc

They expect the IRS portal for transferability transactions to be up soon as it is in final testing phases, and expect their first transactions in December for $400mln this year and there is ~$500mln in the plan. Tax transferability will come in through the CFO line on the income statement. There is potential for incremental investment around the NM Resource plan where there could be a 5-10GW need driven by customer electrification growth. CCNs are likely to be filed in 2025 with spend likely '27 into early next decade. In MN there are still 4GWs remaining from the RFPs from the approved IRP that are not in the plan. Together they could be of the same scale as the Colorado plan but spending could come in later and will be appropriately funded with equity needs supporting the credit rating. The H2 hub will be a regulated business with tax credits benefiting customers and H2 will be used for ammonia production. The CO plan gets the grid to 80% renewable by 2030 but there will be a need for quick start assets for reliability.

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Valuation Method and Risk Statement

Our valuation methodology for the group is price to earnings based. North American utilities: We identify the following risk factors for the sector overall: rising interest rates; regulatory and policy risks; operational risks; construction risks; cybersecurity risk to the transmission grid and/or customer data, and extreme weather events.

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12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	54%	40%
Neutral	FSR is between -6% and 6% of the MRA.	38%	42%
Sell	FSR is > 6% below the MRA.	9%	40%
Short-Term Rating	**Definition**	**Coverage[3]**	**IB Services[4]**
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 30 September 2023.
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.
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Company Name	Reuters	12-month rating	Price	Price date
Alliant Energy Corp[16]	LNT.O	Neutral	US$49.12	14 Nov 2023
Ameren Corp[16]	AEE.N	Neutral	US$77.35	14 Nov 2023
American Electric Power Inc[2,4,5,16,7,6a]	AEP.O	Neutral	US$77.41	14 Nov 2023
CMS Energy Corp[16]	CMS.N	Buy	US$57.25	14 Nov 2023
CenterPoint Energy Inc[2,4,5,16,7]	CNP.N	Neutral	US$27.67	14 Nov 2023
Consolidated Edison Inc[16]	ED.N	Neutral	US$90.50	14 Nov 2023
DTE Energy Co[16]	DTE.N	Neutral	US$101.75	14 Nov 2023
Dominion Energy Inc[2,4,5,16,7,6a]	D.N	Neutral	US$46.49	14 Nov 2023
Duke Energy Corp[2,13,4,5,16,7,6a]	DUK.N	Neutral	US$89.85	14 Nov 2023
Edison International[2,4,5,16,7]	EIX.N	Buy	US$65.71	14 Nov 2023
Emera Inc[5]	EMA.TO	Neutral	C$48.44	14 Nov 2023
Entergy Corp[16,7,6a]	ETR.N	Buy	US$98.35	14 Nov 2023
Evergy, Inc[16]	EVRG.O	Neutral	US$49.94	14 Nov 2023
Eversource Energy[16,7,6a,6b]	ES.N	Neutral	US$56.23	14 Nov 2023
Exelon Corp[2,4,5,16,7,6a,6b]	EXC.O	Buy	US$39.59	14 Nov 2023
FirstEnergy Corp[16,7]	FE.N	Neutral	US$36.63	14 Nov 2023
Fortis Inc[2,4,16]	FTS.TO	Sell	C$56.35	14 Nov 2023
NiSource Inc.[4,5,16,7]	NI.N	Buy	US$25.97	14 Nov 2023
OGE Energy Corp[16,7]	OGE.N	Neutral	US$34.77	14 Nov 2023
PG&E Corp[2,4,5,16,7,6a,6b]	PCG.N	Buy	US$17.40	14 Nov 2023
PPL Corp[2,4,5,16]	PPL.N	Neutral	US$25.74	14 Nov 2023
Pinnacle West Capital Corp[16,7,6a]	PNW.N	Sell	US$72.42	14 Nov 2023
Portland General Electric Company[16]	POR.N	Neutral	US$41.25	14 Nov 2023
Public Service Enterprise Group[16,7,6a]	PEG.N	Neutral	US$63.25	14 Nov 2023
Southern Co[13,16,7]	SO.N	Buy	US$69.21	14 Nov 2023
WEC Energy Group Inc[16]	WEC.N	Neutral	US$81.51	14 Nov 2023
Xcel Energy Inc[2,4,5,16]	XEL.O	Neutral	US$60.30	14 Nov 2023

Source: UBS Global Research; Refinitiv. 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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Equity Research

WELLS FARGO

Earnings Estimates Revised — November 24, 2023

Diversified Electric Utilities
Natural Gas LDCs
Regulated Electric Utilities

Model Updates: SRE, NI, IDA, CPK, ETR, ATO & SR

Our Call

We update SRE, ETR, IDA & CPK for new disclosures on equity needs (including offerings from SRE/IDA/CPK) and capex, NI for the change in equity financing plans (no equity unit re-marketing), and ATO & SR for fiscal 2023 actuals and 10-K disclosures.

SRE. We incorporate the recent ~$1.4B equity offering into our model along with a 13% increase in SRE's capital expenditure outlook (vs. the +10-20% previewed by mgmt. on the Q3 call). Our new/old '24-27E EPS are $4.74/4.73, $5.06/5.06, $5.42/5.41 & $5.74/5.71; we establish a '28E of $6.18.

NI. We update our model to reflect the unsuccessful equity unit re-marketing replaced by an assumed $600mm equity offering (ATM) in '24. Our '24E EPS goes to $1.72 from $1.70; no change to our '25-28E EPS.

ETR. We update our EPS outlook for ETR's recent new financial disclosures (incl. '24-26 capex of $19.6B and '25 & '26 equity needs of $1.4B). We nudge up our 24E EPS to/from $7.25/7.20. Our 25-27E EPS are $7.75, $8.25 & $8.75 (up from $8.70). Our outlook results in an EPS CAGR of ~6.5% off of the 22A of $6.42 (vs. ETR's guidance of 6-8%).

IDA. We incorporate the recent ~$300mm equity offering into our model along with comments on IPC's targeted cap structure (~51% equity) and FFO/Debt (15-18%) from on our recent EEI meetings. We maintain our '24E of $5.42 and slightly lower our '25-28E EPS to/from $5.84/5.88, $6.08/6.12 & $6.48/6.52.

CPK. We update our model to better integrate the FL City Gas financials and the recent deal-related equity and debt offerings along with greater assumed cost efficiencies/ synergies. Our new/old '24-28E EPS are $5.55/5.59, $6.15/6.17, $6.62/6.64, $7.10/7.07 & $7.62/7.63.

ATO & SR. We update our models for 2023 actuals - no change to our ATO EPS outlook; our only change to the SR outlook is '27E EPS ($5.05 from $5.00).

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Financials

$	Rating		Price	2023E	2024E	FY EPS 2024E	2025E	2025E	FY P/E		Price Target	
Company Name (Ticker)	Curr.	Prior	11/22/23		Curr.	Prior	Curr.	Prior	2023	2024	To	From
Diversified Electric Utilities												
Sempra (SRE)	OW	NC	$73.12	4.60	4.74	4.73	5.06	NC	15.4x	14.5x	$81.00	NC
Natural Gas LDCs												
Atmos Energy Corp. (ATO)	EW	NC	$113.05	6.10A	6.55	NC	7.00	NC	17.3x	16.1x	$118.00	NC
Chesapeake Utilities Corporation (CPK)	EW	NC	$91.69	5.28	5.55	5.59	6.15	6.17	16.5x	14.9x	$101.00	NC
NiSource Inc. (NI)	OW	NC	$26.19	1.59	1.72	1.70	1.82	NC	15.2x	14.4x	$29.00	NC
Spire Inc. (SR)	EW	NC	$60.53	4.05A	4.35	NC	4.55	NC	13.9x	13.3x	$64.00	NC
Regulated Electric Utilities												
Entergy Corp. (ETR)	OW	NC	$101.19	6.80	7.25	7.20	7.75	NC	14.0x	13.1x	$110.00	NC
IDACORP, Inc. (IDA)	EW	NC	$97.01	5.10	5.42	NC	5.84	5.88	17.9x	16.6x	$100.00	NC

Source: Company data and Wells Fargo Securities, LLC estimates, and Refinitiv.
OW = Overweight, EW = Equal Weight, UW = Underweight, NR = Not Rated, SR = Suspended
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful

SRE Earnings Model ($ millions except per share data)	2022	2023E	2024E	2025E	2026E	2027E	2028E
Revenues	**$14,439**	**$15,437**	**$15,885**	**$16,434**	**$16,951**	**$17,473**	**$17,968**
Expenses							
Cost of Gas, Purchased Power & Fuel	4,482	4,494	4,506	4,519	4,531	4,543	4,556
Other O&M	4,746	4,818	4,901	4,986	5,072	5,161	5,251
Depreciation & Amortization	2,019	2,162	2,314	2,471	2,626	2,779	2,931
Other	894	664	695	728	762	799	837
Total Expenses	**$12,141**	**$12,138**	**$12,417**	**$12,703**	**$12,991**	**$13,281**	**$13,574**
EBIT	**$2,298**	**$3,300**	**$3,469**	**$3,731**	**$3,960**	**$4,191**	**$4,393**
EBITDA	**$4,317**	**$5,461**	**$5,783**	**$6,202**	**$6,586**	**$6,970**	**$7,324**
Other Income Incl. Equity Earnings	1,597	1,663	1,715	1,923	2,126	2,259	2,529
Interest Expense	1,054	1,216	1,336	1,454	1,577	1,685	1,759
Income Taxes	556	495	494	539	577	603	661
Tax Rate	*28%*	*17%*	*17%*	*17%*	*17%*	*17%*	*17%*
Earnings							
Net Income	$2,285	$3,252	$3,354	$3,662	$3,933	$4,163	$4,503
Income/Loss from Discontinued Ops., net	0	0	0	0	0	0	0
Earnings/Losses from Non-Controlling Interests	(146)	(296)	(275)	(299)	(325)	(329)	(368)
Preferred Dividends	(45)	(45)	(45)	(45)	(45)	(45)	(45)
Net Income	**$2,094**	**$2,911**	**$3,034**	**$3,317**	**$3,563**	**$3,788**	**$4,090**
Avg. Diluted Shares Outstanding	633	633	640	656	658	660	662
EPS	$3.31	$4.60	$4.74	$5.06	$5.42	$5.74	$6.18
Non-Recurring	1.30	0.00	0.00	0.00	0.00	0.00	0.00
Ongoing EPS	**$4.61**	**$4.60**	**$4.74**	**$5.06**	**$5.42**	**$5.74**	**$6.18**
Q1 EPS	1.46	1.46A					
Q2 EPS	0.99	0.94A					
Q3 EPS	0.99	1.08A					
Q4 EPS	1.18	1.12					

SRE Supplemental Information	2022	2023E	2024E	2025E	2026E	2027E	2028E
Dividend Information							
Dividends Per Share - YE Rate	$2.29	$2.38	$2.50	$2.62	$2.76	$2.89	$3.04
Dividends Paid Per Share	2.27	2.36	2.48	2.60	2.73	2.87	3.01
Payout Ratio	49%	51%	52%	51%	50%	50%	49%
Cash Flow & Balance Sheet Items							
Capital Expenditures (millions)	$5,357	$5,689	$5,519	$5,394	$5,119	$4,859	$4,859
Book ROE	10.6%	9.9%	9.6%	9.7%	9.8%	9.8%	10.0%
Common Equity as % of Total Capitalization	49%	48%	50%	49%	49%	50%	51%

Source: Wells Fargo Securities, LLC estimates and company filings

NI Earnings Model							
($ millions except per share data)	**2022**	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**
Revenues	**$5,834**	**$6,206**	**$6,601**	**$6,936**	**$7,286**	**$7,586**	**$7,874**
Expenses							
Cost of Gas, Purchased Power & Fuel	2,111	2,116	2,130	2,143	2,157	2,170	2,184
O&M	1,486	1,522	1,563	1,558	1,558	1,558	1,558
Depreciation & Amortization	821	886	987	1,086	1,177	1,256	1,332
Other	269	272	276	280	284	288	292
Total Expenses	**$4,687**	**$4,796**	**$4,956**	**$5,067**	**$5,175**	**$5,272**	**$5,366**
EBIT	**$1,147**	**$1,410**	**$1,645**	**$1,869**	**$2,111**	**$2,314**	**$2,508**
EBITDA	**$1,968**	**$2,296**	**$2,632**	**$2,955**	**$3,288**	**$3,570**	**$3,840**
Other Income	42	10	10	10	10	10	10
Interest Expense	362	454	523	624	741	822	899
Income Taxes	137	217	255	282	310	338	364
Tax Rate	*17%*	*23%*	*23%*	*23%*	*23%*	*23%*	*23%*
Earnings							
Net Operating Earnings	$691	$749	$877	$973	$1,069	$1,165	$1,255
Preferred Dividends	55	44	8	0	0	0	0
Noncontrolling Interest	(12)	(12)	77	86	93	97	99
Income from Continuing Operations	**$648**	**$717**	**$792**	**$887**	**$977**	**$1,068**	**$1,155**
Avg. Diluted Shares Outstanding	443	452	460	488	501	513	524
Ongoing EPS	**$1.47**	**$1.59**	**$1.72**	**$1.82**	**$1.95**	**$2.08**	**$2.20**
Q1 EPS	0.75	0.77A					
Q2 EPS	0.12	0.11A					
Q3 EPS	0.10	0.19A					
Q4 EPS	0.50	0.52					

NI Supplemental Information	2022	2023E	2024E	2025E	2026E	2027E	2028E
Dividend Information							
Dividends Per Share - YE Rate	$0.94	$1.00	$1.07	$1.14	$1.23	$1.31	$1.40
Dividends Paid Per Share	0.94	1.00	1.07	1.14	1.23	1.31	1.40
Payout Ratio	64%	63%	62%	63%	63%	63%	64%
Cash Flow & Balance Sheet Items							
Capital Expenditures (millions)	$2,203	$3,398	$3,373	$3,413	$3,038	$3,088	$3,088
Book ROE	10.0%	10.4%	11.0%	10.8%	10.9%	10.9%	10.9%
FFO/Debt	13%	12%	14%	14%	14%	14%	15%
Debt/EBITDA	5.9x	5.8x	4.9x	4.9x	4.8x	4.7x	4.6x
Common Equity as % of Total Capitalization	37%	34%	36%	35%	36%	36%	37%

Source: Wells Fargo Securities, LLC estimates and company filings

ETR Earnings Model ($ thousands except per share data)	2022	2023E	2024E	2025E	2026E	2027E
Revenues	**$13,764,237**	**$15,205,461**	**$15,849,951**	**$16,788,569**	**$17,670,221**	**$18,546,326**
Expenses						
Purchased Power/Fuel/Power Cost Adjustments	5,450,427	6,445,518	6,640,128	6,980,903	7,183,893	7,398,354
Other O&M	3,038,459	2,901,688	2,967,047	3,018,274	3,070,474	3,123,668
Depreciation	1,761,023	1,900,291	1,995,839	2,147,844	2,337,871	2,511,327
Other	1,463,553	1,112,280	1,151,087	1,191,713	1,234,251	1,278,799
Total Expenses	**$11,713,462**	**$12,359,778**	**$12,754,101**	**$13,338,734**	**$13,826,489**	**$14,312,147**
EBIT	**$2,050,775**	**$2,845,683**	**$3,095,850**	**$3,449,835**	**$3,843,732**	**$4,234,179**
EBITDA	**$4,705,277**	**$5,110,993**	**$5,460,890**	**$5,971,151**	**$6,559,435**	**$7,127,792**
Other Income	(80,378)	(13,148)	(5,148)	(148)	(5,148)	(5,148)
Interest Expense	912,237	961,290	1,082,185	1,269,634	1,459,878	1,646,569
Income Taxes	(38,978)	401,800	428,912	461,586	497,424	536,717
Tax Rate	*-4%*	*21%*	*21%*	*21%*	*21%*	*21%*
Earnings						
Income from Continuing Operations	$1,097,138	$1,469,445	$1,579,606	$1,718,467	$1,881,282	$2,045,745
Discontinued Operations	0	0	0	0	0	0
Preferred Dividend Requirements	(6,028)	16,710	16,710	16,710	16,710	16,710
Net Income	**$1,103,166**	**$1,452,735**	**$1,562,896**	**$1,701,758**	**$1,864,572**	**$2,029,036**
Avg. Diluted Shares Outstanding	205,548	213,540	215,554	219,506	225,923	231,976
EPS	$5.37	$6.80	$7.25	$7.75	$8.25	$8.75
Non-Recurring	(1.06)	0.00	0.00	0.00	0.00	0.00
Ongoing EPS	**$6.42**	**$6.80**	**$7.25**	**$7.75**	**$8.25**	**$8.75**
Q1 EPS	1.32	1.14A				
Q2 EPS	1.78	1.84A				
Q3 EPS	2.84	3.27A				
Q4 EPS	0.51	0.55				

ETR Supplemental Information	2022	2023E	2024E	2025E	2026E	2027E
Dividend Information						
Dividends Per Share - YE Rate	$3.86	$4.10	$4.34	$4.64	$4.94	$5.24
Dividends Paid Per Share	4.04	4.28	4.52	4.82	5.12	5.42
Payout Ratio	60%	60%	60%	60%	60%	60%
Cash Flow & Balance Sheet Items						
Capital Expenditures (thousands)	$0	$3,945,000	$6,183,333	$6,533,333	$6,883,333	$6,383,333
Book ROE	10.8%	10.8%	10.9%	11.1%	11.1%	11.1%
FFO/Debt	13%	15%	14%	15%	15%	15%
Debt/EBITDA	5.7x	5.3x	5.5x	5.3x	5.2x	5.1x
Common Equity as % of Total Capitalization	33%	34%	33%	33%	34%	34%

Source: Wells Fargo Securities, LLC estimates and company filings

IDA Earnings Model ($ thousands except per share data)	2022	2023E	2024E	2025E	2026E	2027E
Revenues	**$1,643,981**	**$1,635,876**	**$1,732,538**	**$1,836,486**	**$2,003,304**	**$2,135,362**
Expenses						
Purchased Power/Fuel/Power Cost Adjustments	544,345	673,896	692,984	726,852	762,752	800,806
Other O&M	399,375	399,375	403,369	407,402	411,476	415,591
Depreciation	170,077	189,600	209,215	227,367	243,907	268,219
Other	73,455	75,321	76,693	78,113	79,582	81,103
Total Expenses	**$1,316,803**	**$1,338,192**	**$1,382,261**	**$1,439,734**	**$1,497,717**	**$1,565,719**
EBIT	**$327,178**	**$297,684**	**$350,277**	**$396,753**	**$505,587**	**$569,644**
EBITDA	**$537,516**	**$522,545**	**$594,753**	**$659,380**	**$784,755**	**$873,123**
Other Income	59,601	77,514	79,683	74,229	53,119	59,152
Interest Expense	89,375	103,863	131,900	150,164	177,689	192,237
Income Taxes	37,844	12,390	14,643	901	39,261	64,376
Tax Rate	*13%*	*5%*	*5%*	*0%*	*10%*	*15%*
Earnings						
Income from Continuing Operations	$259,560	$258,946	$283,417	$319,917	$341,756	$372,183
Discontinued Operations	0	0	0	0	0	0
Adjustment for Non-Controlling Interest	(578)	(578)	(578)	(578)	(578)	(578)
Net Income	**$258,982**	**$258,368**	**$282,839**	**$319,339**	**$341,178**	**$371,605**
Avg. Diluted Shares Outstanding	50,699	50,650	52,176	54,645	56,120	57,319
EPS	$5.11	$5.10	$5.42	$5.84	$6.08	$6.48
Non-Recurring	0.00	0.00	0.00	0.00	0.00	0.00
Ongoing EPS	**$5.11**	**$5.10**	**$5.42**	**$5.84**	**$6.08**	**$6.48**
Q1 EPS	0.91	1.11A				
Q2 EPS	1.27	1.35A				
Q3 EPS	2.10	2.07A				
Q4 EPS	0.83	0.57				

IDA Supplemental Information	2022	2023E	2024E	2025E	2026E	2027E
Dividend Information						
Dividends Per Share - YE Rate	$3.16	$3.32	$3.49	$3.66	$3.84	$4.04
Dividends Paid Per Share	3.04	3.20	3.36	3.53	3.71	3.89
Payout Ratio	62%	65%	64%	63%	63%	62%
Cash Flow & Balance Sheet Items						
Capital Expenditures (thousands)	$0	$704,881	$869,881	$878,006	$631,209	$802,492
Book ROE	9.4%	9.0%	9.1%	9.2%	9.1%	9.2%
FFO/Debt	16%	12%	14%	13%	14%	15%
Debt/EBITDA	4.1x	5.5x	5.0x	5.1x	4.6x	4.4x
Common Equity as % of Total Capitalization	56%	50%	53%	52%	52%	52%

Source: Wells Fargo Securities, LLC estimates and company filings

CPK Earnings Model ($ thousands except per share data)	2022	2023E	2024E	2025E	2026E	2027E	2028E
Revenues	**$680,704**	**$703,917**	**$893,254**	**$942,055**	**$989,552**	**$1,037,507**	**$1,086,183**
Expenses							
Purchased Power/Fuel/Power Cost Adjustments	260,506	261,126	304,756	312,193	319,827	327,663	335,708
Other O&M	182,681	190,091	216,290	221,030	227,510	234,121	240,869
Depreciation	68,973	74,682	101,335	110,380	119,801	129,268	138,635
Other	25,611	26,766	39,218	40,970	42,608	44,212	45,796
Total Expenses	**$537,771**	**$552,665**	**$661,599**	**$684,573**	**$709,745**	**$735,266**	**$761,008**
EBIT	**$142,933**	**$151,251**	**$231,655**	**$257,482**	**$279,806**	**$302,241**	**$325,175**
EBITDA	**$211,906**	**$225,934**	**$332,991**	**$367,862**	**$399,607**	**$431,510**	**$463,810**
Other Income	5,051	2,786	2,786	2,786	2,786	2,786	2,786
Interest Expense	24,356	26,488	67,365	73,054	78,373	83,478	87,389
Income Taxes	33,832	33,163	43,440	48,676	53,097	57,603	62,549
Tax Rate	*27%*	*26%*	*26%*	*26%*	*26%*	*26%*	*26%*
Earnings							
Income from Continuing Operations	$89,796	$94,386	$123,636	$138,538	$151,122	$163,946	$178,023
Discontinued Operations	0	0	0	0	0	0	0
Net Income	**$89,796**	**$94,386**	**$123,636**	**$138,538**	**$151,122**	**$163,946**	**$178,023**
Avg. Diluted Shares Outstanding	17,804	17,867	22,280	22,541	22,834	23,106	23,358
EPS	$5.04	$5.28	$5.55	$6.15	$6.62	$7.10	$7.62
Non-Recurring	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Earnings Per Share (EPS)	**$5.04**	**$5.28**	**$5.55**	**$6.15**	**$6.62**	**$7.10**	**$7.62**
Q1 EPS	2.08A	2.04A					
Q2 EPS	0.96A	0.90A					
Q3 EPS	0.54A	0.69A					
Q4 EPS	1.47A	1.65					

CPK Supplemental Information	2022	2023E	2024E	2025E	2026E	2027E	2028E
Dividend Information							
Dividends Per Share - YE Rate	$2.14	$2.36	$2.60	$2.86	$3.14	$3.46	$3.80
Dividends Paid Per Share	2.09	2.31	2.54	2.79	3.07	3.37	3.71
Payout Ratio	41%	44%	46%	45%	46%	48%	49%
Cash Flow & Balance Sheet Items - stand-alone							
Capital Expenditures (thousands)	$157,500	$215,000	$304,530	$330,207	$346,102	$352,222	$358,579
Book ROE	11.1%	10.2%	9.5%	9.9%	10.0%	10.1%	10.2%
FFO/Debt	20%	14%	18%	19%	19%	20%	21%
Debt/EBITDA	3.8x	6.2x	4.5x	4.2x	4.1x	3.9x	3.7x
Common Equity as % of Total Capitalization	51%	47%	47%	48%	49%	50%	51%

Source: Wells Fargo Securities, LLC estimates and company filings

ATO Earnings Model ($ thousands except per share data)	2022	2023	2024E	2025E	2026E	2027E	2028E
Revenues	**$4,201,662**	**$4,275,357**	**$4,648,727**	**$5,019,666**	**$5,407,300**	**$5,817,484**	**$6,253,612**
Expenses							
Purchased Power/Fuel/Power Cost Adjustments	1,682,656	1,452,173	1,477,932	1,504,012	1,530,419	1,557,156	1,584,227
Other O&M	710,161	764,906	787,883	819,437	846,002	873,442	900,659
Depreciation	535,655	604,327	684,051	771,510	864,216	962,484	1,066,648
Other	352,208	386,804	416,502	448,513	483,019	520,217	560,319
Total Expenses	**$3,280,680**	**$3,208,210**	**$3,366,367**	**$3,543,472**	**$3,723,656**	**$3,913,299**	**$4,111,853**
EBIT	**$920,982**	**$1,067,147**	**$1,282,360**	**$1,476,194**	**$1,683,645**	**$1,904,185**	**$2,141,759**
EBITDA	**$1,456,637**	**$1,671,474**	**$1,966,411**	**$2,247,704**	**$2,547,861**	**$2,866,669**	**$3,208,407**
Other Income	33,737	69,775	74,775	74,775	74,775	74,775	74,775
Interest Expense	102,811	137,281	190,344	237,031	283,948	334,614	383,927
Income Taxes	77,510	113,779	167,441	188,410	211,382	235,663	262,537
Tax Rate	*9%*	*11%*	*14%*	*14%*	*14%*	*14%*	*14%*
Earnings							
Income from Continuing Operations	$774,398	$885,862	$999,351	$1,125,528	$1,263,091	$1,408,683	$1,570,070
Discontinued Operations	0	0	0	0	0	0	0
Adjustment for Non-Controlling Interest	508	542	542	542	542	542	542
Net Income	**$773,890**	**$885,320**	**$998,809**	**$1,124,986**	**$1,262,549**	**$1,408,141**	**$1,569,528**
Avg. Diluted Shares Outstanding	138,096	145,166	152,585	160,607	168,421	176,068	183,556
EPS	$5.60	$6.10	$6.55	$7.00	$7.50	$8.00	$8.55
Non-Recurring	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ongoing EPS	**$5.60**	**$6.10**	**$6.55**	**$7.00**	**$7.50**	**$8.00**	**$8.55**
Q1 EPS	1.86	1.91	2.04				
Q2 EPS	2.37	2.48	2.64				
Q3 EPS	0.92	0.94	1.01				
Q4 EPS	0.51	0.80	0.86				

ATO Supplemental Information	2022	2023	2024E	2025E	2026E	2027E	2028E
Dividend Information							
Dividends Per Share - YE Rate	$2.72	$2.96	$3.17	$3.39	$3.63	$3.88	$4.15
Dividends Paid Per Share	2.72	2.96	3.17	3.39	3.63	3.88	4.15
Payout Ratio	49%	49%	48%	48%	48%	49%	49%
Cash Flow & Balance Sheet Items							
Capital Expenditures (thousands)	($2,444,420)	($2,805,973)	($3,030,451)	($3,212,278)	($3,405,015)	($3,609,315)	($3,825,874)
Book ROE	8.9%	8.7%	8.7%	8.7%	8.8%	8.9%	9.0%
FFO/Debt	23%	34%	21%	21%	21%	22%	22%
Debt/EBITDA	4.0x	2.8x	4.0x	3.9x	3.9x	3.8x	3.7x
Common Equity as % of Total Capitalization	54%	62%	61%	61%	60%	60%	60%

Note: 2023 line items remain estimates pending full 10-K update.
Source: Wells Fargo Securities, LLC estimates and company filings

SR Earnings Model ($ millions except per share data)	2022	2023E	2024E	2025E	2026E	2027E	2028E
Revenues	**$2,199**	**$2,199**	**$2,834**	**$2,919**	**$3,002**	**$3,066**	**$3,143**
Expenses							
Natural Gas & Propane	924	1,261	1,310	1,320	1,329	1,339	1,349
Other O&M	450	518	519	527	535	544	552
Depreciation & Amortization	237	255	276	296	315	335	356
Other	180	215	218	222	226	230	234
Impairment	0	0	0	0	0	0	0
Total Expenses	**$1,790**	**$2,248**	**$2,324**	**$2,365**	**$2,406**	**$2,447**	**$2,490**
EBIT	**$408**	**($49)**	**$511**	**$554**	**$597**	**$618**	**$652**
EBITDA	**$646**	**$206**	**$787**	**$850**	**$912**	**$954**	**$1,008**
Other Income	(9)	23	21	18	18	18	18
Interest Expense	120	186	208	218	228	239	247
Income Taxes	59	39	64	70	75	77	81
Tax Rate	*21%*	*15%*	*20%*	*20%*	*19%*	*19%*	*19%*
Earnings							
Net Income	$221	($250)	$261	$285	$313	$321	$343
Less: Income allocated to participating securities	0	0	0	0	0	0	0
Less Preferreds	15	15	15	15	15	15	15
Net Income	**$206**	**($265)**	**$246**	**$270**	**$298**	**$306**	**$328**
Avg. Diluted Shares Outstanding	52	53	56	59	60	61	61
EPS	$3.95	($5.05)	$4.35	$4.55	$4.96	$5.05	$5.35
Non-Recurring	(0.09)	0.20	0.00	0.00	0.00	0.00	0.00
Ongoing EPS	**$3.86**	**($4.84)**	**$4.35**	**$4.55**	**$4.96**	**$5.05**	**$5.35**
Q1 EPS	1.14	1.55	1.29				
Q2 EPS	3.42	3.72	3.86				
Q3 EPS	0.01	(0.42)	(0.14)				
Q4 EPS	(0.66)	(0.78)	(0.66)				

SR Supplemental Information	2022	2023E	2024E	2025E	2026E	2027E	2028E
Dividend Information							
Dividends Per Share - YE Rate	$2.74	$2.88	$3.02	$3.16	$3.30	$3.45	$3.60
Dividends Paid Per Share	2.74	2.88	3.02	3.16	3.30	3.45	3.60
Payout Ratio	71%	-59%	69%	69%	66%	68%	67%
Cash Flow & Balance Sheet Items							
Capital Expenditures (millions)	($552)	($663)	($765)	($664)	($660)	($680)	($700)
Book ROE	8.1%	8.1%	8.4%	8.4%	8.9%	8.7%	8.9%
FFO/Debt	11.9%	10.6%	12.4%	12.4%	13.4%	13.6%	14.1%
Debt/EBITDA	6.8x	7.3x	6.3x	5.9x	5.5x	5.4x	5.3x
Common Equity as % of Total Capitalization	36%	35%	38%	39%	40%	40%	41%

2023 annual line items remain estimates pending full 10-k update

Source: Wells Fargo Securities, LLC estimates and company filings

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From: Steve Fleishman
To: Turnure \ Christopher \ J
Subject: The Fleishman Daily 9/29/23 - NEP, Day 2 Conference Tidbits, NEE, EXC, Pensions
Date: Friday, September 29, 2023 7:53:10 AM

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September 29, 2023

THE FLEISHMAN DAILY 9/29/23

NEP, Day 2 Conference Tidbits, NEE, EXC, Pensions

The Fleishman Daily 9/29/23
Utilities: NEP, Day 2 Conference Tidbits, NEE, EXC, Pensions
Midstream: Day 2 Conference Tidbits
Clean Energy: Day 2 Conference Tidbits
Wolfe Research Utilities, Midstream & Clean Energy Conference Virtual Day; agenda here

Clean Energy Investor Panel; 8:00-8:45am ET; register **here**
Quanta Services; 9:00-9:40am ET; register **here**
Enterprise Products Partners; 9:45-10:15am ET; register **here**
Energy Transfer; 10:20-10:50am ET; register **here**

No Fleish on Fridays Today
WEBCAST: Utilities, Midstream & Clean Energy Conference Takeaways; Monday, October 2nd at 10:00am ET; register here

Utilities

NEP – Looking at run-off value and downside scenarios
Wolfe Conference – Day 2 – utility tidbits from panels, meetings
NEE – Florida Supreme Court sends FP&L rate settlement back to FL PSC, saying not enough written support; not surprising

EXC – Settles SEC investigation related to conduct identified in deferred prosecution agreement; $46M penalty in line with reserve
Pensions – Updated thoughts from our accounting team; pension funding at 15-year highs

Midstream

Day 2 Midstream quick takes

Clean Energy

Day 2 Clean Energy tidbits from panels, meetings

Wolfe Utility & Midstream Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Midstream Stock Charts, Clean Energy Comps, Clean Energy Stock Charts, Models, Valuation Charts

Utilities

NEP – Looking at run-off value and downside scenarios
Click here to view our complete note
NEP stock continues to freefall – sensitizing where a bottom could be. The stock has now fallen roughly 20% in back-to-back sessions and is now down 56% on the year. This sort of vicious cycle can certainly feed on itself once investors start to doubt the sustainability of the vehicle. Unfortunately, NEP was always viewed as tied to rates – both interest rates for financings and discount rates for valuation. The updates this week only furthered that notion, so it is likely difficult to call a bounce without knowing when rates will stabilize. The upshot though is if the macro does turn, this is obviously a high beta way to play it. The purpose of this note though is an attempt to look at run-off value of the existing assets and we come to ~$30/sh, which is where the stock is trading. NEP now yields 11%.

Wolfe Conference – Day 2 – utility tidbits from panels, meetings

- **AEE –** MO IRP adds $1.5B of capital in current plan but will update in Feb how much will be incremental. Feels good about the progress in IL MYP, awaiting ALJ in Oct and final decision in Dec. MISO Tranche 2 could be at least 2x Tranche 1. Working on getting IL ROFR in veto session and prefiling ROFR in MO by YE. Wants to get equity ratio from 40% to 40-45% by 2027, but that is in current plan.
- **AEP** – Priority number one is on the B/S: a Baa2 stable outlook and cushion above downgrade threshold (13%); expects to get within targeted 14-15% but will be below range for the next quarter or two. Expect decisions in OK rate case potentially next month and an order in WV prudency review by yearend.
- **EXC** – Committed to a strong B/S and hitting 6-8% EPS growth. Not seeing anything concerning so far in IL and MD MYP rate cases. Upside opportunities in transmission, including in MD and into Dominion zone. Hopeful for preliminary guidelines on corporate AMT by yearend.
- **FTS** – Higher capex program supports 6% rate base growth led by ITC. Constructive

AZ/BC outcomes. AZ renewables tracker likely handled in generic proceeding, but regulatory lag lessened by IRA provisions. Comfortable with where balance sheet is. If Iowa ROFR court challenge succeeds, will quickly pursue legislation.

- **LNT** – Reasonable Staff recommendation in the WI rate case; capex refresh at Q3/EEI, 2024 guidance/financing plan likely after a final order in WPL's rate case; IA rate case filing and advance ratemaking order upcoming; ~100-200bps FFO/D boost expected from transferability.
- **NI** – Q3's capex refresh could feature upside from transferability & PHMSA regulation; intends to remarket ~$863M convert in Nov., NIPSCO stake sale provides FFO/D cushion in 2023 vs. 14-16% target; current 6-8% annual EPS growth plan embeds higher interest rates/gas prices.
- **OGE** – Sees annual capex heading towards ~$1.1-1.2B vs. $950M/yr. currently; could target ~16% FFO/D in the L-T with some ATM equity to support higher capex; confident in growing towards the high-end of the annual 5-7% utility EPS growth rate, consolidated CAGR will be issued at Q4; bid-ask spread vs. parties on generation rider for Horseshoe Lake CTs not wide.
- **PNW** – ALJ rec in Dec./Jan.; Parties still considering rider mechanism, but may be addressed in regulatory lag reduction docket; historic test year amplifies lag; C&I sales low margin, but important to monitor TSMC delays in 2024.
- **SRE –** Strong tailwinds in all three segments, really bullish. Productive settlement talks ongoing in CA GRC, will update by 10/24 if extension approved. TX growth is robust and the doubling of rate base was not an off-the-cuff comment on Q2 earnings call. Got approval for Port Arthur 2.
- **SO –** Planning to file an updated IRP soon in GA because seeing more economic development and potential growth than forecasted just last year; could lead to incremental ownership, particularly in Northern GA. A decision on the Vogtle prudency settlement is expected 12/19. Vogtle U4 has reasonable shot of COD by YE23.
- **WEC** – Capex plan / rate base growth going higher with Q3 refresh. Likely includes equity ($200M DRIP + ATM), no block. Shifting more spend toward regulated renewables and away from unregulated renewables. Focused on maintaining credit metrics. Plan conservatively on interest rates. Illinois rate case progressing well with ALJ due next week.

- **XEL –** Q3's capex refresh will likely feature ~$2.9B of transmission in the base plan, ~$7.9B of generation in the upside plan; will evaluate impact of CO Preferred Plan on L-T EPS growth rate after CPUC decision in Dec./Jan.; sees the need for ~5-10 GW of additional generation at SPS by 2030 and ~2.8 GW of RFPs upcoming in MN; Marshall Fire trial could start in late '23/early '24.

<u>NEE – Florida Supreme Court sends FP&L rate settlement back to FL PSC, saying not enough written support; not surprising</u>

- Yesterday, the Florida State Supreme Court issued a split decision (4-2) order remanding back the challenged FP&L rate settlement from 2021 – citing lack of explanation in the final order ("(it) produced an explanation of its public interest determination that spanned little more than a page") – **link**
- The rate deal is now sent back to the FL PSC for reconsideration

Recall that NEE reached a comprehensive settlement agreement with most major parties (Office of Public Counsel, retail, industrials, environmentals, etc.) in its FP&L rate case back in August 2021 – we discussed more in a note (**link**)
    - However, several parties (Floridians Against Increased Rates / Florida Rising) were not part of the settlement and filed an appeal to the Florida Supreme Court
- We listened to oral arguments earlier this year and the line of questioning from the justices toward the PSC/FP&L was rather aggressive – Chief Justice Muniz noted the final order was way below any acceptable standard in lacking enough substance/justification, Justice Couriel noted that SolarTogether wasn't referenced in the final order at all, Justice Poston questioned whether the settlement should be looked at as a whole or individual components, and Justice Grosshans seemed to take issue with lacking evidence around the tax adjustment mechanism
    - FAIR and Florida Rising took issue with the reserve surplus amortization mechanism, tax adjustment mechanism, and SolarTogether components in particular – saying they are not in the public interest and in some cases violate state law
    - The Florida PSC and FP&L argued that the settlement was approved with substantial evidence and all the components were legal and in the best interest of customers

When it rains it pours. We had listened to the hearings on this case earlier in the year and believed there was risk of a remand based on the line of questioning. In the past these types of appeals have been rejected, but we saw in-state peer DUK have its recent solar case face this same outcome. In reading through the decision, our understanding is the main issue here is simply lacking written explanations for the settlement agreement in the final order. We believe the case will likely be reapproved without material changes and better support. This is essentially how the DUK solar case played out. As a reminder, this was a unanimous PSC approval and a settlement that featured most of the parties.

<u>EXC – Settles SEC investigation related to conduct identified in deferred prosecution agreement; $46M penalty in line with reserve</u>

- On 9/28, EXC announced a settlement with the SEC, related to the conduct identified in the DPA, which was entered into by ComEd in Jul 2020 and exited in Jul 2023.
- The $46.2M civil penalty is in line with the reserve that EXC booked in Q2.
- The settlement resolves the last government investigation stemming from the conduct that led to the DPA.
- .EXC in its 8K said the SEC's administrative order recognized the remedial measures promptly undertaken by EXC/ComEd, including the significant enhancements made to EXC/ComEd' compliance program.

It is good to see the SEC investigation resolved. The penalty is in line with EXC's reserve and was already booked in Q2.

<u>Pensions – Updated thoughts from our accounting team; pension funding at 15-year highs</u>

- Yesterday, Wolfe Chief Strategist Chris Senyek published his latest note on pensions – **link**
- YTD he finds blended asset returns down 5% and discount rates up 60bps
- On average broader market pensions are now over 100% funded and at the highest funding level in 15 years
- Senyek flags several names within our coverage as reporting meaningful pension income as a % of earnings (and the same known names that don't smooth asset returns like FE/PEG/PNW), while showing D/SO/FE as assuming amongst the highest expected rates of return in the market
- Recall that we published a detailed pension report in conjunction with Senyek's team back in June – **link**

Pensions have been a bit less in focus this year, as this issue was more fully fleshed out in the sector last year. FE has taken steps to de-risk by putting more money in its pension this year, while PEG has successfully executed a pension "lift-out" (annuitization) to shrink its volatility. We came to similar conclusions on funding levels in our report earlier this year. Senyek currently doesn't expect large YoY changes in pension costs in 2024 on average.

Midstream

Day 2 Midstream quick takes

- **KNTK** - Confident on GCX sale likely by October at constructive value; Reiterates $150M capex plan for 2024; Focused on growing G&P business and NGL supply position

Clean Energy

Day 2 Clean Energy tidbits from panels, meetings

- **PLUG** - Thinks we get hydrogen rules by December and are cautiously optimistic on favorable outcomes. Looking to get non-dilutive financing solutions done by Q4: DOE loan, asset backed lending, private debt, and strategic partnerships are all options.
- **STEM** – Very confident in EBITDA and cash guidance for 2024. Thinks hardware grows disproportionately this year but slows down next year and beyond as the modular offering ramps software/services. Focused on gross margin dollars and growing CARR.

Wolfe Events

September 27-29: Wolfe Research Utilities, Midstream & Clean Energy Conference
September 29: Ameren Non-deal Roadshow in Boston
October 2-4: Alliant virtual Non-deal Roadshow in Australia
October 16-20: Public Service Enterprise Group Non-deal Roadshow in Japan/Australia
October 30-31: NextEra Energy Non-deal Roadshow in London
November 28-29: Fortis virtual Non-deal Roadshow in Australia

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THE FLEISHMAN DAILY 10/20/23

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The Fleishman Daily 10/20/23
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Midstream: KMI
Clean Energy: Clean Energy, SEDG
WEBCAST: Fleish on Fridays, TODAY at 11:00am ET; register here
WEBCAST REPLAY: Clean Energy Q3 Preview Webcast; replay here, slides here

Utilities

NI – Receives FERC approval for NIPSCO's 19.9% stake sale to Blackstone; announces 11/13-17 as the final convert remarketing window
FE/EXC – MD PSC mostly adopts ALJ in Potomac Ed case setting $28 rate hike and 9.5% ROE; small subsidiary, read-through to EXC's BG&E case
LNT – IUB issues final order in advance ratemaking for 400 MW of solar; lowers ROE/cost cap stipulated in the settlement to 10.25% and $1,650/kW; bit disappointing
XEL – Issues RFP for ~1.2 GW of new wind projects in MN

Midstream

KMI – 2024 outlook the key event

Clean Energy

Clean Energy – Sector takeaways from SEDG preliminary earnings miss; remain cautious across resi space
SEDG – Distributor disconnect; Prelim 3Q report misses big

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Quarterly data: Weather, Forward Prices, Spot Prices, Nuke Outages

Utilities

NI – Receives FERC approval for NIPSCO's 19.9% stake sale to Blackstone; announces 11/13-17 as the final convert remarketing window

- This morning, NI announced that FERC has granted approval for NIPSCO's 19.9% minority interest sale to Blackstone.
  - FERC is the only regulatory approval required for completion of the transaction, which is expected to close by YE23.
- NI also announced 11/13-11/17 as the final remarketing period for 862.5K shares of its Series C Mandatory Convertible Preferred Stock that were issued as part of its 2021 equity units.
  - While this final remarketing is in accordance with NI's L-T financial plan, the timing is subject to market/other conditions.
  - NI may postpone the final remarketing, at its discretion, on any day prior to the last business day of the final remarketing period.

It's good to see FERC approval for NIPSCO's 19.9% minority interest sale to BX, which allows NI to close the transaction by YE. NIPSCO's stake sale at an attractive valuation provides credit metric flexibility in 2023. NI could still decide to pursue the convert remarketing even if market conditions remain similar in Nov. since a potentially higher dividend yield would have to be paid for a shorter duration. If the remarketing were to ultimately be unsuccessful in Nov., NI's FFO/D metric would move ~80bps lower and NI could have to issue ATM equity earlier, but it would actually be earnings accretive for 2024 and ATM needs look quite manageable. We are buyers into any overhang from this.

FE/EXC – MD PSC mostly adopts ALJ in Potomac Ed case setting $28 rate hike and 9.5% ROE; small subsidiary, read-through to EXC's BG&E case

- The Maryland PSC issued a final order in FE's Potomac Edison rate case – allowed a $28M rate hike ($23M net of EDIS rider), 9.50% allowed ROE (53.0% equity ratio), and $680M rate base
  - This largely matched an ALJ and MD PSC Staff recommendation
- The MD PSC order denied FE's proposed extension of the EDIS rider and pension tracking mechanism

- The MD PSC also ordered its Staff to have an independent auditor investigate allocations between Potomac Ed and FirstEnergy Services Company
- FE's Potomac Edison originally requested – $44M (9.7%) rate increase, 10.6% allowed ROE (53.5% equity ratio), and $719M rate base
- In BG&E's case, there is no ALJ recommendation expected; a PSC decision in BG&E's is expected in Dec.

The distribution utility in Maryland comprises a very small amount of FE's total earnings – equivalent to just a few percentage points. This seems like just an okay outcome. As for EXC, we think the ROE in the Potomac case would be about in line with expectations for BG&E's case (mid 9s).

LNT – IUB issues final order in advance ratemaking for 400 MW of solar; lowers ROE/cost cap stipulated in the settlement to 10.25% and $1,650/kW; bit disappointing

- Yesterday, the Iowa Utilities Board (IUB) issued a final rehearing order on advance ratemaking for 400 MW of solar projects (Duane Arnold I/II, Creston, Wever) in IA.
    - IUB's final order did not discuss 75 MW of battery storage that wasn't included in the settlement reached between IPL and the Office of Consumer Advocate (OCA).
    - Recall, the Large Energy Group (LEG) and the Iowa Business Energy Coalition (IBEC) opposed the settlement.
- The IUB approved the settlement, subject to the following modifications:
- **ROE:** 10.25% vs. 10.75% stipulated in the agreement.
    - If market conditions change to where IPL requires a cost of equity > 10.25%, IPL can request that the rate of return be reviewed for an increase in a general rate case.
- **Cost Cap:** $1,650/kW, representing ~90% of the proposed $1,837.5/kW cap in the agreement.
    - This will remain a soft cap, so any amount IPL may exceed beyond the cost cap can be requested for recovery in an electric rate case if prudent and reasonable.
- **Consumer Protection Plan:** Penalties/credits will be capped at $3M annually in the aggregate.
    - This shall begin on January 1 of the first year after the projects are placed in-service and shall end 20 calendar years after the last year of the initial PTC period for projects.
    - The targeted summer solar capacity factor for the projects is 31.0% in the first year of operation and penalties will be assessed when the 3-year rolling average is below 27.9%, in each case subject to a 0.7% solar panel degradation rate allowed each year.
    - Credits will be assessed when the 3-year rolling average summer capacity factor for the projects is greater than or equal to 34.1%.
- LNT has 20 days to accept the advance ratemaking principles approved in this order.

While this is not material in LNT's overall story, it's a bit disappointing to see, especially heading into IPL's recently filed rate review. The 10.75% ROE stipulated in the settlement

IPL reached with the OCA was also amongst the lowest ROEs in advance ratemaking proceedings, so the downward modification is a little annoying. We will be watching for mgmt.'s commentary on IUB's final rehearing order at Q3.

XEL – Issues RFP for ~1.2 GW of new wind projects in MN

- Yesterday, XEL issued an RFP for ~1,200 MW of new wind projects located in southwest MN with a planned COD by YE27 to help replace the capacity of the coal-fired Sherco plant in Becker, MN.
    - This transition is part of XEL's Upper Midwest IRP approved by the MPUC in 2022.
- XEL's proposed MN Energy Connection transmission line (currently under MPUC review) would deliver 2,000 MW of renewable energy, including this wind energy, to the grid at Sherco.
    - XEL intends to re-use Sherco's existing grid connections for efficiency & cost-effectiveness.
- Bids are due 12/14/23 and the shortlist will be announced on 4/12/24; XEL plans to complete contract negotiations in 2Q24.

This RFP is part of XEL's continued generation transition. We believe that XEL will target 50% ownership, but could ultimately be more competitive because of IRA tax credits and transferability.

Midstream

KMI – 2024 outlook the key event
Click here to view our complete note
In line Q3. KMI reported 3Q23 EBITDA of $1,835M, which was slightly below consensus but above our forecast. Gas segment results were strong despite a slight QoQ decline in gathering volumes. EBITDA from CO2 was below our forecast on weaker S&T results and lower NGL volumes. Management noted the FY 2023 outlook is slightly below plan, but we wonder if that was even worth putting that in the release as we think EBITDA is less than 1% below budget.

Clean Energy

Clean Energy – Sector takeaways from SEDG preliminary earnings miss; remain cautious across resi space

- We expect another volatile earnings season for clean tech/residential solar, which we wrote about in **our preview note**.
    - Yesterday's preliminary earnings miss by SEDG was an early validation and that conditions may even be worse than we thought especially in Europe.
    - We continue to prefer utility-scale solar over residential.

The issues driving SEDG's miss are primarily related to the European residential and C&I solar markets. Inventory issues and financial pressures at the distributor level and underlying softening of demand both likely played a role. Demand is likely slowing down in Europe following the jump in rates and energy crisis normalization. We see the most direct read-through to ENPH, who is aggressively expanding into European markets and has telegraphed seasonal weakness in 3Q. The US market has seen its own demand issues (CA net metering, higher interest rates) and we remain cautious on US exposure as well. We expect RUN, NOVA, and SPWR to all reduce their growth outlooks for this year or next on upcoming earnings calls. While utility-scale may be impacted some by higher rates as well, we think it will be more on the edges.

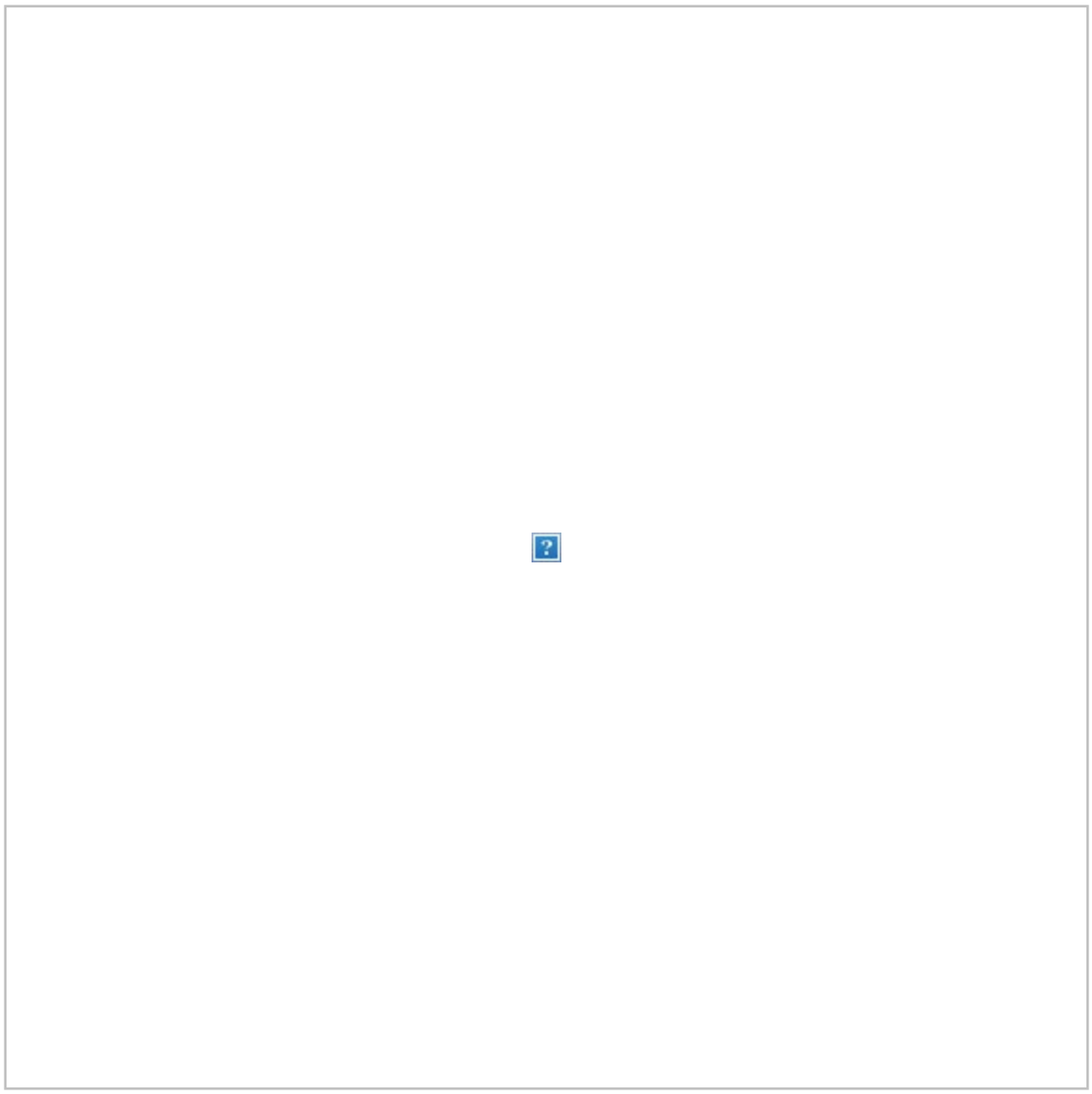
SEDG – Distributor disconnect; Prelim 3Q report misses big
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Preliminary results suggest 24% revenue miss. SEDG kicked off earnings season early and painfully issuing preliminary results ~24% below the midpoint of the prior guide ($725M from $900M). Gross margin is also expected to be much weaker at 20.1%-21.1%, from 28%-31%. The company attributes the 3Q weakness to cancellations and pushouts from European distributors due to high inventory in the channel and slower installation rates.

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October 30-31: NextEra Energy Non-deal Roadshow in London
November 28-29: Fortis virtual Non-deal Roadshow in Australia

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November 17, 2023

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AEE/EXC/WEC/SO Illinois gas, NI, PCG, WES, DC Policy, FLNC

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Utilities

AEE/EXC/WEC/SO Illinois gas – ICC lowers ROEs 40-50bps from ALJ recommendations to 9.38-9.51% in gas cases; equity ratios unchanged from ALJ, more capital disallowances; disappointing
NI – Announces unsuccessful convert remarketing; now expects to issue up to $600M ATM equity in 2024; 2025-28 ATM equity needs, 2023-24 guidance, L-T 6-8% outlook, 14-16% FFO/D all unchanged
PCG – GRC overhang removed; now in full execution mode

Midstream

WES – Adds new $2B CP program on top of existing revolving credit facility

Clean Energy

Wolfe DC Policy - Basel III Endgame proposal; still expect tax equity rules get fixed
FLNC - CFO Manu Sial departing for larger company; AES' Ahmed Pasha new CFO; should be smooth

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Utilities

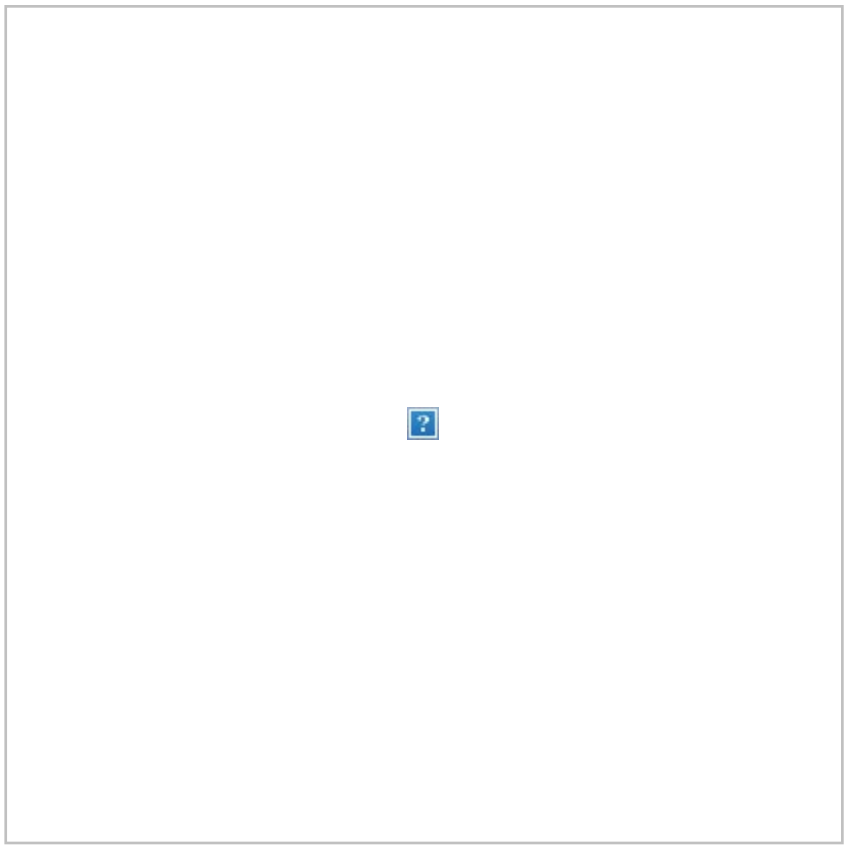
AEE/EXC/WEC/SO Illinois gas – ICC lowers ROEs 40-50bps from ALJ recommendations to 9.38-9.51% in gas cases; equity ratios unchanged from ALJ, more capital disallowances; disappointing

- Yesterday, the Illinois Commerce Commission (ICC) issued final orders in the pending gas rate cases of SO, AEE, WEC
- **AEE (link).** ROE set at 9.44% – compares to 9.89% ALJ/Staff (current at 9.67%). Equity ratio set at 50.0% – in-line with ALJ/Staff (current at 52%). Rate hike of $35M vs. Staff/ALJ recommended ~$50M. Rate base of $2.8B vs. Staff/ALJ recommended $2.9B.
- **WEC (link).** ROE set at 9.38% for both PGL/NSG – compares to 9.83% ALJ/Staff (PGL/NSG current at 9.05/9.67%). Equity ratio set at 50.79/52.58% for PGL/NSG – in-line with ALJ/Staff (PGL/NSG current at 50.33/51.58%). Rate hike of $303/11M for PGL/NSG vs. Staff/ALJ recommended ~$350/~$15M. Rate base of $4.2/0.4B for PGL/NSG vs. Staff/ALJ recommended $4.5/0.4B.
- **SO (order not available yet).** ROE set at 9.51% – compares to 9.89% ALJ/Staff (current at 9.75%). Equity ratio set at 50.0% – in-line with ALJ/Staff (current at 54.46%)
- **Electric MYP rate case orders expected 12/14.** Both AEE electric and ComEd multiyear rate plan rate cases are on the ICC meeting agenda for 12/14. Orders must be issued by 12/20.

This is a disappointing outcome, as we had hoped that the final electric orders would move towards what were reasonable ALJs in the gas cases. Instead the gas orders moved towards the weak electric ALJs (ROEs of ~9.2-9.3%), which was a risk. It is unclear what the ICC will do on the electric cases next month, but the gas orders are a negative data point and an important read-through for AEE/EXC's electric businesses, which are much bigger than any of yesterday's gas utilities. However, the state moved toward electrification in its 2021 CEJA law, on which current ICC Chair Scott advised the Gov as an advisor prior to rejoining the ICC this summer.

AEE is ~30% Illinois (18% elec, 11% gas). The following are key sensitivities for AEE IL electric and gas distribution: Every $100M of disallowed rate base is ~$0.02 (assuming 50% equity). Every 50bp ROE is ~$0.08 on electric and gas combined by 2025. Every 100bp equity ratio is ~$0.03. EXC is 25-30% Illinois (all electric). The following are key sensitivities for EXC IL electric: every $100M of disallowed rate base is ~$0.01. Every 50bp ROE is ~$0.04. WEC is 17% Illinois. WEC is interesting because despite the disappointing final order, the allowed ROE is actually still going up on the bigger PGL subsidiary and the equity ratio is going up on both subs. This is offset by the weak rate base / rate hike. Whereas in AEE/SO's case, the ROE/equity ratios are going down versus currently allowed. The following are key sensitivities

for WEC: every $100M of disallowed rate base is ~$0.03. Every 50bps change is ROE is worth $0.04 and every 100bps change in equity ratio is worth $0.01-0.02. Nicor is a small gas subsidiary for SO, making up roughly 6% of the company, and not really impactful. The table below summarizes our estimates of EPS sensitivities to IL ROE, equity ratio and rate base.



Source: Wolfe Research; ICC gas utility rate orders, 11/16/23

NI – Announces unsuccessful convert remarketing; now expects to issue up to $600M ATM equity in 2024; 2025-28 ATM equity needs, 2023-24 guidance, L-T 6-8% outlook, 14-16% FFO/D all unchanged

- This morning, NI announced the unsuccessful final remarketing of its Series C Mandatory Convertible Preferred Stock.
- Due to no longer receiving $862.5M of proceeds from the convert remarketing, NI now anticipates issuing a maximum of $600M of ATM equity in 2024.
    - No equity issuances are anticipated in 2023 and ATM equity issuances in 2025-28 are still expected to be $200-300M annually to support the base capital plan.
- NI's earnings guidance remains unchanged:
    - 2023 = in the upper half of the $1.54-1.60 range.
    - 2024 = in the range of $1.68-1.72.
    - 6-8% EPS growth annually from 2023-28.
- NI also continues to expect to achieve 14-16% FFO/D annually during 2023-28.

The convert remarketing has been an overhang on the stock which should now be lifted. The

pending $2.15B NIPSCO minority interest sale provides a lot of financial flexibility, allowing NI to maintain its 14-16% FFO/D range annually. Given the lower-than-expected equity dilution (up to $600M vs. ~$863M) and timing of dilution (2024 vs. 4Q23), we also see slight upward bias to EPS estimates. NI may also look at other options for equity in 2024 including hybrids which would reduce the ATM issuance.

PCG – GRC overhang removed; now in full execution mode

Click here to view our complete note

Revised APD on GRC approved; removes key overhang. After market on 11/16, the CPUC unanimously approved a revised alternate proposed decision in PCG's 2023-26 GRC. It was a key overhang on PCG, and we believe the final order appears reasonable, as some key aspects of earlier versions could have led to a slowdown of work and pressure on FFO/D targets, ultimately costlier to customers. We think PCG's LT 9-10% EPS growth target is intact. And PCG stock remains attractive, given it trades at over a 2x discount to peers despite rate certainty through 2026, a path toward its 10yr hardening plan and capped wildfire liability if a prudent operator.

Midstream

WES – Adds new $2B CP program on top of existing revolving credit facility

- WES issued an 8-K yesterday disclosing a new $2B commercial paper program where borrowings have maturities up to 1 year
- WES already has a $2B revolving credit facility that doesn't expire until 2025/26 and was undrawn at 9/30/23, although a small amount may have been used to help fund the recent Meritage acquisition (closed in October)

Our understanding is WES is trying to optimize borrowing costs. It caught our eye, however, as the company will now have significant liquidity relative to its size with $4B of credit facility / CP capacity.

Clean Energy

Wolfe DC Policy - Basel III Endgame proposal; still expect tax equity rules get fixed

- Earlier this week, Senate and House lawmakers held separate oversight hearings with financial regulators focused on the potential changes to Basel III capital requirements.
- Public comment period has been extended to January, pushing the final rules further into 2024.
    - There's also a transition period to apply the rules that starts in 3Q25.

Wolfe policy analyst Tobin Marcus noted nothing surprising and the regulator comments reinforce expectations for moderation in some of the areas of greatest concern. We view the impact to clean energy tax equity as essentially a mistake and we think the likelihood is high

that the rules will be moderated in these areas.

FLNC - CFO Manu Sial departing for larger company; AES' Ahmed Pasha new CFO; should be smooth

- Fluence announced yesterday that CFO Manu Sial will be departing to take a role at automotive components manufacturer Tenneco, effective Jan 1, 2024
- Ahmed Pasha, current CFO of US Utilities and Conventional Generation for AES, will succeed Manu
- Fluence also said it expects to meet or exceed its 2023 guidance and a FQ4 earnings announcement date was provided of Nov 28 (call on the 29th)

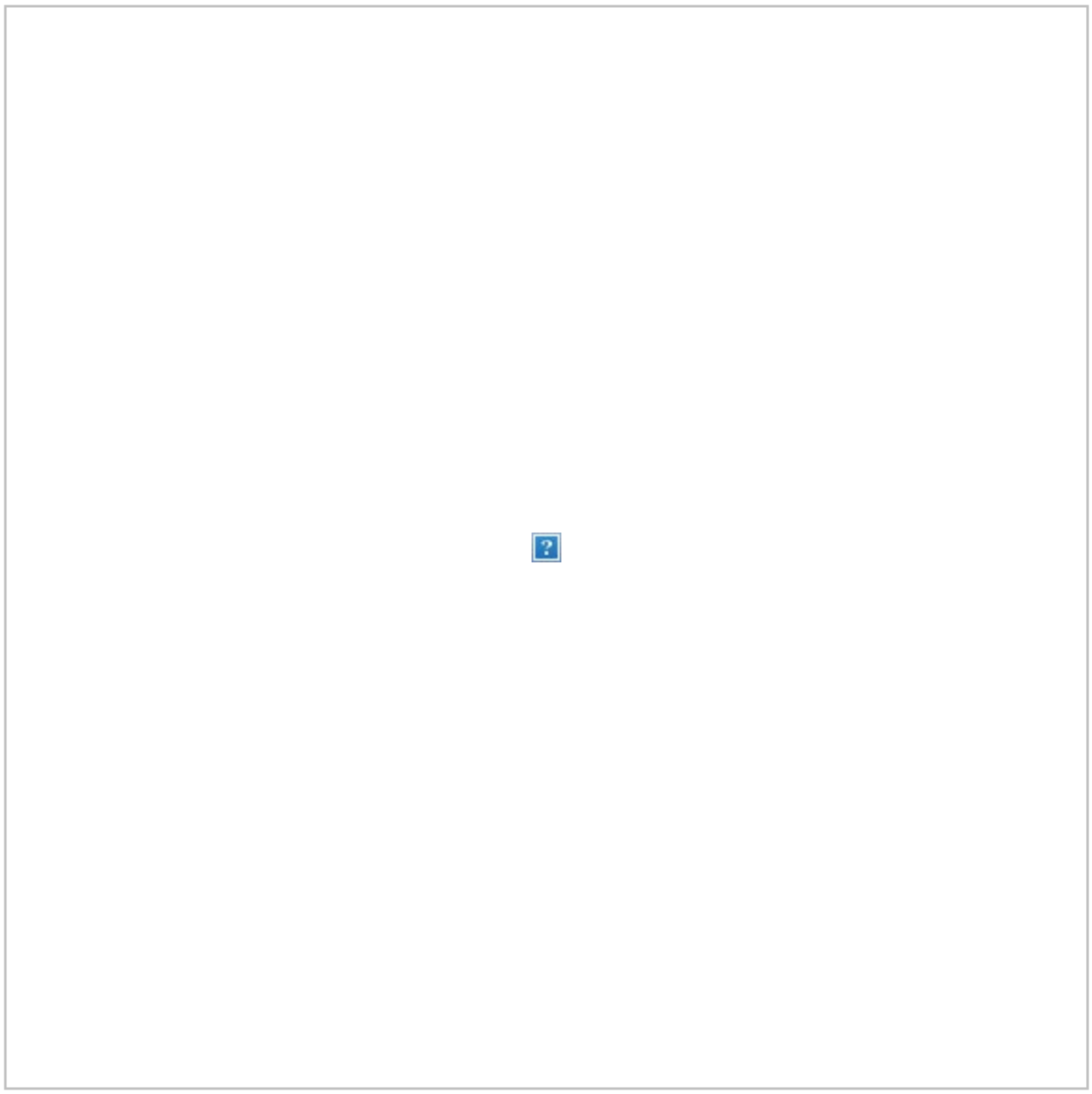
We view this as neutral – while we're sorry to see Manu go, we expect a smooth transition to Ahmed. We know Ahmed well from his roles at AES. FQ4 is expected to be strong and we look to upcoming call for 2024 guidance.

Wolfe Events
November 28-29: Fortis virtual Non-deal Roadshow in Australia

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Short Interest, EIX, OGE, Energy, WMB/ET, ET, PLUG

The Fleishman Daily 10/11/23
Utilities: Utilities short interest, EIX, OGE
Midstream: Energy, WMB/ET, ET, Midstream short interest
Clean Energy: Clean Energy short interest, PLUG

Utilities

Utilities short interest - Up 7% but still muted; PCG, VST shorts up big; NEE barely budges.
EIX – Reaches tentative settlement with DOJ over Thomas fire for an undisclosed amount
OGE – Reaches non-contested settlement in OK on $275M Generation Capacity Rider for Horseshoe Lake CTs; good to see

Midstream

Energy – Exxon to acquire Pioneer; Consolidation continues; TRGP may be a focus with the deal; Helps LNG with S&P 500?
WMB / ET - Court affirms $495M payment from ET to WMB over failed merger
ET - Prices large $4B debt offering that takes care of most refinancing needs through 2024
Midstream short interest – Short interest rises across a number of individual stocks; KMI the exception with short interest declining

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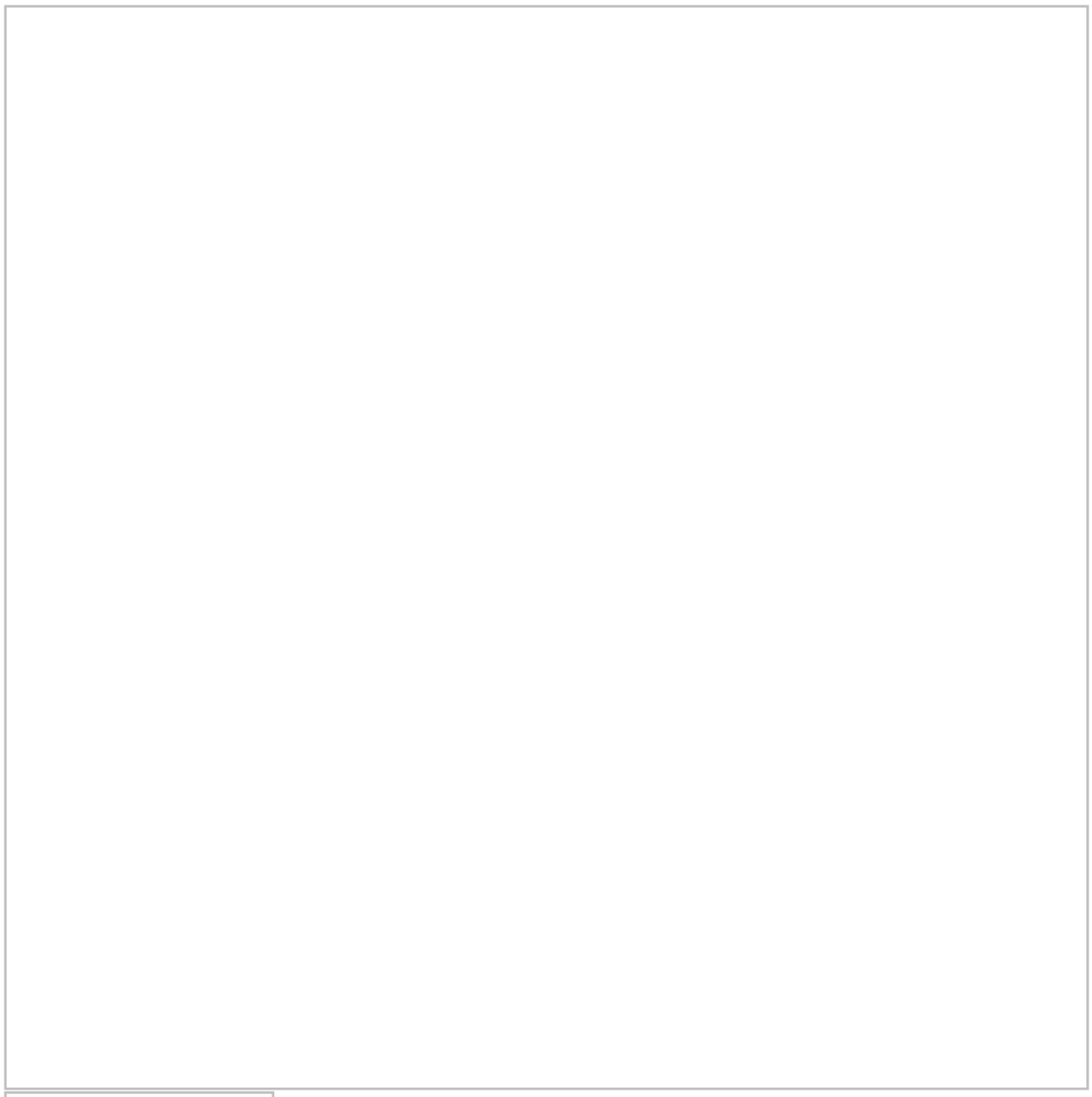
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Utilities

Utilities short interest - Up 7% but still muted; PCG, VST shorts up big; NEE barely budges.

- Utilities short interest rose 7% this period but still remains muted.
- NEE short barely budged rising 6% despite the big stock volatility and NEP news. Shorts continued to benefit in October up until yesterday trading.
- PCG short jumped 55% while EIX fell 20% This likely reflects PCG GRC concerns and dividend delay. EiX has also been underperforming.
- VST short jumped 46% likely on strong stock performance into Q3 end.
- NI short rose 27% possibly on some overhang from their convert remarketing
- ETR short fell 18% on potential for a SERI settlement.
- DTE short fell 17% on a potential settlement too but it didn't happen and the ALJ rec was disappointing. We still see settlement potential at DTE.





Source: FactSet

EIX – Reaches tentative settlement with DOJ over Thomas fire for an undisclosed amount

- EIX's SCE utility settled with the US Department of Justice over a lawsuit alleging SCE' negligence in the 2017 Thomas Fire, which later resulted in mudslides, reported *Bloomberg Law*.
    - The fire burned 281,893 acres (over 181,000 in the Los Padres National Forest), destroyed 1,063 structures, and resulted in one civilian and one firefighter

fatality.

- A dollar amount was not specified in the tentative settlement; the feds spent $100M to fight the fire and rehabilitate the public lands, according to its 2020 lawsuit.
- The tentative settlement was reached through private mediation and is subject to approval in a process expected to take 120 days, reported *Bloomberg Law*.

If finalized and approved, the settlement would be good to see.

OGE – Reaches non-contested settlement in OK on $275M Generation Capacity Rider for Horseshoe Lake CTs; good to see

- Yesterday, OG&E reached a non-contested settlement at the OCC in its 448 MW Horseshoe Lake combustion turbine (CT) case. Settling parties include OCC PUD Staff, OK's AG, and 2 others.
  - OIEC (Industrials) is amongst the 3 non-contesting parties.
- The settlement calls for approval of the Generation Capacity Rider (GCR) for the $249M original bid amount and $26M of owner's cost.
  - OG&E will earn a return at its most recently approved WACC – 9.5% ROE and ~53% equity ratio.
- Excess costs or contingency costs (~$18-18.5M) are not eligible for GCR recovery, but shall be reviewed for prudence in a general rate case to be recovered from customers.
  - Recall, OG&E initially requested approval of an investment of $330.5M, excluding capitalized AFUDC and property taxes.
- Term of the GCR is 18 months after the in-service date; OG&E must file a general rate case no later than 1 year after the in-service dates of the CTs (projected in late-2026).
  - Each of the 224 MW CTs will be included in the GCR the month after reaching in-service status.
- Next procedural steps: an OCC hearing on merits is scheduled for 10/17.

This settlement agreement is good to see and should provide a pathway to OCC approval in time for OGE to fold in this capex with its Q4/YE23 update.

Midstream

Energy – Exxon to acquire Pioneer; Consolidation continues; TRGP may be a focus with the deal; Helps LNG with S&P 500?

- This morning XOM announced an all-stock transaction to acquire PXD for $253/share or $60B. The price is a 6.6% premium to last night's close and an 18% premium to PXD's price prior to last week's WSJ article reporting on the potential deal.
- XOM states that the acquisition more than doubles its Permian production to 1.3M bpd of oil equivalents with plans to increase this to 2M bpd by 2027
- PXD is a large Targa customer and also own a minority interest in some TRGP processing plants in the Midland

One of the reasons we think midstream consolidation continues is that their upstream producer customers are also consolidating such that it's in midstream companies' interests to build scale and maintain pricing power. XOM will be a huge player in the Permian post transaction across both the Delaware and Midland basins. We expect some focus on TRGP on the news, particularly with respect to whether XOM could accelerate production growth out of PXD's Midland asset position. Past upstream deals have generally driven more modest overall production growth as portfolios are high graded, but XOM has been focused on growth in the basin. Lastly, the transaction would remove a large cap energy name from the S&P 500 and we flag Cheniere as the largest cap energy name we're aware of that is not in the S&P 500...so closing of this transaction could help LNG's odds of inclusion in the future.

WMB / ET - Court affirms $495M payment from ET to WMB over failed merger

- Yesterday, the Delaware Supreme Court affirmed a lower court decision that ET must pay WMB $410M in damages and $85M in attorneys fees related to the failed merger back in 2016

This finally settles the outstanding litigation and was the likely outcome given the lower court decision.

ET - Prices large $4B debt offering that takes care of most refinancing needs through 2024

- Yesterday, ET priced a $4B note issuance with 3, 5, 7, and 10-year maturities at a weighted average coupon of 6.33%
- Proceeds will be used to repay debt, including borrowings under the revolver
    - ET has a little over $4B of debt maturities from now through the end of 2024
    - ET has $2.61B outstanding under its credit facilities at a current rate of 6.33%

This is a reasonable offering that appears to takes care of most of the company's refinancing needs through 2024 and reduces interest rate exposure from here.

Midstream – Short interest rises across a number of individual stocks; KMI the exception with short interest declining

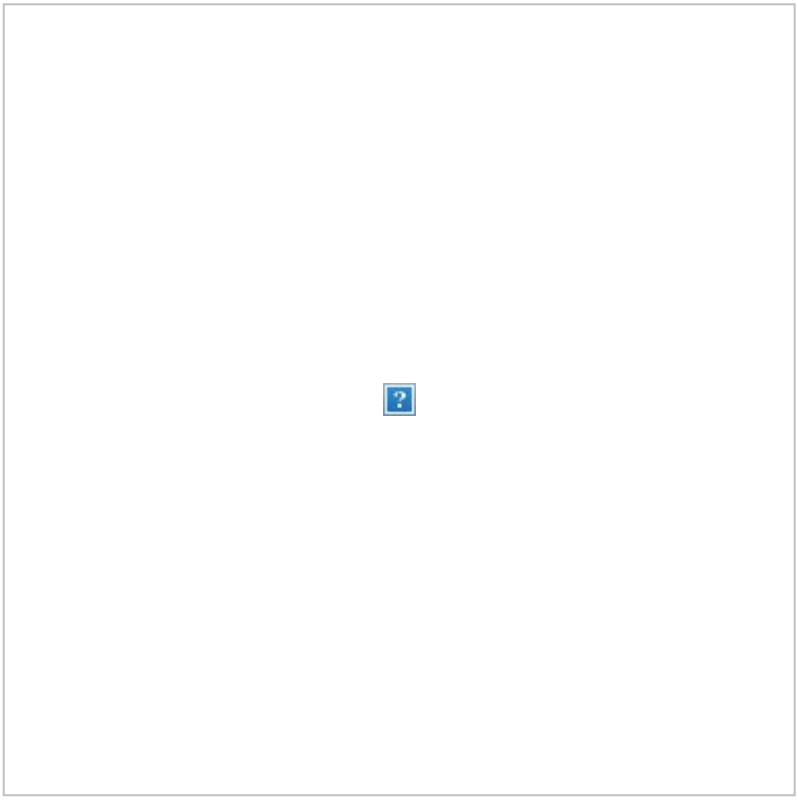
- There were a lot of short interest increases across the sector in the 2nd half of September
- Index-affected stocks. Short positions increased for NS (+148%), CQP (+40%), and WES (+38%). We think each of these stocks were impacted to some extent by the closing of the OKE-MMP transaction and implications around the AMZI Index (and AMLP ETF that tracks it).
- The PAA short rose 23% but remains at relatively low levels versus history. The stock has been a huge outperformer YTD but has cooled off in recent weeks.
- The EPD short rose 22%. The stock has performed a little better recently, but we're

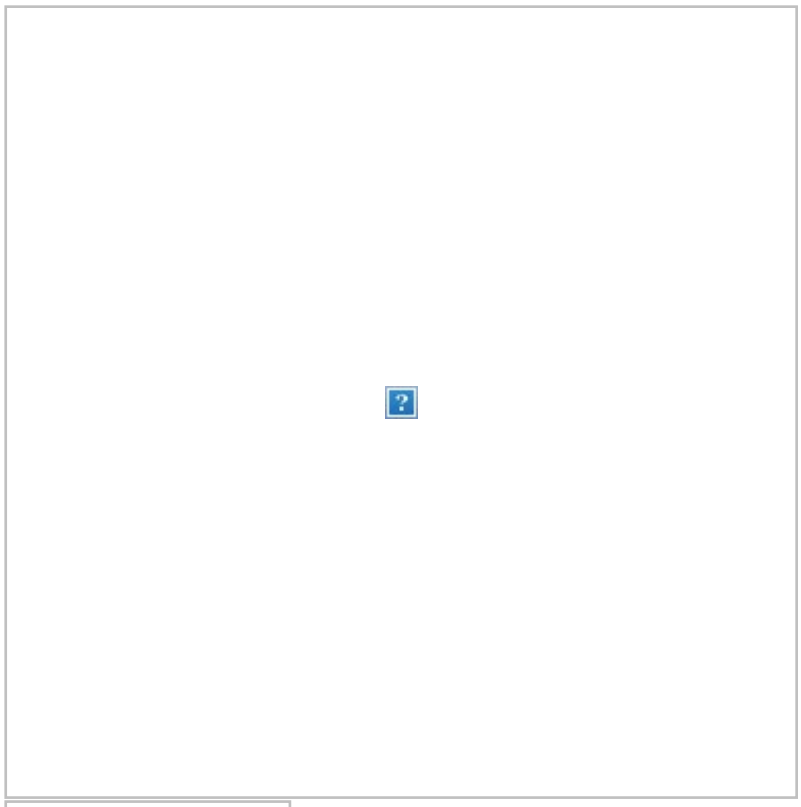
surprised by the short interest increase as we think EPD offers good safety in a choppier market environment.
- The KMI short was an exception and fell 15% in the 2nd half of September to a 16-month low in absolute number of shares sold short. The stock has been a big underperformer this year.

Clean Energy

Clean Energy short interest - TAN short down a little but CWEN, SEDG, and RUN shorts jump

- TAN short interest fell 7% this period and is no longer elevated. This makes for less chance of a short squeeze in the space.
- CWEN short jumped 35% on the heels of the NEP collapse. We don't see similar big div growth slowdown risk at CWEN. NEP short was surprisingly almost unchanged.
- SEDG short rose 29% while ENPH short declined a little. This was before the Hamas attack. We think this likely reflects increasing Europe concerns.
- Run short jumped 18% likely due to the jump.in interest rates into Q3 end.







Source: FactSet

PLUG – 550 MW electrolyzers for Fortescue with possible JV; Updated 2023 revenue guide at low end of prior range

- The proposed 550 MW PEM electrolyzer supply contract for Fortescue's green hydrogen production Gibson Island Project in Brisbane, Queensland, Australia.
    - FID is expected by the end of December 2023
- Plug and Fortescue have started the initial diligence process for Fortescue to take up to a 40% equity stake in Plug's Texas hydrogen plant (45 MTPD) and for Plug to take up to a 25% equity stake in Fortescue's proposed Phoenix hydrogen plant.
- PLUG is also hosting their hydrogen symposium this morning.
    - The deck released included updated revenue forecasts.
        - 2023: ~$1.2B of revenue vs. prior $1.2-$1.4B guide
        - 2027: ~$6B of revenue and GM% of ~32%
        - 2030: ~$20B of revenue and GM% of ~35%

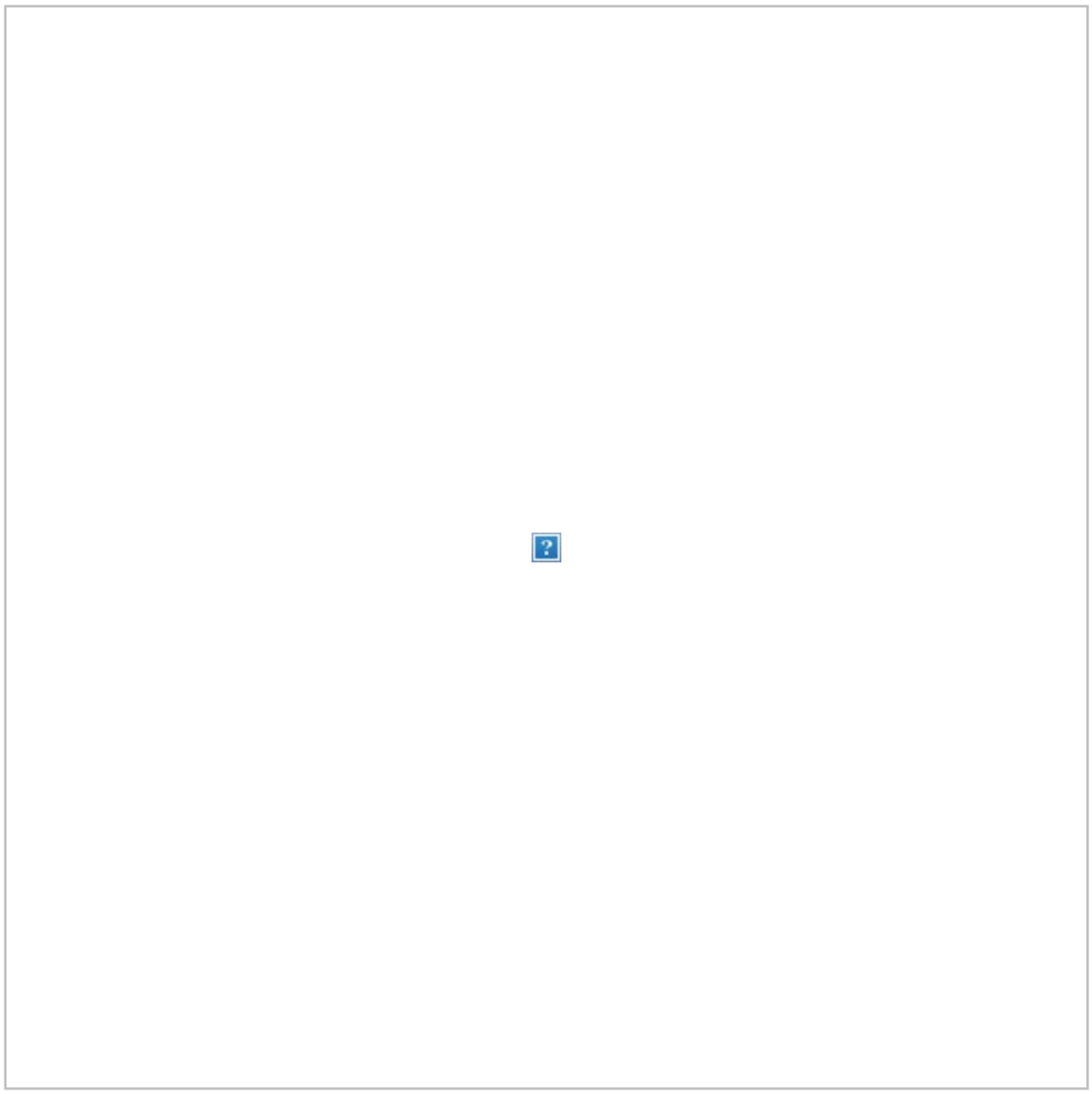
Good to see PLUG starting diligence with Fortescue. A deal there would be in-line with recent messaging around the use of JVs for funding. The revenue outlook suggests a 50% CAGR off $1.2B through 2027 which implies 2026 revenue of $4B (down $1B from prior outlook). The 2023 starting point is at the low end of the prior range. We look to the symposium for more details.

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October 16-20: Public Service Enterprise Group Non-deal Roadshow in Japan/Australia
October 30-31: NextEra Energy Non-deal Roadshow in London
November 28-29: Fortis virtual Non-deal Roadshow in Australia

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Utilities

NI – Decides to postpone the final ~$863M convert remarketing; outcome by end of week; remain buyers into the overhang
AEE/EXC/SO/WEC – IL regulators to vote on gas utility rate cases on 11/16; data point for electric decisions next month

Midstream

EPD – New slides address Permian NGL market outlook and positioning; Analysis appears to assume less pipeline capacity additions than we forecast
OKE – New slides show EBITDA has potential to exceed $6B in 2024

Clean Energy

Wind turbines – Siemens Energy granted EUR 7.5B in project-related guarantees from

Germany; good to see

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Quarterly data: Weather, Forward Prices, Spot Prices, Nuke Outages

Utilities

AEE/EXC/SO/WEC – IL regulators to vote on gas utility rate cases on 11/16; data point for electric decisions next month

- On 11/16, the ICC is expected to issue an order in rate cases for gas utility subsidiaries of AEE, SO and WEC. The meetings starts at 11:30 CDT.
- The ALJs recommended ROEs around 9.9%.
- The orders will be the first by the new ICC, which includes three new commissioners.
- AEE and EXC also have pending electric rate cases, with the ICC expected to vote on 12/14.
- ALJs in the electric cases have recommended 9.2-9.3% ROEs.

We will be looking at the orders as another data point for the electric ROEs.

NI – Decides to postpone the final ~$863M convert remarketing; outcome by end of week; remain buyers into the overhang

- This morning, NI announced that, at its option, it has postponed the final remarketing of $862.5M of its Series C Mandatory Convertible Preferred Stock.
- At its discretion, NI may recommence the final remarketing on any day from 11/15 through 11/17.

NI has until the 17th to negotiate and execute the final remarketing. However, even if this transaction is unsuccessful, we think NI can achieve its annual 14-16% FFO/D range since the $2.15B NIPSCO stake sale, which is expected to close by YE23, provides a lot of financial flexibility. In that case, we think NI could issue some ATM equity or junior subordinated notes with equity content in 2024 instead of the convert. We don't believe that NI's outlook is materially impacted by the outcome here and we think the overhang presents a buying opportunity.

Midstream

EPD – New slides address Permian NGL market outlook and positioning; Analysis appears to assume less pipeline capacity additions than we forecast

EPD published some new slides on its Permian NGL business ahead of a competitor conference. Key things we noticed include:

- **Industry Permian NGL takeaway pipeline utilization – slide 16.** EPD sees Permian NGL takeaway pipeline utilization remaining in a reasonable 78-89% range from 2025-30. However, the slide shows only a net ~1.2M bpd of NGL pipeline capacity increases, which is much less than our analysis of 1.725M bpd. Key differences appear to be:
  - Announced expansions (excluding Bahia) of around 750 mbd. This seems too low to us considering TRGP's Daytona (400 mbd), OKE's West TX LPG (440 mbd), EPD's own Seminole conversion (210 mbd), and MPLX's BANGL (75 mbd)
  - Existing pipeline capacity is assumed to decline very slightly from 2023 to 2026
  - EPD assumes capacity at 95% of nameplate and we used 100%
- **EPD-specific datapoints:**
  - EPD sees up to 70% of system supply across its Permian NGL pipelines as coming from EPD operated G&P plants
  - The new Bahia pipeline will utilize 342 miles of 30" pipeline from inventory that was purchased in 2020. Use of a 30" segment reduces the energy component of operating costs by up to 50%
  - Bahia will provide optionality to repurpose other pipelines in the network
- **See our recent report on Permian NGL pipeline overbuild – link**

We appreciate the incremental data from EPD on the Permian NGL market, which has been the biggest recent topic in our conversations with investors. The disclosure that 70% of NGLs will be sourced from EPD operated G&P plants is helpful and a solid figure, as we think these volumes are more protected in an overbuild situation. It's also good to see Bahia is using some pipeline from inventory that we were unaware of, although we still think the implied cost of Bahia is nearly $2B. However, we still have some questions on the industry-wide Permian takeaway balances as we're not sure why EPD is showing a significantly lower net capacity addition figure through 2026 (1.2M bpd vs. our 1.7M bpd forecast), which drives the better than expected utilization on the slide. Overall, our view remains that the recently announced new processing plants and frac are likely to be strong organic growth investments, but we are still cautious on the decision to pursue the brand new, higher cost Bahia greenfield NGL pipeline as the industry now appears to be adding too much capacity too quickly which could put downward pressure on margins.

<u>OKE – New slides show EBITDA has potential to exceed $6B in 2024</u>

- OKE released new slides ahead of a competitor conference today
- Slide 7 shows 2024 EBITDA outlook of $6B and the text says the "potential to exceed $6B". This compares to prior commentary of pro-forma EBITDA with Magellan "approaching" $6B.

The slight change in language on 2024 is constructive but likely consistent with buy-side expectations. Our 2024 EBITDA estimate is $6,085M. Consensus is much lower but we don't believe it has fully updated for the MMP acquisition.

Clean Energy

Wind turbines – Siemens Energy granted EUR 7.5B in project-related guarantees from Germany; good to see

- On 11/14, the German economy ministry announced it had granted EUR 7.5B ($8.15B) in project-related state guarantees to Siemens Energy.
- Siemens Energy CEO said "These guarantees are meant to back-secure customers in terms of prepayments, execution of contracts and so forth, so it's a relatively normal instrument in the industry."
- He added: "It is important to continue the growth and the guarantees will largely go to the grid business, to the other non-wind businesses to secure this enormous growth that comes with the energy transition."
- Siemens Energy said it would review the structure of Siemens Gamesa after the wind turbine unit pushed the group to a EUR4.6B annual net loss.

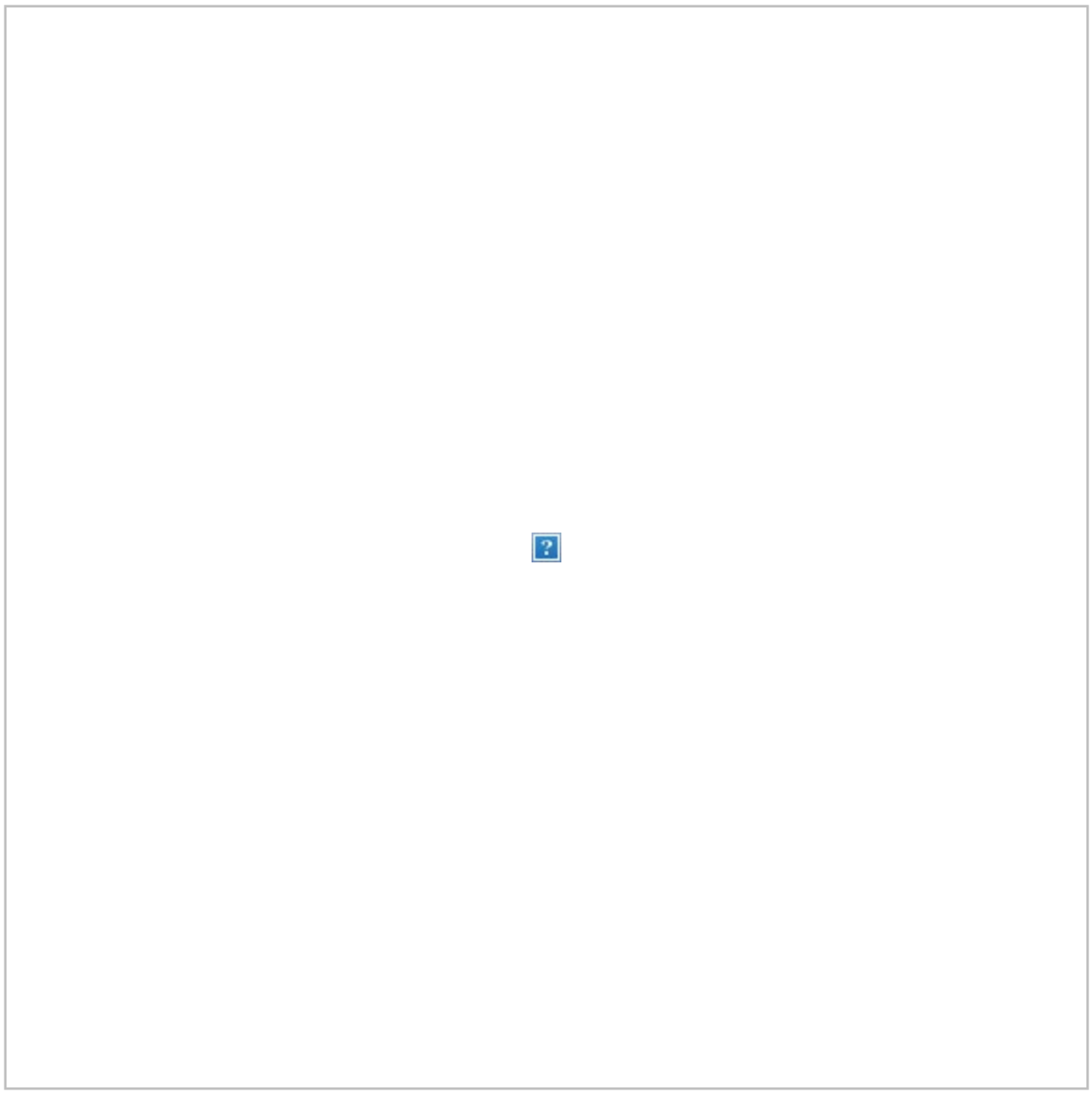
The support is good to see for future offshore wind turbines. Among our coverage universe, Siemens turbines are planned for Ørsted/ES' three projects totaling 1.76 GW (2023-25) and Dominion Energy's 2.64 GW CVOW (2026), which plans to use 176 14.7 MW turbines.

Wolfe Events
November 28-29: Fortis virtual Non-deal Roadshow in Australia

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NISOURCE (NI)

NI: Much ado about nothing; no remarketing lifts overhang

November 26, 2023

Rating:
Outperform
Price:
$26.10
Price Target:
$29
% Upside:
11.1%

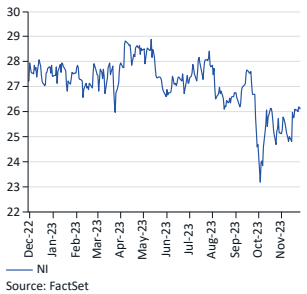
View NI Model
View Comp Table

Company Information

52-Week Range	$23 - $29
Market Cap. (MM)	$10,790
Enterprise Value (MM)	$26,562
Shares Out. (MM)	413.4
Avg. Value Traded (MM)	$117.96
Adj. Debt to Cap	62.7%
SI% of Float	3.7%

Price Performance

	YTD	LTM
NI	(5)%	(4)%
UTY Index	(14)%	(13)%
S&P 500	19%	13%



Source: FactSet

Priced as of 11/24/23

The Wolfe Byte

NI terminated its ~$863M convert remarketing & now anticipates issuing up to $600M of ATM equity in 2024, which could be lowered by hybrids. L-T financing/ EPS guidance and 14-16% annual FFO/D were reaffirmed. We slightly raise ests. and reiterate OP with the overhang lifted.

Remarketing unsuccessful; updated 2024 financing, but L-T outlook unchanged. On 11/17, NI announced the unsuccessful final remarketing of its Series C Mandatory Convertible Stock. Due to no longer receiving $862.5M of proceeds from the equity units remarketing, NI now anticipates issuing a maximum of $600M of ATM equity in 2024, with none required in 2023. NI may also evaluate other options for equity content in 2024, including hybrids, which could reduce its ATM equity needs. NI could consider junior subordinated notes for which Moody's ascribes 50% equity credit – these instruments have a higher ~7-8% coupon, but are tax-deductible. NI still expects to issue $200-300M/year of ATM equity in 2025-28 to support its base capex plan. NI maintained its earnings guidance: 1) 2023 = in the upper half of $1.54-1.60; 2) 2024 = range of $1.68-1.72; 3) 6-8% L-T EPS growth annually from 2023-28.

Modestly raising estimates. The $2.15B NIPSCO minority interest sale, which is expected to close by YE23, provides NI with a lot of financial flexibility. Thus, NI continues to expect 14-16% FFO/D annually during the 2023-28 period. Essentially, NIPSCO's pending stake sale is enabling NI to trade some B/S headroom for lower cost of capital whilst still maintaining strong credit metrics at ~15% FFO/D. Given the lower-than-expected equity dilution (up to $600M vs. ~$863M) and timing of dilution (2024 vs. 4Q23), we raise our 2023E by $0.01 and 2024-26E by $0.02 each. Accretion from a lower share count is partially offset by interest expense drag on higher debt balances.

Overhang lifted; maintain $29 PT. The convert remarketing has been an overhang on the stock, which should now be lifted. In the absence of this technical/trading pressure, we think investors can now focus on NI's lower-risk, executable 6-8% growth plan, with ~$2B of further capex upside over 2025-28. Reiterate Outperform with a $29 PT.

ESTIMATES				DECEMBER FYE
($)	**2023E**	**2024E**	**2025E**	**2026E**
EPS FY	1.60 E	1.72 E	1.85 E	1.98 E
Prior	1.59 E	1.70 E	1.83 E	1.96 E
Cons.	1.58 E	1.70 E	1.82 E	1.95 E
P/E	16.3x	15.2x	14.1x	13.2x
Dividend per Share FY	1.00 E	1.07 E	1.14 E	1.23 E

Source: Company Documents, Wolfe Research, FactSet
Numbers may not add up due to rounding; Fiscal Year Ends December



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November 26, 2023

Investment Conclusion

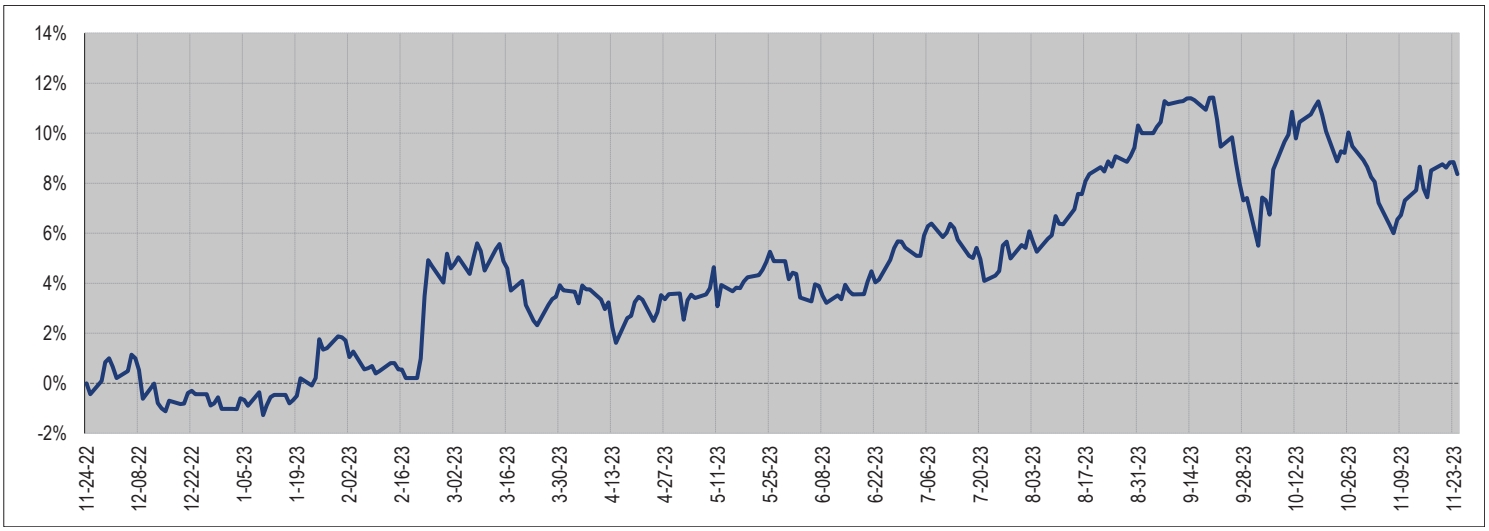
We are Outperform rated on NI. NI's rate base growth of 8-10% and targeted annual EPS growth of 6-8% through 2028 places it amongst the better growth stories in the sector. The majority of NI's capex runs through trackers/ riders, so it gets real time recovery of its investments which results in less regulatory lag. The company's expansive renewables build out at NIPSCO electric and fact that it will be coal-free by the end of 2028 is also helpful from an ESG standpoint. Execution on the regulatory front has also generally been pretty good at the company in its core states, evidenced by recent settlements in key OH, PA, and NIPSCO electric rate cases. Finally, following the NIPSCO stake sale, NI's balance sheet will be in a position of strength for the first time ever with FFO/D projected at 14-16%. NI trades at a ~0-0.5x discount vs. gas and electric peers; we think over time that gap should narrow given that the company has laid out a sustainable, lower-risk growth plan with ~$2B of further capex upside over 2025-28. We see NI re-rating to a premium with strong EPS growth, regulatory execution, and now a strengthened balance sheet too.

Exhibit 1: Gas LDC Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E Multiple 2023E	2024E	2025E	2026E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
Atmos Energy	ATO	$112.00	148	$16,632	18.4x	17.2x	16.2x	15.1x	2.6%	8.8%	49%	1.5x	60%
ONE Gas	OGS	58.99	55	3,271	14.3x	14.2x	13.2x	12.1x	4.4%	4.8%	61%	1.3x	44%
NiSource	NI	26.10	413	10,790	16.3x	15.2x	14.1x	13.2x	3.8%	6.4%	64%	1.8x	37%
Northwest Natural Gas	NWN	36.47	37	1,341	13.7x	13.2x	12.3x	12.0x	5.3%	0.6%	76%	1.1x	41%
Pure-play Average					**15.7x**	**14.9x**	**13.9x**	**13.1x**	**4.1%**	**5.2%**	**62%**	**1.4x**	**46%**
New Jersey Resources	NJR	42.72	98	4,174	15.8x	15.3x	14.5x	13.8x	3.7%	7.9%	58%	2.1x	38%
South Jersey Industries	SJI	N/A	N/A	N/A	NA	NA	NA	NA	N/A	N/A	NA	NA	36%
Southwest Gas	SWX	60.06	72	4,295	19.8x	18.1x	15.4x	NA	11.2%	174.2%	-79%	1.3x	33%
Spire Inc.	SR	60.73	53	3,229	15.0x	14.1x	13.3x	12.4x	4.8%	5.2%	71%	1.2x	38%
Diversified Average					**16.9x**	**15.9x**	**14.4x**	**13.1x**	**6.6%**	**62.4%**	**17%**	**1.5x**	**36%**
Average - electric utilities (ex PCG and EIX)					**16.6x**	**15.4x**	**14.4x**	**13.6x**	**4.0%**	**5.0%**	**66%**	**1.7x**	**40%**

Source: Wolfe Utilities & Power Research, FactSet

Exhibit 2: NI vs the Regulated Average



Source: Wolfe Utilities & Power Research, FactSet

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Exhibit 3: Financial Summary

Financial Summary	2023E	2024E	2025E	2026E
EPS	$1.60	$1.72	$1.85	$1.98
Diluted Shares Outstanding	447	459	475	485
Dividends Per Share	$1.00	$1.07	$1.14	$1.23
Dividend Yield	3.8%	4.1%	4.4%	4.7%
Dividend Payout Ratio	63%	62%	62%	62%
Equity Ratio	37%	38%	37%	38%
FFO/Net Debt	14%	15%	15%	15%
Valuation Metrics				
P/E	16.3x	15.2x	14.1x	13.2x
Price/Book	1.8x	1.5x	1.4x	1.3x
EV/rate base	1.4x	1.2x	1.2x	1.1x
Segment EPS				
Gas Distribution	$1.22	$1.28	$1.37	$1.47
NIPSCO Electric	$0.55	$0.53	$0.60	$0.64
Parent & Other	($0.18)	($0.09)	($0.11)	($0.13)
Total EPS	**$1.60**	**$1.72**	**$1.85**	**$1.98**

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 ~486,000 customers in northern Indiana and owns 2,315 MW of generation. The gas LDC serves ~3.3 million customers in Indiana, Ohio, Pennsylvania, Kentucky, Virginia, and Maryland.

Investment Thesis:

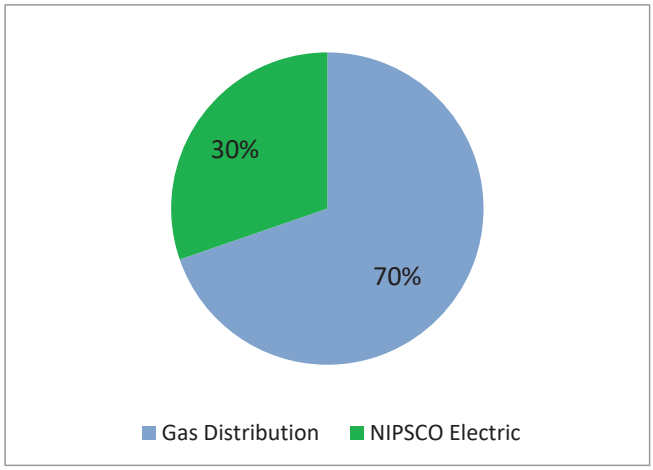
We see above-average rate base and earnings growth potential for NiSource relative to other electric and natural gas distribution utilities. NI has a $30B backlog of capital investment with recovery largely through trackers in mostly constructive regulatory environments. The dramatic shift toward renewables at NI's Indiana electric utility and fact that it will be coal-free by the end of 2028 is also helpful from an ESG perspective.

Exhibit 4: Model Assumptions

Model Assumptions	2023E	2024E	2025E	2026E
Capital Spending by Segment ($M)				
Gas Distribution	$2,002	$1,900	$1,800	$2,000
Electric	1,448	1,500	1,500	1,050
Parent	0	0	0	0
Total Capex	**$3,450**	**$3,400**	**$3,300**	**$3,050**
Financings ($M)				
Total Equity Issued/(Repurchased)	$40	$640	$290	$290
Total Hybrids Issued/(Repurchased)	($400)	($500)	$0	$0
Total Debt Issued/(Repurchased)	$1,500	$1,555	$1,300	$950

Source: Wolfe Utilities & Power Research

Exhibit 5: 2025E EPS by Segment



Source: Wolfe Utilities & Power Research

Valuation:

Our $29 price target is derived by applying P/E multiples on NI's electric and gas LDC earnings in 2025. We target a 5-10% premium to our target regulated average of ~14.5x for NIPSCO Electric. For the gas LDCs, we use a modest premium to the group average of ~14.5x, which tracks towards the valuation of premium gas LDC peer ATO. 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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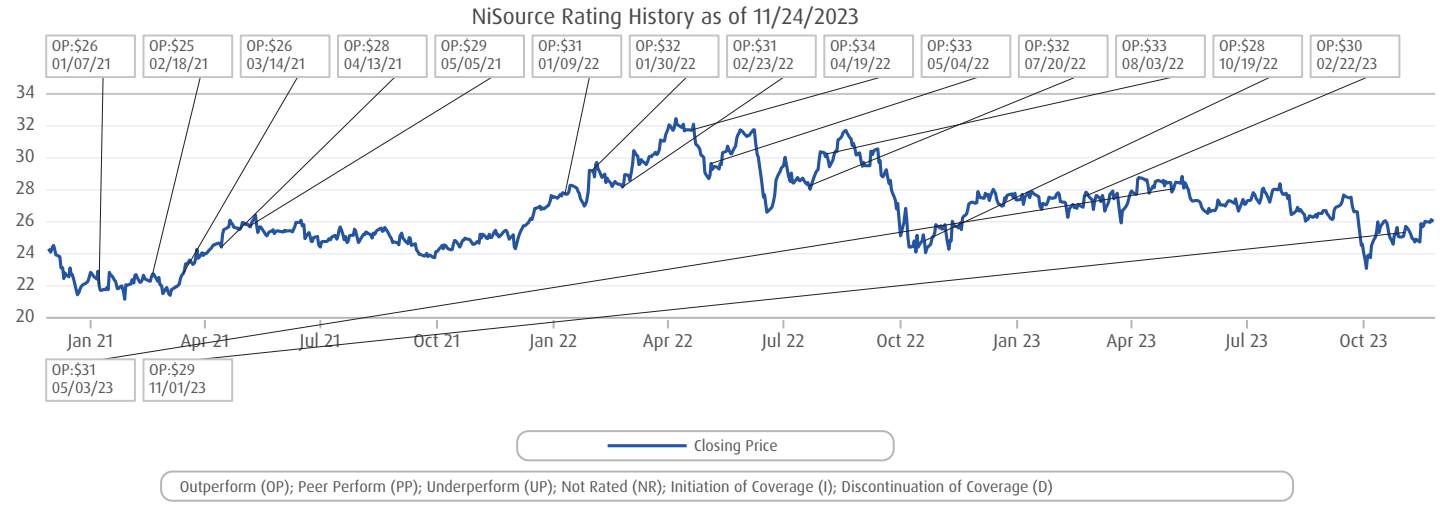
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Wolfe Research, LLC Fundamental Valuation Methodology:

Company:	Fundamental Valuation Methodology:
NiSource	Forward P/E

Wolfe Research, LLC Fundamental Recommendation, Rating and Target Price Risks:

Company:	Risks That May Impede Achievement of the Recommendation, Rating or Target Price:
NiSource	Weak economy/sales, negative regulatory outcomes, pipeline safety accidents

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Company:	Research Disclosures:
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November 26, 2023

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Equity Research
U.S. Power & Utilities
8 May 2024

NiSource, Inc.

1Q24 First Take: Positive

EPS beat, CapEx bumped $400mn while financing needs unchanged = $0.03/sh EPS lift, $200mn of ATM priced for '24; 6-8% LT EPS reaffirmed. Premium data-points supporting the premium story. Positive.

CORE
First Look

NI	OVERWEIGHT
U.S. Power & Utilities	POSITIVE
Price Target	USD 30.00
Price (07-May-24)	USD 29.05
Potential Upside/Downside	+3.3%

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NI 1Q24 EPS: Positive Across Board: Management reported 1Q NOEPS of $0.85/sh vs. Barclays $0.83 / BBG $0.83, reaffirmed $1.70-1.74 2024 EPS guidance as well as the 6-8% LT adjusted EPS growth and 8-10% annual rate base growth for 2023-2028. NiSource further revised the 5yr capital plan to $16.4Bn (+$400mn) without any change to incremental equity issuance which we view as positive. Net of Blackstone's 19.9% minority interest, we see this worth $0.03/sh to NI, improving management's positioning within the 6-8% LT EPS plan. The increase in CapEx is solely in 2025 due to the Gibson / Fairbanks ownership adjustment and NI continues to see $1.6bn of CapEx upside opportunity not yet embedded in the 5yr plan. On current NIPSCO renewables projects, all in service dates are unchanged from 4Q23. On the ATM program, NI priced $199.8mn of 2024 equity needs of $600mn with a forward sale agreement executed on Feb 23, 2024. Equity needs overall remain unchanged across the 5yr plan ($1.6bn) with NI continuing to expect modest increases to the ATM program if additional capital is wrapped into the outlook. **What to watch for on call:** With multiple cases ongoing on Indiana (settled), Kentucky, Pennsylvania, and Virginia, we see regulatory execution as the main focus for the remainder of the year; Timing of CapEx upside items; Where NI is trending in the 14-16% FFO/debt range.

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Flash Note | Energy | Power & Utilities

May 08, 2024

NiSource Inc
NI | $28.76
Outperform | Target Price/Base Case: $30.00
Company Update

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First Crack at 1Q24

We believe NiSource's 1Q24 earnings release has neutral implications for the stock. Reaffirmed 2024 non-GAAP adjusted EPS guidance range of $1.70-$1.74. Reaffirmed 6-8% annual EPS growth target through 2028. Increased base capex plan to $16.4B from $16B for 2024-2028 without incremental equity issuance.

Key Takes:

- NI reported Q1 non-GAAP adjusted EPS of $0.85 vs. our estimate and street consensus of $0.83.
- Reaffirmed 2024 adjusted EPS guidance of $1.70-$1.74.
    - Mid-pt of $1.72 in line with consensus of $1.72.
- Reaffirmed 2023-2028 annual adjusted EPS growth target of 6-8%.
- Increased base capex plan to $16.4B from $16B for 2024-2028.
    - Driven by two solar + storage projects (Fairbanks and Gibson Solar) - $400M incremental investment from full ownership
    - Still supporting 8%-10% 2023-2028 annual utility rate base growth
    - $1.6B 2024-2028 incremental opportunity not included in base plan (versus $2B previously)
- Base Capital Plan includes up to $600M of equity via ATM in 2024 (no change)
    - Assuming $200-300M of annual total equity raised via ATM from 2025-2028 (no change)
    - Equity sized to support current investment grade credit ratings and maintain 14-16% FFO/Debt annually through 2028.
    - Upside to the Base Capital Plan may require modest increases to ATM to maintain the capital structure
- In March, company filed for CPCNs of Fairbanks and Gibson Solar, which represent around $400M additional renewable investment in total at NIPSCO in 2025.
- Several rate cases ongoing, see details within.

NI will host a conference call at 11am ET. Dial-in: 1 (888) 596-4144. Conference ID: 5571489#

Additional Details:

- **NIPSCO gas rate case:** On October 25, 2023, NI filed request for $162M revenue increase, based on 10.7% ROE vs current 9.85% and 52.39% equity ratio vs current 49.47%. On March 20, 2024, settlement was filed with a $121M rate increase based on a 9.75% ROE and 52.39% equity ratio. Final decision is expected by August 20, 2024.
- **PA rate case**: On March 15, 2024, PA rate case was filed, requesting a $124M rate increase, based on a 11.75% ROE and a 54.40% equity layer. Settlement discussion will start in September and a decision is expected by year end.
- **VA rate case**: On April 29, 2024, VA rate case was filed, requesting a $53M rate increase, based on a 10.85% ROE and a 42.76% equity layer. Decision is expected by May 2025.
- **Rate cases to be filed in 2024**: In early April, notice of Intent was filed in Kentucky, where the company will file a rate case within 30 to 60 days. MD rate case may also be filed in 2024.
- **2024 IRP**: The 2024 IRP will be filed with IURC (Indiana Utility Regulatory Commission) in November 2024 with public stakeholder meetings started in April. The 2024 IRP will evaluate NIPSCO's long-term generating capacity requirements and inform generation investment decisions.

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VALUATION METHODOLOGY

We use a SOTP analysis to arrive at our price target

RISKS

Risks to our thesis include an inability to deploy capital at the company's expected rate resulting in a lower rate base and regulatory pressure resulting in lower allowed ROEs

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Ticker	Price	Rating
AEE	74.36	Neutral
AWK	131.82	Neutral
DTE	113.34	Neutral
DUK	102.26	Buy
EIX	73.89	Buy
ES	61.17	Buy
ETR	110.58	Buy
NI	29.05	Buy
NJR	44.85	Neutral
NRG	73.40	Buy
OGS	64.83	Neutral
SRE	73.99	Buy
VST	81.74	Buy
WEC	83.83	Neutral

Power & Utilities

May 8, 2024

The Guggenheim Daily Transmission: DUK, NRG, SRE, NJR, OGS, VST, NI, DTE, EIX, ETR, ES/CT, ERCOT, PJM/FERC, PJM/MD, AEE/Wind, WEC, AWK

NEAR-TERM CORPORATE ACCESS AND MARKETING EVENTS INCLUDE:

For details on our 2024 NDRs, including IDA, EXC, POR, DTE, EVRG, ETR, FE, NJR, SR, NWE, NI, OGE as well as others, please scroll down...

At AGA, we will be meeting with: UTL, MDU, LNT, NWN, OGS, PPL, NJR, AVA, SR, NI, CMS, SO, WEC, DUK, SRE, ED, NWE, AEE, CPK, PEG, DTE, CNP, and PCG. Dinner with CMS and PCG. For more, please see below.

Dominion Coastal Virginia Offshore Wind (CVOW) trip on June 3rd-4th. See Event below.

DUK – 1Q24 Beat; 2024 and LT Guidance Reaffirmed; Straight Down the Fairway Overall: Focus Remains on February "Upside" Update (see our note HERE)

NRG: Management Puts a Finer Point on Texas Generation as Parabolic Curves Drive Dispatch and Margin (see our note HERE)

SRE: 1Q EPS In Line; Capex Upside Starts to Build Early in 2024, We Still See Conservative Numbers Near Term With Selloff Presenting a Buying Opportunity (see our note HERE)

NJR: Fiscal 2Q24 Beat; FY24 and LT Growth Guidance Reaffirmed; NJNG Settlement Discussions Expected in Sept/Oct Timeframe (see our note HERE)

OGS: 1Q24 in line; 2024 & LT Guidance Reaffirmed (see our note HERE)

VST reports 1Q24 results

NI – Reports 1Q24 results; reaffirms 2024 guidance; reaffirms 6-8% LT growth rate

DTE – Intervenors filed direct testimony in DTE gas rate case

EIX – CPUC ALJ approves in part motion to strike rebuttal testimony in SCE's 2025 GRC

ETR – LPSC approves unopposed motion to modify schedule in the ETR-LA rate proceeding

ES/CT – Supreme Court accepts Aquarion appeal from Appellate Court

ERCOT – ISO issues weather watch

PJM/FERC – FERC finalizes 2024/2025 DPL BRA tweak

PJM/MD – PJM pushes back on battery solutions for Brandon Shores

AEE/Wind – Turbine collapse draws media coverage

DUK – Order issued denying the Staff's motion to expedite offshore wind AFRI

WEC – Proposed order on rehearing issued in Illinois case

AWK – ALJ RO filed in PA AWK case

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VST reports 1Q24 results

- VST reports 1Q24 EBITDA of $813M vs. Gugg/Cons $700M/$692M
- Updated 2024 EBITDA/FCF guidance – EBITDA to $4,550M - $5,050M (vs. $4.5Bn)
- Points to $6B+ midpoint opportunity for 2026 (off 5/3/24 curve)
- ENGH synergies ahead of expectations – now $150M (+$25M)
- Updated OPI for $50M in new savings (total ENGH/OPI now $200M)
- Executed $200M in repurchases 2/23-5/3
- Slides reiterated >$2.25B CAFA to buybacks over 2024/2025
- Hedge disclosures rolled to 3/31
- Commercial availability points to YoY improvements across fleet - Sunset (+9%)
- Call at 10AM – register HERE
- More in slides HERE

NI – Reports 1Q24 results; reaffirms 2024 guidance; reaffirms 6-8% LT growth rate

- **1Q24:** reports $0.85 vs. Gugg/consensus at $0.83/$0.83
- **2024 guidance:** reaffirmed $1.70-$1.74 ($1.72 midpoint) vs. Guggenheim/consensus at $1.72/$1.72
- **LT EPS growth:** reaffirmed 6%-8% 2023–2028
- **Credit:** reiterated range of 14%-16% FFO/debt annually through 2028
- **Capex: increased** 2024–2028 capex plan to $16.4bn; **+$400m vs the prior $16bn**; $1.6bn of upside opportunities not in base plan
- **Rate Base:** reaffirmed 8%–10% expected annual core rate base growth for 2023–2028; reiterated that some years may exceed the range
- **Customer bills:** annual average customer bill growth projected to be <4% (2023-2028)
- **Cost management:** reiterates guidance of flat O&M
- **Dividend:** reiterated 60%–70% payout target
- **TSR:** reaffirmed 10%–12% total shareholder return
- Call is at **11:00am… (888) 596-4144…** Passcode: **5571489**

DTE – Intervenors filed direct testimony in DTE gas rate case

- Intervenors filed direct testimony in the DTE Gas rate case.
- Key recommendation summaries are:
- AG: $112.2M revenue deficiency (gross vs. $265.5M request), premised on a 9.85% ROE, 50% equity ratio and includes a lower level of Operations and Maintenance expenses of $97.2M vs requested levels
- Staff projects a revenue deficiency of $175.7M (gross vs. $265.5M request), the recommendation is comprised of a 9.80% return on equity (“ROE”) and a common equity ratio of 51.00%.
- The procedural schedule is:
  - Rebuttal Testimony May 29, 2024
  - Motions to Strike June 6, 2024
  - Responses to Motions to Strike June 11, 2024
  - Briefs July 16, 2024
  - Reply Briefs July 31, 2024
  - PFD Target Date September 4, 2024
- DTE filed for a net revenue increase of $160M (net of IRM increases already in rates).
- The request is based on a $6,944M rate base a Return on Equity of 10.25%, capital structure of 48.5% debt and 51.5% equity, and application of annual inflation factors of 3.2% in 2023, 2.9% in 2024, and 2.2% in 2025.
- Docket here: U-21291

Guggenheim takeaway: *The initial direct testimony is generally in line with our expectations of a tough intervenor position on revenue requirements and O&M. Intervenor testimony broadly supports the capex and rate base parameters with very modest disallowance. The*

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J.P.Morgan

NiSource Inc.

Capex +$400mm on Full Fairbanks/Gibson Ownership, as Steady Plan Execution Continues; 1Q Results Top Estimates

Overweight

NI, NI US
Price (07 May 24):$29.05

- **Capex plan up $400mm as steady plan execution continues.** NiSource raised its 2024-28 capex plan +$400mm to $16.4bn to reflect full ownership of the Fairbanks and Gibson solar projects (initially targeted as tax equity JVs), formally incorporating the capital considerations of its CPCN filings this quarter. Continuing the company's steady march through plan upside that underpins its beat-and-raise outlook, we see the addition as positive (though modest on a consolidated basis), particularly with equity needs unchanged for the latest revisions (remains up to $600mm in 2024 + $200-300mm/yr for 2025-28, all under the ATM). Further capital upside remains in the spotlight, now with $1.6bn of near-term opportunities (adjusted from prior $2bn for the Fairbanks/Gibson revisions) across several buckets, including new language calling out economic growth and regional manufacturing benefits from onshoring and new technology innovation. As a result, we anticipate attention on the next round of potential near-term capital additions, plus regulatory progress to date and over 2024 across the NIPSCO gas case (settled, not yet final), PA gas case (carrying upcoming 2H milestones), and recently filed VA gas case.
- **1Q24 results land above estimates; 2024 guidance and LT growth outlook reaffirmed.** NI reported 1Q24 adj EPS of $0.85, topping the $0.82/$0.83 JPM/Street median estimates, and up +8c YoY compared with $0.77 in 1Q23. On the quarter, adj operating income increased across all reportable segments. Separately, NI reaffirmed its 2024 EPS guidance range of $1.70-1.74 (JPMe/Street median $1.72) and LT outlook across 6-8% annual EPS growth, 8-10% rate base growth, and other factors.
- **Conference call details.** NI will host a webcast to discuss 1Q24 results on Wednesday, May 8, at 11:00AM ET.

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UBS

First Read

NiSource Inc.

Solid Quarter, Capex Raised $400mm

Q: How did the results compare vs expectations?

A: NiSource reported Q1'24 Adjusted EPS of 85c vs. UBSe/Consensus of 81c/83c and 77c for Q1'23.

Q: What were the most noteworthy areas in the results?

A: Nipsco's operating income increased by $41.6mm on the back of higher riders and rate increases, while the Columbia operations were up $8.6mm. Corporate & Other was up $2.8mm.

Q: Has the company's outlook/guidance changed?

A: The EPS guidance for 2024 of $1.70-$1.74 was reaffirmed and the long term EPS growth target of 6-8% and 14-16% FFO/Debt target through 2028 both remain unchanged. The capex did increase by $400mm and is now expected to be $16.4bn for '24-'28. The increase reflects NI now assuming full ownership for the Fairbanks and Gibson solar facilities vs. prior assumption of a tax equity JV. The upside five year opportunity bucket of capex did decline to $1.6bn from $2.0bn as the company pulled the solar facilities full ownership into the base plan. The company did not increase equity needs for the increase in capex and still expects to issue $600mm of equity via ATM in '24 and $200-$300mm for '25-28. It does not appear that the company issued much equity via the ATM in Q1, but we await clarity on the earnings call.

Q: How would we expect investors to react?

A: Inline. We view the print as a solid update, but that investor expectations included the increase in the capex. The call will focus on the recent NIPSCO gas rate case settlement, the evaluation of additional capex opportunities and the progress on the equity issuance plan.

Key Metrics ($)

	Consensus estimates	UBS estimates	Actual	% diff vs. UBS
Adjusted EPS	$0.83	$0.81	$0.85	4.9%

Source: FactSet, UBS, Company Reports

Equities

Americas
Electric Utilities

12-month rating	**Buy**
12m price target	**US$31.00**
Price (07 May 2024)	**US$29.05**

RIC: NI.N **BBG:** NI US

Trading data and key metrics

52-wk range	US$29.05-23.18
Market cap.	US$13.0b
Shares o/s	448m (COM)
Free float	99%
Avg. daily volume ('000)	1,302
Avg. daily value (m)	US$35
Common s/h equity (12/24E)	US$7.33b
P/BV (12/24E)	1.7x
Net debt to EBITDA (12/24E)	5.6x

EPS (UBS, diluted) (US$)

	12/24E	
	UBS	**Cons.**
Q1E	0.81	0.83
Q2E	0.17	0.16
Q3E	0.34	0.23
Q4E	0.38	0.51
12/24E	1.71	1.71
12/25E	1.84	1.86
12/26E	1.98	1.97

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Highlights (US$m)	12/21	12/22	12/23	12/24E	12/25E	12/26E	12/27E	12/28E
Revenues	4,900	5,836	5,573	6,463	6,771	7,006	7,281	7,542
EBIT (UBS)	1,046	1,149	1,366	1,581	1,791	1,937	2,124	2,297
Net earnings (UBS)	573	650	716	790	878	964	1,052	1,156
EPS (UBS, diluted) (US$)	1.37	1.47	1.60	1.71	1.84	1.98	2.11	2.28
DPS (net) (US$)	0.90	0.94	1.00	1.06	1.12	1.19	1.26	1.34
Net (debt) / cash	(11,253)	(13,028)	(12,914)	(14,484)	(16,015)	(17,075)	(18,000)	(18,757)

Profitability/valuation	12/21	12/22	12/23	12/24E	12/25E	12/26E	12/27E	12/28E
EBIT (UBS) margin %	21.3	19.7	24.5	24.5	26.5	27.7	29.2	30.5
ROIC (EBIT) %	7.4	7.3	7.5	7.6	7.8	7.8	8.0	8.2
EV/EBITDA (UBS core) x	10.4	11.4	10.1	9.5	9.0	8.8	8.4	8.0
P/E (UBS, diluted) x	17.9	19.6	16.9	17.0	15.8	14.7	13.7	12.7
Equity FCF (UBS) yield %	(6.2)	(6.5)	(14.3)	(12.9)	(9.6)	(5.6)	(4.2)	(2.5)
Dividend yield (net) %	3.6	3.3	3.7	3.6	3.9	4.1	4.3	4.6

Source: Company accounts, LSEG Eikon, 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$ 29.05 on 07-May-2024

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Forecast returns

Forecast price appreciation	6.7%
Forecast dividend yield	3.7%
Forecast stock return	10.4%
Market return assumption	9.8%
Forecast excess return	0.6%

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 $31 price target is a 12% premium to the Regulated Utility average P/E or 16.8x our $1.84 EPS in 2025E. The valuation includes +5% for the group undervaluation vs. the market, +3% for second quartile regulation, and +4% for first-quartile EPS growth.

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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GUGGENHEIM

May 8, 2024

NI: 1Q24 Slight Beat; Guidance Reaffirmed; Straight as an Arrow Results – Underperformance Is Typical Sell-on-the-News

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NI BUY

NiSource Inc.
Sector: Power & Utilities

Earnings Release

Share Price	$29.05
Price Target	$32.00

EPS ($) (FY DEC)	1Q	2Q	3Q	4Q	FY
2024	0.85	0.13E	0.06E	0.68E	1.72E
Prior	*0.83*	—	—	*0.70E*	—
P/E					16.9x
2025	—	—	—	—	1.84E
P/E					15.8x
2026	—	—	—	—	1.97E
P/E					14.7x

Market Data

52-Week Range	$22.86 - $29.17
Dividend	$1.06
Dividend Yield	3.6%
Market Cap (M)	$13,020
Enterprise Value (M)	$21,092
Shares Out (M)	448.2
ADV (3 mo; 000)	4,313

Key Message: NI reported a slight beat vs. Gugg/consensus estimates, while reaffirming 2024 and LT growth guidance ranges. The company officially made its first shift of 'upside capex' into the base plan, but will not require incremental equity to finance it due to the unique nature of the investments as former tax equity capital from JV partners. We continue to model NI's rate base growing towards the upper end of its 8%-10% guidance range, but are not raising our annual forecasts. In the NT, we will be looking to come away from upcoming discussions with a better understanding of how to think about the potential upside on NIPSCO Electric's load growth to the plan/IRPs guidance, etc., particularly from data centers. **Reiterate BUY and our $32 PT... nothing fundamentally was disappointing with today's print… shares somewhat over-owned/a consensus long position especially with outperformance to date vs. peers, so today's move is really attributed to your typical "sell-on-the-news" event with investors, in our view.**

For more on data center development, please see our recent notes: "*Data Center Power Grab With Leonard Klein – Datacenter Demand and Load Density Continue Inflection; No Constraint on Geography as Hyperscalers Look for Delivery Timelines*" **(link HERE)**, and "*Data Center Power Grab With Catalin Vieru – Differentiated Day 2 Shows DC Industry More Selective on Geography, More Constructive on Renewables and Off Grid Solutions*" **(link HERE)**.

Base capex plan increased by ~$400m to $16.4bn through 2028… $1.6bn of potential upside capex still remains. The base capex plan is now $400m higher, following the addition of the previously unowned portions of the Fairbanks and Gibson solar projects. On NI's increased base capex plan, we now model slightly above 9% rate base growth at NIPSCO Electric utility for '23-'28 (NI uses a 2023 base year for rate base), while continuing to model 10% over the same period at the LDCs. The blended growth rate remains under the top end of NI's 8%-10% rate base growth guidance range, albeit towards the upper end. NI's guidance disclosures state that rate base growth could exceed the top end of the range in some years, which we do expect to see as more of the remaining $1.6bn of upside capex continues to move into the company's base plan. **Within that upside capex, we expect to see additional investments in new gas system modernization programs, PHMSA-compliance driven inspection retrofits and reconfirmations for gas transmission, incremental AMI deployments, and RNG production and transportation investments.**

Where do the balance sheet, ongoing financing, and incremental equity needs stand? We continue to model the company delivering within its targeted 14%-16% FFO/debt range through 2028. By staying within the targeted range, NI maintains a healthy cushion above its 13% FFO/debt downgrade threshold, in our view, and we have no concerns about the company maintaining its investment-grade credit ratings. **As we have previously noted, we still see the 14%-16% range being maintained even as additional capex is moved from the upside plan to the base plan, although we note that the current $400m shift into the base plan does not require incremental equity due to its unique nature relating to replacing the former JV partner's tax equity investment**. Mgmt. noted that NI has already completed ~1/3rd of its planned equity issuance for 2024. In terms of financing additional capex moving into the base plan in the future, mgmt. reminded investors on today's call that the company has the ability to make use of a forward structure in order to better align proceeds with the timing of capital needs, meanwhile, potential use of hybrid securities and senior unsecured debt continue to remain as additional financing options as well.

NI reported 1Q24 non-GAAP Net Operating EPS of $0.85, a slight beat vs both Guggenheim/consensus at $0.83. The company reaffirmed its 2024 guidance range of $1.70-$1.74 ($1.72 midpoint) vs. Guggenheim/consensus both forecasting $1.72. Recall

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that NI previously raised its 2024 guidance from $1.68–$1.72 ($1.70 midpoint), originally, and in doing so, made the new $1.72 midpoint its base for 6%-8% net operating EPS growth going forward. We continue to see the primary driver of NI's net operating earnings growth throughout the forecast period as being its 8%-10% rate base growth (and even higher in certain years). However, when coupled with flat O&M guidance as well, our confidence in the company's ability to hit its growth targets is only further increased. We also continue to expect NI to deliver dividend growth within its reiterated 60%–70% payout ratio, with mgmt. reaffirming total shareholder return (TSR) guidance of 10%–12% annually.

We are slightly adjusting our quarterly 2024 estimates for seasonality, while maintaining our annual '24/'25/'26/'27/'28 forecasts of $1.72/$1.84/$1.97/$2.11/$2.26, resulting in our modeling of a ~7% NOEPS CAGR from '24-'28, which is consistent with NI's 6%-8% (7% midpoint) growth rate. We reiterate our BUY rating and $32 PT.

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NI: Guggenheim's Current and Prior Estimates vs. Consensus

EPS($)	1Q	2Q	3Q	4Q	FY	*Cons*
2024E	0.85A	0.13E	0.06E	0.68E	**1.72E**	*1.72E*
Prior	*0.83E*	*0.13E*	*0.06E*	*0.70E*	*1.72E*	
2025E					**1.84E**	*1.85E*
Prior					*1.84E*	
2026E					**1.97E**	*1.98E*
Prior					*1.97E*	
2027E					**2.11E**	*2.10E*
Prior					*2.11E*	
2028E					**2.26E**	*2.21E*
Prior					*2.26E*	

Source: Company reports, Bloomberg, and Guggenheim Securities, LLC estimates.

Valuation

We arrive at our $32 price target by employing our 16x regulated group target multiple, which is based on a regression model of regulated utility valuations and forward interest rate expectations over the past 30+ years, plus a 1x premium to reflect top-quartile rate base growth through the forecast period, as well as incremental growth opportunities and strategic initiatives that aren't currently being captured in our estimates. We then apply that combined multiple to our 2026 EPS estimate of $1.97 and finally discount back by one year.

Risks

Downside risks to our thesis include renewable supply chain disruptions, as well as traditional risk factors inherent with all regulated utilities, including: (1) rate case risk, (2) potential for a lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

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Equity Research

WELLS FARGO

Price Target Change — May 8, 2024

Natural Gas LDCs

NiSource Inc. (NI)

NI: Another Constructive Update in the Books—Reiterate Overweight

Our Call

NI continues to string together favorable quarterly updates. With an improving track record, attractive growth opportunities and supportive regulation, we believe shares have can migrate from the current in-line P/E multiple to a 6-8% premium.

Capex. NI increased '25E capex to $3.5-3.9B from $3.2-3.5B reflecting full ownership of Fairbanks and Gibson (previously tax equity); this brings the 5-yr plan to $16.4B from $16B. The upside opportunity set from here totals $1.6 through '28. In addition to previously discussed opportunities, such as gas modernization, AMI and RNG, NI added a bullet referencing infrastructure needs to support manufacturing revitalization, which includes onshoring efforts and technology, along with data centers.

Financing. There is no change to NI's equity plans, which include up to $600mm in '24 and $200-300mm annually '25-28, which is all expected to be covered via the ATM. Even with additional debt layered in to support the higher '25 capex, our model continues to support NI's target '24-28 FFO/Debt of 14-16%.

Regulatory Update. NI reached a settlement agreement in the Indiana Gas case calling for a $121mm rate increase vs. the $162mm request. Other pending cases include PA (filed in Q1'24 seeking $124mm) and VA (filed in Q2'24 seeking $37mm). We are particularly interested in the PA process given commissioner turnover.

EPS Outlook & PT. We increase our EPS estimates by a penny annually post-'24 to reflect accretion associated with the capex increase. Our '24-28E EPS are $1.72, $1.84, $1.97, $2.11 & $2.23, respectively, resulting in a CAGR at the mid-point of NI's 6-8% target. We reiterate our Overweight rating an increase our PT to $33/sh (18X our '25E) from $29/sh based primarily on higher peer group multiples.

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Rating	Overweight
Ticker	**NI**
Price Target/Prior:	**$33.00/$29.00**
Upside/(Downside) to Target	**13.6%**
Price (05/07/2024)	**$29.05**
52 Week Range	$22.86 - 29.16
Shares Outstanding (MM)	448
Market Cap (MM)	$13,001
Enterprise Value (MM)	$24,847
Average Daily Volume	4,331,205
Average Daily Value (MM)	$126
Dividend (NTM)	$1.06
Dividend Yield	3.6%
Net Debt (MM) - last reported	$11,847
ROIC - Current year est.	10%
3 Yr EPS CAGR from current year (unless otherwise noted)	7%

$ EPS	2023A	2024E Curr.	2024E Prior	2025E Curr.	2025E Prior
Q1 (Mar)	0.77 A	0.85 A	0.82E	-	NC
Q2 (Jun)	0.11 A	0.11 E	0.12E	-	NC
Q3 (Sep)	0.19 A	0.20 E	0.21E	-	NC
Q4 (Dec)	0.53 A	0.56 E	0.57E	-	NC
FY	1.60 A	1.72 E	NC	1.84 E	1.83E
P/E	18.1x	16.9x		15.8x	

Source: Company Data, Wells Fargo Securities estimates, and Factset.
NA = Not Available, NC = No Change, NE = No Estimate

All estimates/forecasts are as of 5/8/2024 unless otherwise stated. 5/8/2024 12:41:12EDT. Please see page 5 for rating definitions, important disclosures and required analyst certifications.
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Wells Fargo Express Takeaways

NiSource Inc. (NI) | Rating: Overweight | Price Target: $33.00
Analyst: Sarah Akers

Financials

FY (Dec) $	2023A	2024E	2025E
ESTIMATES			
EPS			
Q1	0.77 A	0.85 A	-
Q2	0.11 A	0.11 E	-
Q3	0.19 A	0.20 E	-
Q4	0.53 A	0.56 E	-
AN	1.60 A	1.72 E	1.84 E
Rev. (MM)	5,566.0 A	6,009.2 E	6,372.9 E
EBIT (MM)	1,356.1 A	1,611.0 E	1,823.0 E
EBITDA (MM)	2.26B A	2.62B E	2.94B E
DPS	1.00 A	1.06 E	1.12 E
WELLS FARGO vs. CONSENSUS			
Consensus Estimate	1.59 A	1.71 E	1.84 E
Difference from Consensus		0.8%	0.2%
VALUATION			
P/E	18.1x	16.9x	15.8x
EV/Revenue	4.5x	4.1x	3.9x
EV/EBIT	18.3x	15.4x	13.6x
EV/EBITDA	11.0x	9.5x	8.4x

Consensus Estimate: EPS; Source: FactSet
Source: Company Data, Wells Fargo Securities estimates, and Factset.
NA = Not Available, NE = No Estimate

Investment Thesis

We rate shares Overweight, as we do not think NI's robust long-term infrastructure growth opportunities and supportive regulatory treatment are properly reflected in the current share price.

Risk vs. Reward – Upside/Downside Price Target Scenarios



**As of 05/07/24*
Source: Wells Fargo Securities, LLC estimates and Factset.

Base Case | $33.00

Our $33/sh price target reflects the combination of (1) our P/E multiple analysis (75%) ($33/sh) - we apply a 6-8% premium to the blended gas/electric '24 median multiple of 16.5-17X on our '25E EPS; premium reflects above-average 6-8% EPS growth supported by constructive regulatory treatment and robust gas/electric infrastructure investment opportunities and (2) our dividend discount analysis (25%) ($31/sh), which utilizes an 8.0% discount rate and assumes dividend growth of 5-7% through 2033.

Upside Scenario | $34.00

Should NI continue to execute on financing targets and secure constructive regulatory outcomes, we think shares could migrate toward a 10% premium (vs. our target 6-8%). Further, incremental investment opportunities ($2B upside) could drive EPS to the upper half of the 6-8% range.

Downside Scenario | $31.00

In a downside scenario, regulatory lag is greater than expected due to a combination of cost pressures and sub-par regulatory outcomes; and financing costs are higher than expected. Shares trade at an in-line multiple (vs. our target 6-8% premium).

Upcoming Catalysts

- Pending PA Gas rate case
- Pending VA Gas rate case
- Potential upside to capex plan (gas modernization, AMI, RNG, system growth tied to manufacturing revitalizaiton, etc.)

Company Description

NiSource, Inc. is a holding company based in Merrillville, IN with regulated gas (~65%) and electric (~35%) utility operations. NI's Gas Distribution Operations serve 3.3M customers in IN, KY, MD, OH, PA & VA. NI's Electric Operations subsidiary, NIPSCO, is vertically-integrated and serves approximately 500 thousand customers in northern IN.

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Financials

NI Earnings Model ($ millions except per share data)	2023	2024E	2025E	2026E	2027E	2028E
Revenues	**$5,566**	**$6,009**	**$6,373**	**$6,756**	**$7,030**	**$7,309**
Expenses						
Cost of Gas, Purchased Power & Fuel	1,533	1,543	1,552	1,562	1,571	1,581
O&M	1,495	1,574	1,601	1,601	1,601	1,601
Depreciation & Amortization	908	1,007	1,118	1,219	1,299	1,374
Other	274	274	278	282	286	290
Total Expenses	**$4,210**	**$4,398**	**$4,550**	**$4,665**	**$4,757**	**$4,847**
EBIT	**$1,356**	**$1,611**	**$1,823**	**$2,091**	**$2,273**	**$2,462**
EBITDA	**$2,264**	**$2,618**	**$2,941**	**$3,311**	**$3,571**	**$3,836**
Other Income	8	8	28	8	8	8
Interest Expense	490	515	608	736	783	854
Income Taxes	155	248	280	307	337	364
Tax Rate	*18%*	*23%*	*23%*	*23%*	*23%*	*23%*
Earnings						
Net Operating Earnings	$719	$856	$964	$1,057	$1,161	$1,252
Preferred Dividends	43	8	0	0	0	0
Noncontrolling Interest	(40)	53	66	77	84	90
Income from Continuing Operations	**$716**	**$795**	**$897**	**$980**	**$1,077**	**$1,163**
Avg. Diluted Shares Outstanding	448	461	487	499	510	520
Ongoing EPS	**$1.60**	**$1.72**	**$1.84**	**$1.97**	**$2.11**	**$2.23**
Q1 EPS	0.77	0.85A				
Q2 EPS	0.11	0.11				
Q3 EPS	0.19	0.20				
Q4 EPS	0.53	0.56				

NI Supplemental Information	2023	2024E	2025E	2026E	2027E	2028E
Dividend Information						
Dividends Per Share - YE Rate	$1.00	$1.06	$1.12	$1.19	$1.26	$1.34
Dividends Paid Per Share	1.00	1.06	1.12	1.19	1.26	1.34
Payout Ratio	62%	62%	61%	61%	60%	60%
Cash Flow & Balance Sheet Items						
Capital Expenditures (millions)	$2,646	$3,307	$3,797	$2,972	$2,959	$2,971
Book ROE	9.8%	9.6%	9.7%	9.8%	9.9%	9.9%
FFO/Debt	14%	17%	16%	16%	16%	17%
Debt/EBITDA	6.2x	4.9x	5.1x	4.8x	4.7x	4.6x
Common Equity as % of Total Capitalization	36%	39%	38%	38%	39%	39%

Source: Wells Fargo Securities, LLC estimates and company filings

Acronyms

AMI - Advanced Metering Infrastructure

RNG - Renewable Natural Gas

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Investment Thesis, Valuation and Risks

NiSource Inc. (NI)

Investment Thesis

We rate shares Overweight, as we do not think NI's robust long-term infrastructure growth opportunities and supportive regulatory treatment are properly reflected in the current share price.

Target Price Valuation for NI: $33.00 from $29.00

Our $33/sh price target reflects the combination of (1) our P/E multiple analysis (75%) ($33/sh) - we apply a 6-8% premium to the blended gas/electric '24 median multiple of 16.5-17X on our '25E EPS; premium reflects above-average 6-8% EPS growth supported by constructive regulatory treatment and robust gas/electric infrastructure investment opportunities and (2) our dividend discount analysis (25%) ($31/sh), which utilizes an 8.0% discount rate and assumes dividend growth of 5-7% through 2033.

Risks to Our Price Target and Rating for NI

Risks include lower-than-expected sales growth, unfavorable regulatory developments, unexpected cost pressures, and incidents on the gas system, which could result in shareholder liabilities.

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From: Thalacker, James
To: Weisenburger \ Michael \ V
Subject: NiSource - No Cavalry Needed or Troll Under Dunn"s Bridge: IURC Approves Higher Ownership (Flash)
Date: Wednesday, January 17, 2024 5:48:06 PM
Attachments: a1651532-d9e9-4f99-a21e-e4ace1676adb@bluematrix.png
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BMO Capital Markets

NiSource

NI-NYSE	Rating	Price: Jan-17	Target	Total Return
	Outperform	$25.94	$30.00	20%

IN Fact

No Cavalry Needed or Troll Under Dunn's Bridge: IURC Approves Higher Ownership

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Bottom Line:

Earlier today, the IURC approved NIPSCO's petition for full ownership of the Dunn's Bridge II and Cavalry Solar projects. We continue to see NI as a story bound for relative outperformance in 2024 with yet another regulatory win which also provides a positive look into potential capex upside from a similar filing for the Gibson and Fairbanks solar projects. We reiterate our Outperform rating and $30 target price.

Key Points

In addition to approving the company's request for full ownership, the Commission also approved: 1) NIPSCO's cost estimates for the projects; 2) the projects as reasonable clean energy projects; 3) the proposed rate making and accounting treatment for the projects; and 4) an initial annual depreciation rate for the solar projects assets of ~3.3% based on their anticipated 30-year lives. Additionally, NIPSCO is authorized to include the eligible revenue requirement associated with these solar projects in base rates in NIPSCO's next general rate case with tax credits shared with customers through the FAC or a successor mechanism. Finally, in the event the projects are not placed in service, NIPSCO is authorized to defer costs associated with the projects as a regulatory asset for recovery in a future GRC or to be capitalized as part of an alternative generation project.

We would note that ~$500mm of incremental capex for the full ownership of the first two projects is already in the company's updated base capital plan. However, given the favorable outcome for the first two projects, we would expect the company to announce that it will file a similar request for the Fairbanks and Gibson Solar projects. We expect to have further clarity for those projects in 2H24 and based on the company's prior disclosures, we believe the full ownership of those projects could provide incremental capex upside to the company's $16bn base plan (2024-2028).

Overall, we view this outcome positively as it continues to illustrate NI's constructive regulatory framework and likely increases the company's 5-year investment opportunity set. As such, outside of positioning and the company's 2024 equity program weighing on shares, we expect management's continued regulatory and financial execution to drive multiple expansion for NI.

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Energy | Power & Utilities

January 16, 2024

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It's a Wrap – 2024 CEO Conference Takeaways

On January 11-12th, we hosted 29 combined electric, gas, and water utilities at our tenth annual Evercore ISI Utility CEO Conference in Ponte Vedra Beach, Florida. DigitalBridge CEO Marc Ganzi joined us as a keynote speaker for the event discussing soaring demand from data centers (summary on pg. 27). Within, we include company-specific tear sheets with our key takeaways from conference meetings, as well as our weekly update on group valuation.

Key Themes: We come away from the conference with mixed emotions. While the majority of the utilities (DTE, NI, PEG, PPL, and XEL were our best meetings) look solidly positioned to meet/exceed 2024 and long-term growth targets supported by a stable balance sheet and supportive state policy backdrop, some (AEE, AEP, EXC, and WEC) are mitigating headwinds from recent unfavorable regulatory decisions. Bill affordability concerns are still top of mind despite a pullback in natural gas prices and inflationary pressures. With capex projected to grow significantly over 2022 level (>10% in both 2023 and 2024), rate case decisions will be key to watch as regulators balance more rate requests with increases in customer bills. Strong demand growth projected across the US (driven by electrification, EV adoption and data center/AI demand) is in part supporting capital investment/rate base growth. Management teams are prudently financing the capital needs with a mix of equity and debt with a goal of maintaining a healthy cushion versus targeted credit rating metrics. Addressing IRA repeal risks given the upcoming election, utility leadership views it as a unlikely to happen but warned of its implications. Finally, when asked about Texas weather watch (extreme cold weather forecasted form Jan 15-17th) relevant companies expressed confidence in their extreme weather preparedness and don't see it as a material risk.

Group Valuation: Given the 2023 underperformance (UTY/S&P500 -12%/+24% consistent with our bearish view into the year, see our 2023 outlook note here) and taking into account absolute valuation (below historical avg) and relative valuation (vs S&P close to historical troughs, and vs bond yields close to historical average), we are more constructive on the group here and like the risk/reward into 2024 and long term (under the assumption that yields stabilize/move lower). Utilities are currently trading at 15.3x, lower than the 15-year avg. multiple of 16.6x (NTM absolute P/E) (page 29). NTM P/E relative to S&P is 0.78x, below the historical average of 1.06x (page 30). Versus Bond Yields, valuation is now in line with historical average at 6% expensive (page 31). As we look to 2024, we expect utilities to be an In Line to relative outperformer. Under a soft-landing scenario, with economic growth and a return to low inflation, we expect the group to perform In Line with the market. On the flip side, if the economic backdrop weakens and the recession is worse than expected, the sector could outperform as investors move towards defensive stocks.

Stock Selection: In our regulated coverage universe, we are outperform rated on DTE, FE, NI, PPL and SRE. We are also Outperform-rated on CNP and XEL within higher quality names. Within diversified, we view AES (top pick) as best risk/reward and are Outperform-rated on PEG. Amongst IPP's, we recommend CEG and VST. See our coverage comp sheet on pg. 28.

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- **Next FPL rate case:** FPL rate case will be filed in early 2025 for rates effective in 2026. NextEra plans to present the argument that it has operated very strongly with well-below average customers bills, low O&M expense, strong storm response, and effective safety and reliability. The company will also highlight the growth in its service territory. NEE is expecting to file for an ROE performance trigger. The company will also seek recovery of robust solar investment, undergrounding capex, and additional grid hardening spending. FPL is expected to request another surplus depreciation amortization mechanism.

- **PJM selection for NET projects:** PJM recently selected a NextEra Energy Transmission project equating to $500mm of investment with an in-service date by 2027.

- **NEE is committed to NEP's 6% distribution growth plan.** Recall that in September 2023 NextEra Energy Partners announced a cut to its distribution growth forecast and its year-end adjusted EBITDA and CAFD run-rate outlook. In light of the 100+ bps move higher in interest rates since the NextEra Energy Partners' restructuring announcement in May 2023, the company decided to forgo the planned asset drop down from NEE to NEP thereby lowering NEP's LP distribution growth rate to 5-8% versus 12-15% previously, through at least 2026. Consistent with the reduction to its growth rate expectations, NEP reduced its year-end run-rate expectation for adjusted EBITDA to $1,900-2,100mm from $2,200-2,420mm previously, as well as lowered its CAFD year-end run-rate forecast to $730-820mm from $770-860mm previously. NextEra Energy Partners now expects its fourth-quarter 2023 distribution per common unit to be $3.52, payable in February of 2024.

- **NEP has no growth equity needs through 2026 but does need to do acquisitions in 2025-2026 to hit targets.**

- **NEP transition to 100% renewables:** NextEra Energy Partners recently closed on the sale of its Texas natural gas pipeline portfolio to Kinder Morgan for a purchase price of $1.815 billion (10x 2023 EBITDA multiple). NEP also plans on selling its Meade gas pipeline assets in 2025.

- **Florida City Gas divestiture:** On September 26th, NEE announced the sale of Florida City Gas to Chesapeake Utilities (NYSE: CPK) for $923 million in cash, including $145 million of debt. The transaction is expected to be accretive to NEE earnings immediately upon closing, and the gain on sale at closure will be excluded from adjusted earnings. We view the deal economics as favorable for NEE, $923MM transaction value is 2.1x our estimated 2022 rate base, which is in the upper half of recent comparable transactions (since 2020) in the 1.5-2.5x range. The transaction was completed on Dec 1st.

- **FEC complaint.** Recall the FEC complaint was filed by a special interest group in October 2022 and primarily relies on media articles to allege certain violations of the Federal Election Campaign Act by various parties, including, by implication, FPL. The FEC process is a confidential, civil administrative process, with an investigation only commencing if the FEC votes to do so, a decision likely to occur in by April 2024. After an internal investigation, NEE has said it is confident there was no wrongdoing by the company and plans to file its response seeking dismissal of the complaint and does not believe it is appropriate for a complaint such as this to move forward. The total amount of contributions referenced in the complaint is less than $1.3mm and NextEra does not expect that allegations of federal campaign finance law violations taken as a whole would be material to them.

NiSource Inc (NI), Outperform rating, $28 price target

- **Key Messages**: NiSource discussed the cancelled remarketing of the Mandatory Convertible Preferred Stock (announced in November); and its plans to issue a maximum of $600M of equity in 2024 pursuant to an ATM program (modestly EPS accretive 3c or 2% of our 24EPS projection by our estimate vs remarketing). Management is expecting a favorable Indiana Utility Regulatory Commission (IURC) decision on Jan 17th pertaining to $1B renewable investment included in the capital plan. There is potential for $750M additional renewable investment which the company could announce with Q4 earnings in February or more likely with Q1 earnings in May.

Additional Details:

- **Capex plan:** NI rolled forward and updated capex plan from $15B for 2023-2027 to $16B for 2024-2028 (7% increase versus prior plan before upside capex), driving 8%-10% annual utility rate base growth. $1B renewable projects pending IURC Approval (expected in early 2024) are included in the updated plan. $2B incremental capital opportunity in 2024-2028 includes two solar + storage projects (Fairbanks and Gibson Solar), which the company is evaluating to seek approval as rate base and could add $750M capex.

- **Minority Interest Sale:** On June 20, 2023, NiSource announced an agreement to sell the 19.9% non-controlling equity interest in NIPSCO for $2.15B to an affiliate of Blackstone Infrastructure Partners, Blackstone's (NYSE: BX) dedicated Infrastructure group, with additional equity commitment of $250M to fund ongoing capital requirements. NiSource intends to use the proceeds to support growth at the utility, pay down debt, and fund capital needs, consistent with the plan laid out at its Investor Day in November 2022. The transaction was completed on Jan 2, 2024.

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- **NIPSCO gas rate case:** On October 25, 2023, NI filed request for $162M revenue increase, based on 10.7% ROE vs current 9.85% and 52.39% equity ratio vs current 49.47%. Office of Utility Consumer Counselor (OUCC) and intervenors' testimonies are due January 31, 2024. Final decision is expected by August 20, 2024. The company is targeting to reach a settlement in the rate case.
- **Other rate cases to be filed in 2024**: PA rate case in 1Q with a decision by year end. VA and MD rate cases may also be filed in 2024.

NRG Energy (NRG), In Line rating, $40 price target

- **Key Messages:** CEO search is underway with an announcement expected by mid-year or in the 2H. Management highlighted the strong outlook for its businesses and remains highly confident in delivering on its financial plan.

Additional Details:

- **Leadership Changes:** On Nov 20th, NRG announced that Lawrence Coben, Ph.D., Chair of the NRG Board of Directors, has been appointed Interim President and CEO and that Mauricio Gutierrez, NRG's President and CEO, has departed the Company and resigned from the Board. The NRG Board has initiated a search to identify a permanent CEO and retained a leading search firm to assist with this process. NRG reaffirmed its previous guidance (discussed next) and also announced that, pursuant to a cooperation agreement with Elliott Investment Management L.P. ("Elliott"), four new independent directors will be joining the Company's Board, see press release here.
- **Financial guidance introduced with Q3 results on Nov 2nd:** Raised 2023 Adjusted EBITDA to $3.150-3.300B vs prior guidance $3.010-3.250B. Increasing 2023 share repurchase allocation by 15% to $1.15B; executed $200M of share repurchases to date and expect to complete the remaining $950M through new accelerated share repurchase program. Introduced 2024 EBITDA guidance range of $3.300-3.550B.
- **Share buybacks:** With Q3 results the company raised its share buyback target for 2023 from $1B to $1.15B. The company also announced $825 million in share repurchases for 2024.
- **Texas extreme weather:** When asked about Texas weather watch (extreme cold weather forecasted form Jan 15-17th) NRG expressed confidence in their extreme weather preparedness and don't see it as a material risk.

OGE Energy Corp (OGE), In Line rating, $36 price target

- **Key Messages:** Management discussed the General rate case in Oklahoma that was filed in Dec 2023. OGE will provide 2024 guidance and consolidated EPS growth rate on the Q4 call where they will likely roll forward and raise capex plan and still don't foresee equity.

Additional Details:

- **Oklahoma rate case:** The rate case in Oklahoma was filed on Dec 29th, 2023. OGE requested revenue increase of $333M with 10.5% ROE and 53.5% equity ratio. Approximately 85% of plant additions since last case are transmission and distribution system investments driven by grid enhancement, new customer connections, and other including asset replacement and storm restoration investments. Final decision is expected mid-year.
- **New gas plants RFP (PUD2023-00038):** On Nov 21, 2023, the Oklahoma Corporation Commission voted 3-0 to approve the Horseshoe Lake combustion turbines and the uncontested settlement agreement. The Generation Capacity Rider (GCR) will be applicable for the original bid amount of $249M and owners cost of $26M. GCR will include AFUDC and capitalized property taxes, depreciation expense, property tax expense, and ITCs. Excess cost or contingency costs are not eligible for GCR recovery but will be reviewed for prudence in a general rate case to be recovered from customers. We see the approval of settlement as a constructive outcome, which reduces litigation risk. Recall that on July 12, 2023, OGE filed with the Oklahoma Corporation Commission to construct 448 MW of Combustion Turbines (CTs) in Oklahoma, which represents a $331M investment ($394M including property tax and capitalized AFUDC not in current capex plan) to replace two power generation units at the Horseshoe Lake Power Plant. The company would recover the costs through GCR after the units are placed into service in late 2026.
- **2024 IRP**: In Oklahoma and Arkansas, OGE is required to submit an IRP every three years. The company expects to file the new IRP in 1Q 2024 before the deadline of Oct 2024, outlining path to meet capacity needs, then followed by new solar RFPs. The plan will also incorporate SPP's change on planning reserve margin, which has added another 200 megawatts of need for OGE and is not included in company's current plan. Recall that on July 26, 2022, the SPP Board of Directors approved a planning reserve margin increase from 12% to 15% that each load serving entity, such as OG&E, must maintain. This change was effective for the summer of 2023. OG&E has secured short-term bilateral contracts for the capacity needed to satisfy the 2023 requirements.

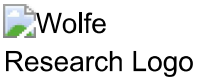
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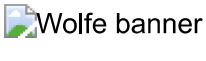
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March 22, 2024

THE FLEISHMAN DAILY 3/22/24

D, NI, ENB/D, MPLX

The Fleishman Daily 3/22/24
Utilities: D, NI
Midstream: ENB/D, MPLX
WEBCAST: Fleish on Fridays, TODAY at 1:00pm ET; register here

Utilities

D – SC utility bill advances out of House committee
NI – Settlement in NIPSCO Gas rate case specifies ~$121M revenue increase, 9.75% ROE, 52.39% equity ratio; reasonable overall

Midstream

ENB / D – Settlement reached in Utah on Questar transaction
MPLX – Acquires Utica G&P minority interests for $625M from Summit Midstream

Wolfe Utility & Midstream Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Clean Energy Comps, Clean Energy Stock Charts, Models, Valuation Charts, Marketing Deck

Utilities

D – SC utility bill advances out of House committee

- On 3/21, the SC House Committee on Labor, Commerce and Industry favorably voted out a comprehensive utility regulation bill and economic development.
- The bill would, among other things, reduce the size of the PSC to 3 from 7, who would be elected by the General Assembly; set a 60 day period for review of proposed utility facilities that

constitute a “like facility replacement”; and define the public interest as the balancing of economic development, job attraction/retention and financial integrity of the state’s utilities.
- The bill faced opposition from some intervenors who oppose a new gas CCGT plant by D and Santee Cooper – a state muni.
- The SC legislative session ends 5/9.

While just one step, it was good to see the comprehensive utility bill make it out of committee. We think the proposed bill has broad language that is supportive of utility financial health. D’s 2025 guidance assumes under-earnings in both of its states, but regulatory lag is particularly meaningful in SC’s electric utility segment. SC is about 15-20% of D’s business. D assumes continued underearnings in SC electric through 2029; every 10bp SC electric ROE is about half of a $0.01/sh.

NI – Settlement in NIPSCO Gas rate case specifies ~$121M revenue increase, 9.75% ROE, 52.39% equity ratio; reasonable overall

- Yesterday, NIPSCO filed a settlement in its gas rate case with the Indiana Office of Utility Consumer Counselor (OUCC), NIPSCO Industrial Group, and 3 other intervenors.
- Parties agreed to a $120.9M revenue increase based on a 9.75% ROE, 52.39% equity ratio, and rate base of $3.485B.
    - Recall, NI initially requested a $161.9M revenue increase premised on a 10.70% ROE, 52.39% equity ratio, and rate base of $3.485B.
    - NIPSCO Gas is currently allowed a 9.85% ROE and 49.47% equity ratio.
- As part of the stipulation, NI withdrew its proposed balancing accounts for pension/OPEB and line locate.
    - NIPSCO’s proposed Sales Reconciliation Adjustment was replaced by the annual Weather Normalization Adjustment (WNA) mechanism.

Terms of the settlement seem reasonable overall. The revenue increase agreed to is ~75% of NI’s initial ask. The stipulated ROE is 10bps lower than currently authorized, but appears to be more than offset by the higher equity layer.

Midstream

ENB / D – Settlement reached in Utah on Questar transaction

- Yesterday, ENB and D notified the Utah PSC that they reached a settlement with key parties on ENB’s pending $3.0B acquisition of the Questar gas utility
- We do not see any meaningful financial commitments from ENB in the settlement terms

The settlement is not surprising as the parties previously notified the commission they were close to a settlement. The process has gone well so far as the Ohio utility sale already closed and Questar appears to be making good progress with PSNC (North Carolina) still to come.

MPLX – Acquires Utica G&P minority interests for $625M from Summit Midstream

- This morning, Summit Midstream Partners announced they will sell their 36% interest in Ohio Gathering Company (OGC), 38% interest in Ohio Condensate Company (OCC) and other Utica assets to MPLX for $625M in cash
    - MPLX already operates the OGC and OCC assets

This is an interesting transaction as MPLX is using some of its significant financial flexibility with $1B of cash on the balance sheet at yearend to buy in minority interests in G&P assets they already own and operate. We're not sure on the valuation multiple for the purchase, but at a high level we like the idea of MPLX using excess cash flow to boost growth through tuck-in M&A.

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Midstream Credit Metrics Outlook
Utility Pension Review
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Wolfe Events

March 25-26: Ameren Corp Non-deal Roadshow in New York
March 25-27: NiSource Corp Non-deal Roadshow in Australia
April 3-5: Centerpoint Corp Non-deal Roadshow in Australia

Calendar

View Comp Table

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Power & Utilities

January 22, 2024

'24 Utilities Outlook: Utility Valuations Finally "NSYNC" with Fundamentals? Buy Buy Buy…

Key Message: Going into 2024 on a different stance: The sector looks materially undervalued and after steep '23 underperformance, utility valuations look poised to snap back sharply in '24. **Key factors for utilities performance in 2024: 1)** Coming off valuation relative lows, we see utilities at a fundamental discount vs. our regression/PEG valuation models, **2)** Interest rates certainty and/or softening – utilities implemented a higher rate assumption into LT planning, with most EPS guidance unchanged (i.e., upside to now conservative rate expectations coupled with valuation correlation), **3)** We see financing and balance sheet concerns of 2023 subsiding after a broadly stronger than expected set of EEI disclosures, and we believe these will carry into year-end results — equity is coming but more systematic, no disruptive blocks – ATMs will be utilized, **4)** Utility fundamentals remain strong, decades high load growth from various customer classes including residential (some of which continues to be driven by hybrid work), commercial and industrial (driven by green tariffs, domestic manufacturing, industrial activity, energy sector growth, data centers, etc.) and capex continues to move higher (expecting upside for several companies on 4Q), **5)** Concerns around renewables deployment starting to ease, NEE strength could be a bellwether for other regulated renewables builders (supply chain, financing, tax transferability, hydrogen) — in other words, NEE's success could drive the entire group higher for '24. Out with our '24 Utility Sector outlook. Ratings actions: **(1) New 2024 Best Idea:** *BUY rated NEE, removing FE from Best Idea list but retaining Buy rating as material valuation upside remains;* **(2) Upgrading to Buy from Neutral:** *EIX, ES, PNW;* **(3) Downgrading to Neutral:** *AEP, DTE, EVRG, IDA, PEG, SMR;* **(4) Upgrading to Neutral from Sell:** *ALE, AVA, NWE*. Note: some of our downgrades today are reflective of externalities outside of company control where the call is against the state, not utility (EVRG), performance coupled with rate case risk (DTE/PEG), regulatory misses/execution (AEP). With these four names — we seek a better entry point as the regulatory noise subsides and/or rate cases bear fruit, etc.

Guggenheim 360°: The Ecosystem of Our Best Research.*The Guggenheim 360° series spotlights our analysts' most differentiated work—research that reflects a deep understanding of our covered industries, primary studies using proprietary methods, access to subject matter experts, thought-provoking conclusions, and actionable portfolio ideas.*

Key challenge(s) for stock picking in '24? Rate cases! With many of the tail risks in '23 (as discussed above) subsiding in '24, the key source of stock picking within the sector this year will center on making the right call around a GRC/rate proceeding. As was evident in '23, getting through rate cases was a challenge given the consumer inflationary backdrop, bill headroom concerns, etc. — the "under the microscope" scrutiny by stakeholders, intervenors, commissioners with rate case filings/regulatory proceedings in various states was more pronounced than we have seen in two decades of covering this space (i.e., CA, AZ, WV, KY, CT, IL, WI, OK, IA, NM, NY, MI, TX, LA, KS, MN to name just a few) — some GRC outcomes were very surprising and led to material downside for certain stocks… A key source of alpha in the sector for '24 will center on investors extrapolating which rate cases will be an overhang and which will not, but if '23 serves as an example, no rate case should be approached with a sense of complacency from an investor standpoint. **Neutral-rated names where we could reconsider our risk/reward balance with pending regulatory proceedings include:** AEE, AEP, ALE, AVA, CMS, DTE, EVRG, EXC, LNT, NJR, NWN, OGE, PEG, and WEC. Buy-rated names that remain impacted by our "watchlist" states (see note for state categories) include D, DUK, ETR, FE, NEE, and PPL. We also recognize **several companies with rate case activity where we do not see major concerns** given the state of current litigation or more modest requests and assumptions implemented in guidance (i.e., lower risk of earnings downside), including CNP, ED, EIX, PCG, and SRE.

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Key rating actions summary: In this outlook piece, we are taking some ratings actions, but most importantly, highlighting our new top pick — i.e., if an investor had to own one utility in '24: **(1) New 2024 Best Idea:** *BUY rated NEE, removing FE from Best Idea list but retaining Buy rating as material valuation upside remains;* **(2) Upgrading to Buy from Neutral:** *EIX, ES, PNW;* **(3) Downgrading to Neutral:** *AEP, DTE, EVRG, IDA, PEG, SMR;* **(4) Upgrading to Neutral from Sell:** *ALE, AVA, NWE*. As we discuss in our report, we note the following: our downgrade of **EVRG** is purely around the uncertain regulatory backdrop in KS which, in our view, has materially deteriorated (to the likes of other states) at no fault of the company, and we will be closely watching for the prospect of legislative tweaks (a jump ball in our view) and/or any regulatory moves in a positive direction — we hold the current management team in very high regard as this is a call around (against) KS, not **EVRG**; **DTE** and **PEG** downgrades are purely on valuation/performance (as we have been long-term Buy ratings on each name) with a rate case in process (**PEG**) or one expected to be filed in early 1H (**DTE**), both in our watchlist states; and **AEP** on regulatory and growth/balance sheet execution… **As we discuss below, we do seek a better entry point for each of these four names as the regulatory noise subsides and/or rate cases bear fruit, etc.**

We also highlight select names in our coverage as follows: Neutral ratings with upside/downside scenarios (battleground names): *AEE, AEP, CMS, DTE, EVRG, EXC, PEG*; **Buy-rated value plays:** *D, DUK (DUK cheaper than SO for large-cap liquid, fully regulated utilities), EIX, ES, ETR, FE, NI, PCG, PNW, POR;* **Bellwether Buys and Absolute Calls we would own and tuck away given the "scarcity premium" with their asset base — tough to go against these names:** *All IPP coverage (NRG, CEG, VST) as well as NEE, SRE, SO, and CNP.*

NEE is our new 2024 Best Idea and top utility pick — if an investor must own one utility in 2024, NEE should be the pick, in our view, based on: NEE checks all the boxes we highlight for drivers in our '24 sector note, including: **1)** Oversold position on any of our absolute/relative metrics, **2)** Valuation disconnect with several industry and macro level tailwinds, **3)** Several near-term company-specific catalysts including March developer day and, **4)** Scarcity value for its asset base including high quality renewable assets and a DevCo… Basically, **the stock is oversold in our view, with arguably the most to gain from improving fundamentals/macro backdrop,** and we believe NEE could further lift the entire sector as datapoints continue to improve beginning with the 4Q earnings call. **Conclusion:** every reason why NEE underperformed in '23 is set to revert this year including interest rates, renewable headwinds, NEP overhangs, FL regulatory noise among other items.

We are shifting our sector view on 2024; the sector is oversold, company-specific nuances create opportunities but, in aggregate; if you want to own the basket, you get an ~3x turn re-rating/20% **upside before dividend yield.**

Given our constructive stance on the group in general, we no longer have any Sell ratings but also now only recommend two utilities trading at relative P/E premiums, given our more "value" bend within the sector as we revert to interest rate normalization, with the strongest load growth we have seen in decades and investors' renewed focus on the sector's capital growth opportunities, as well as many balance sheet concerns easing — **the entire sector is due for a noticeable snap back with select names within the group (i.e., value names and catalyst-driven names that have passed the stress test of 2023) outpacing the index, which is a key driver of our calls and ratings changes.** Broadly, we see expectations for EPS growth at relative historic highs with less unregulated risks, state and federal policy and resiliency becoming well represented in regulators' agendas and a growing need for infrastructure to solve renewables integrations and tight power supply/demand balance — **this is one of the strongest load growth backdrops we have seen in a decade and incremental reliability is a core policy objective for growing jurisdictions.**

Where should investors allocate capital within the sector? Our ratings distribution continues to reflect a more constructive stance on the group. Within our 42 names under active coverage, 19 names are BUY rated, 23 NEUTRAL rated, and we no longer have any SELL rated names, as we see limited downside sector-wide — our preferred calls are predominately bent towards "value" vs. "high quality"/premium names (i.e., only two utilities trading at relative P/E premiums remain BUY rated: **SO** and **CNP**).

More broadly, there are a few common themes among the companies in our utility coverage where we see greater upside potential in 2024:

1. **Trading at appealing "relative" valuations or fundamentally undervalued:** (e.g., D, EIX, ES, ETR, FE, NEE, NI, PCG, PNW, POR, PPL).
2. **Were oversold in 2023 with a disconnect between stock performance and tailwinds like policy and/or fundamentals:** (e.g., *NEE/NEP*).
3. **Upcoming catalysts/de-risking events where glidepath still remains unrecognized in valuations:** (e.g., *CNP, DUK, NEE, PNW, SO*) — which could eventually re-rate or further propel shares to the upside vs. peer average valuations.
4. **Levered to scarcity asset trends:** (e.g., *CEG, VST, SRE, NEE*).

Our valuations apply a ~16x target P/E multiple to our forward 2026E regulated utility earnings, driven by the BBB corporate bond yield environment and PEG ratio. For our target regulated multiple we recognize the 57% R-squared (i.e., 57% of the moves in utility valuation are described by moves in interest rates, with that relationship continuing to weaken as growth becomes more of a factor than yield), and we then use a rounded 60%/40% blend with our PEG ratio approach. **See our Valuation section of this report for more.**

Please see our 2024 Catalyst Tear Sheet on Page 16 of this report and continue to our PM section for our discussion on the various themes in this report, in particular:

- **M&A**
- **Balance sheet and forward equity needs**
- **Valuation dynamics**
- **Key infrastructure projects**
- **Regulatory proceedings and rate case analysis**
- **State-by-state regulatory rankings/outlooks**
- **2024 power markets and evolving energy policy landscape**
- **Company-specific updates**
- ***…Among other items discussed…***

In this note, we further highlight: key trends and dynamics taking shape in each power market; we update reserve margin forecasts at each RTO including ERCOT and discuss key policy/regulatory issues to watch for this year and which ones we think will matter. Additionally, we also refresh our EPS forecasts through '28, introduce 2028 estimates and update key assumptions, mark our regulated multiple to current forward bond yields, roll forward our valuations to '26, and mark our power models to December 29th curves, among other items. **For a summary of our valuation, earnings and ratings changes, turn to page 39, Figure 10. Our full comp sheet is on page 40, Figure 11.**

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NISOURCE (NI, BUY, $31 PT)

NI offers top tier growth and full visibility into its capital plan, including maintaining its 14%-16% targeted FFO/debt ratio throughout the forecast period — and still represents an attractive entry point, in our view, given that it currently still trades below parity to the group (~1% discount on 2026E EPS) even after outperforming the UTY by ~10% in 2023. NI executed well in 2023, delivering on expectations it set for investors of being able to extend its 6%-8% LT growth rate, which we model throughout our forecast period. In our view, NI deserves to trade at a premium valuation given its ability to maintain 8%-10% rate base growth and 6%-8% EPS growth, modest regulatory overhangs, stabilized balance sheet, and incremental growth opportunities, and this is despite inflationary headwinds, which have been cited by SMID cap peers as weighing on their recent results. We are maintaining our BUY rating and see potential upside with shares on discounted valuation levels coupled with NT catalysts including further details on the 4Q call around incremental capex upside, and continued execution on top quartile growth. Our PT moves to $31 from $27 as we roll forward our valuation year and methodology.

- **Rate base growth well-supported by the base capex plan, but incremental upside potential exists as well…** NI recently released a rolled-forward 2024-2028 capital and financing plan, which we model as supporting its unchanged guidance of 8%-10% rate base growth (**we model ~9.7%)** and 6%-8% LT EPS growth (**we model ~7%**), and we note that NI's guidance includes no rebasing. **While we currently model the company's $16bn capex program in guidance, we see the potential for it to also be augmented by up to $2bn of incremental capex so our estimates could prove conservative** (we see the potential for up to ~$0.20 of incremental EPS by 2028 were all of the upside capex to be included in rate base). **While we see a reasonable likelihood of at least some of this incremental capital upside being approved and added to the $16bn core plan, we await more details to come on NI's 4Q23 call.**

- **Equity needs are no secret either, but nor are they a concern…** After the 'failed' remarketing of its 2021 equity units, NI promptly announced that it would be replacing the $862.5m of equity originally contemplated in its 2023-2028 capital plan introduced on the 3Q23 call, with $600m of ATM equity in 2024 instead (vs. original guidance of zero equity in 2024). Beyond the lower amount of equity being issued, we also note that using an ATM gives the company more control over the timing of dilution (which we expect to be more towards the back half of 2024). Consistent with its rolled forward capital plan, NI expects to continue using its ATM in 2025-2028, issuing ~$200m-$300m of equity per year in order to support its base capex plan. **We note that this suggests that incremental capex could require incremental equity as well, but do not see this as an issue, given that it would be accretive growth equity** (vs. equity needed for balance sheet repair purposes). We model NI comfortably **staying within its targeted 14%-16%** FFO/debt range, and well above its 13% FFO/debt downgrade threshold, in support of its investment grade credit ratings.

- **On the regulatory front, Indiana remains a Status Quo state in our baseline rankings, due to a history of generally constructive outcomes and no expectation on our part of that construct changing in the foreseeable future even with the current case outstanding, which doesn't concern us like other jurisdictions. NIPSCO Gas' filed a rate case (Docket 45967) in October 2023** with the utility seeking an aggregate **$161.9m (+16.3%) base rate increase over two steps**. The initial increase proposed would be for ~$117m based on a 10.7% ROE and 52.27% equity ratio, as well as a $3,153m rate base, and the utility is requesting rates to be in effect as of September 2024 (following the IURC's expected date to issue a final order in the case). This rate hike would capture NIPSCO Gas' actual rate base, annualized depreciation expense and capital structure as of June 30, 2024, as well as forecasted amounts projected through the end of December 31, 2024. A second rate hike of ~$45m (also premised on a 10.7% ROE, but 52.39% equity ratio and $3,485m rate base) would take effect after a required compliance filing from NIPSCO Gas around the start of March 2025, and would be based on the actual, as-filed rate base, annualized depreciation expense and capital structure for the utility as of December 31, 2024. Looking forward, we expect **similarly constructive results to NIPSCO Electric's August 2023 GRC outcome when considering future cases, which NI will file in order to move renewables into rates.** In that case (Docket 45772), NIPSCO Electric received a **$262m (+17%) base rate increase, premised on a 9.8% ROE and 51.63% equity layer**. In addition to the base rate increase, a $30m environmental cost tracker was introduced, resulting in a total rate increase of ~$292m, which is being spread over two step increases — one in 4Q23, with another beginning on March 1, 2024, and which will include utility plant balances in service through Dec. 31, 2023 (i.e., renewables entering service after this date will need to be part of a subsequent case). **We model NIPSCO Electric based on this latest case's 9.8% ROE and 51.63% equity layer, with additional details around lag and timing specified below.**

- **We are introducing our 2028 EPS estimate of $2.23 and are raising our 2023 EPS estimate to $1.59 from $1.57** after revising our assumptions around weather and short-term interest rates. Our 2023-2028 EPS forecasts now stand at **$1.59/$1.68/$1.82/$1.95/$2.07/$2.23 compared with our prior estimates of $1.57/$1.68/$1.82/$1.95/$2.07/NA, respectively.** Our 2024-2027 estimates are unchanged since the company's release of its 2024-2028 plans and issuance of 2024 guidance on its 3Q23 call. **We model a ~7% net operating EPS CAGR through NI's forecast period**, vs. company guidance of 6%-8% (7% midpoint) growth annually. **We assume 9.0% rate base growth at NIPSCO electric through 2028, vs. 10.0% at the gas distribution utilities** (with the weighted average growth rate of 9.7% within NI's 8%-10% 2023-2028 rate base growth guidance range). **We are modeling earned ROEs of ~50bps-75bps below fully authorized levels, primarily reflecting both structural and temporary regulatory lag** (e.g., rate case timing, when NIPSCO renewables get moved into rates, etc.). NI's renewables-focused transformation of its electric generation fleet continues in earnest, with sizable investments forecasted through 2026, the bulk of

which are scheduled to occur in 2024/2025**.** Finally, we continue to model dividend growth in line with the company's 60%-70% targeted annual payout ratio.

- **In our view, NI has proven itself to be unique from its SMID cap peers, given its ability to leverage cost mitigation opportunities (e.g., Project Apollo)** into a smoother earnings trajectory — *making it more comparable to its larger peers from a cost management standpoint*. We expect this trend to continue, as we model flat O&M, in line with company guidance. That said, while we expect NI's EPS trajectory to remain within its 6%-8% range, **we believe that it is unlikely to trace a linear path along the midpoint of guidance**. Instead, while we would expect growth near the midpoint of guidance in some years, we see the potential for growth above the high end of 6%-8% in other years due to the potential for incremental capex to be added to the company's base plan.

As a reminder, we were recently on the road with NI's C-Suite. For more, please see our note "*NI NDR: A Hidden Gem with Catalysts & Clearing Events Ahead*" (HERE).

Guggenheim's NI Current and Prior Estimates vs. Consensus

EPS($)	1Q	2Q	3Q	4Q	FY	*Cons*
2023E	0.77A	0.11A	0.19A	0.52E	**1.59E**	*1.59E*
Prior	*0.77A*	*0.11A*	*0.19A*	*0.50E*	*1.57E*	
2024E	0.91E	0.13E	0.06E	0.58E	**1.68E**	*1.71E*
Prior	*NA*	*NA*	*NA*	*NA*	*1.68E*	
2025E					**1.82E**	*1.83E*
Prior					*1.82E*	
2026E					**1.95E**	*1.96E*
Prior					*1.95E*	
2027E					**2.07E**	*2.09E*
Prior					*2.07E*	
2028E					**2.23E**	
Prior					*NA*	

Source: Company reports, Bloomberg, and Guggenheim Securities, LLC estimates.

Valuation: We arrive at our $31 (previously $27) price target by employing our 16x regulated group target multiple (previously 14x), which is based on a regression model of regulated utility valuations and forward interest rate expectations over the past 30+ years, plus a 1x premium (previously 1.5x) to reflect top-quartile rate base growth through the forecast period, as well as incremental growth opportunities and strategic initiatives that aren't currently being captured in our estimates. We then apply that combined multiple to our 2026 EPS estimate of $1.95 and finally discount back by one year.

Risks: Downside risks to our thesis include renewable supply chain disruptions, as well as traditional risk factors inherent with all regulated utilities, including: (1) rate case risk, (2) potential for a lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

Consolidated Financials

INCOME STATEMENT ($ Millions)	4QE	2023E	1QE	2QE	3QE	4QE	2024E	2025E	2026E	2027E	2028E
Total Operating Revenues	**1,666**	**5,887**	**1,943**	**1,199**	**1,055**	**1,651**	**5,847**	**6,397**	**6,887**	**7,333**	**7,789**
Cost of Sales	453	1,612	599	309	199	425	1,533	1,605	1,661	1,693	1,716
Operation and maintenance	423	1,596	412	398	388	423	1,620	1,655	1,691	1,729	1,767
Loss (gain) on sale of assets and impairments, net	1	-	-	-	(1)	1	-	-	-	-	-
Other taxes	89	345	90	92	97	97	376	433	488	547	613
Total Operating Expenses	**513**	**1,941**	**501**	**490**	**484**	**521**	**1,996**	**2,088**	**2,179**	**2,276**	**2,381**
EBITDA	**699**	**2,335**	**843**	**400**	**371**	**704**	**2,319**	**2,705**	**3,046**	**3,364**	**3,693**
Depreciation and amortization	239	908	175	181	184	190	731	821	906	975	1,036
Operating Income	**461**	**1,427**	**667**	**219**	**187**	**515**	**1,588**	**1,884**	**2,140**	**2,389**	**2,657**
Equity Earnings in Unconsolidated Affiliates	-	-	-	-	-	-	-	-	-	-	-
Other, net	(0)	-	0	(0)	(0)	(0)	-	-	-	-	-
Loss on early extinguishment of long-term debt	-	-	-	-	-	-	-	-	-	-	-
Interest expense, net	145	521	128	139	150	161	578	749	903	1,049	1,192
Income before income taxes	**316**	**906**	**539**	**80**	**37**	**354**	**1,010**	**1,135**	**1,237**	**1,340**	**1,465**
Income Taxes	69	193	113	17	8	74	213	239	261	282	309
Net income from continuing operations	**247**	**713**	**426**	**63**	**29**	**279**	**797**	**896**	**976**	**1,058**	**1,156**
Net income	**247**	**713**	**426**	**63**	**29**	**279**	**797**	**896**	**976**	**1,058**	**1,156**
Less: Net income attributable to noncontrolling interests	-	-	-	-	-	-	-	-	-	-	-
Net Income (Loss) attributable to NiSource	**247**	**713**	**426**	**63**	**29**	**279**	**797**	**896**	**976**	**1,058**	**1,156**
Avg. shares outstanding (diluted)	451	450	469	472	478	484	476	492	501	510	519
Earnings Per Common Share, Diluted	0.55	**$1.59**	0.91	0.13	0.06	0.58	**$1.68**	**$1.82**	**$1.95**	**$2.07**	**$2.23**
Non-GAAP Items		-					-	-	-	-	-
Net income (Non-GAAP)	**247**	**713**	**426**	**63**	**29**	**279**	**797**	**896**	**976**	**1,058**	**1,156**
EPS from Continuing Operations	**$0.52**	**$1.59**	**$0.91**	**$0.13**	**$0.06**	**$0.58**	**$1.68**	**$1.82**	**$1.95**	**$2.07**	**$2.23**

Source: Company reports, Guggenheim Securities, LLC estimates

Consolidated Financials

CASH FLOW STATEMENT ($ Millions)	4QE	2023E	1QE	2QE	3QE	4QE	2024E	2025E	2026E	2027E	2028E
Net income	**247**	**713**	**426**	**63**	**29**	**279**	**797**	**896**	**976**	**1,058**	**1,156**
Depreciation and amortization	239	908	175	181	184	190	731	821	906	975	1,036
Total Changes in Assets and Liabilities	(104)	643	160	41	9	(33)	177	51	16	5	1
Net Cash Flows from Operating Activities	**381**	**2,263**	**761**	**285**	**223**	**436**	**1,705**	**1,768**	**1,899**	**2,038**	**2,193**
Capital expenditures	(851)	**(3,402)**	(775)	(775)	(775)	(775)	**(3,102)**	**(3,002)**	**(2,841)**	**(2,941)**	**(2,941)**
Net Cash Used in Investing Activities	**(851)**	**(3,402)**	**(775)**	**(775)**	**(775)**	**(775)**	**(3,102)**	**(3,002)**	**(2,841)**	**(2,941)**	**(2,941)**
Cash Flow from Financing Activities:											
Issuance of long-term debt	225	900	250	250	250	250	1,000	600	600	600	600
Change in short-term borrowings, net	330	589	(262)	215	279	67	299	942	703	720	625
Issuance of common stock	25	**100**	150	150	150	150	**600**	**250**	**250**	**250**	**250**
Acquisition of treasury stock	5	**21**	5	5	5	5	**21**	**21**	**21**	**21**	**21**
Dividends paid - common stock	(116)	(463)	(129)	(130)	(132)	(133)	(524)	(580)	(632)	(688)	(749)
Net Cash (Used in) Provided by Financing Activities	**469**	**1,148**	**14**	**491**	**553**	**339**	**1,396**	**1,233**	**942**	**903**	**747**
Net Financing Activities from Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flows from (used for) Financing Activities	**469**	**1,148**	**14**	**491**	**553**	**339**	**1,396**	**1,233**	**942**	**903**	**747**
Net (Decrease) Increase in Cash and Cash Equivalents	**-**	**9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cash and Cash Equivalents, Beginning of Period	85	75	85	85	85	85	85	85	85	85	85
Cash and Cash Equivalents, End of Period	**85**	**85**	**85**	**85**	**85**	**85**	**85**	**85**	**85**	**85**	**85**

Source: Company reports, Guggenheim Securities, LLC estimates

Consolidated Financials

BALANCE SHEET ($ Millions)	4QE	2023E	1QE	2QE	3QE	4QE	2024E	2025E	2026E	2027E	2028E
Cash and cash equivalents	50	50	50	50	50	50	50	50	50	50	50
Total Current Assets	**1,307**	**1,307**	**975**	**902**	**887**	**946**	**946**	**844**	**813**	**804**	**801**
Net Property, Plant and Equipment	**22,337**	**22,337**	**22,937**	**23,531**	**24,122**	**24,708**	**24,708**	**26,888**	**28,823**	**30,788**	**32,694**
Total Investments and Other Assets	**224**	**224**	**224**	**224**	**224**	**224**	**224**	**224**	**224**	**224**	**224**
Regulatory assets	2,348	2,348	2,348	2,348	2,348	2,348	2,348	2,348	2,348	2,348	2,348
Goodwill	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486
Intangible assets-net of accumulated amortization	-	-	-	-	-	-	-	-	-	-	-
Deferred charges and other	252	252	252	252	252	252	252	252	252	252	252
Total other non-current assets	**4,086**	**4,086**	**4,086**	**4,086**	**4,086**	**4,086**	**4,086**	**4,086**	**4,086**	**4,086**	**4,086**
Total Assets	**27,954**	**27,954**	**28,222**	**28,743**	**29,319**	**29,963**	**29,963**	**32,042**	**33,946**	**35,902**	**37,804**
Current portion of long-term debt	30	30	30	30	30	30	30	30	30	30	30
Short-term borrowings	2,352	2,352	2,089	2,304	2,583	2,650	2,650	3,592	4,295	5,015	5,640
Regulatory liabilities	237	237	237	237	237	237	237	237	237	237	237
Accrued compensation and employee benefits	168	168	168	168	168	168	168	168	168	168	168
Other accruals	708	708	708	708	708	708	708	708	708	708	708
Total Current Liabilities	**4,606**	**4,606**	**4,172**	**4,355**	**4,628**	**4,721**	**4,721**	**5,612**	**6,300**	**7,016**	**7,639**
Deferred income taxes	1,855	1,855	1,855	1,855	1,855	1,855	1,855	1,855	1,855	1,855	1,855
Accrued liability for postretirement and postemploymen	246	246	246	246	246	246	246	246	246	246	246
Regulatory liabilities	1,776	1,776	1,776	1,776	1,776	1,776	1,776	1,776	1,776	1,776	1,776
Asset retirement obligations	478	478	478	478	478	478	478	478	478	478	478
Other noncurrent liabilities	297	297	297	297	297	297	297	297	297	297	297
Total Other Liabilities and Deferred Credits	**4,651**	**4,651**	**4,651**	**4,651**	**4,651**	**4,651**	**4,651**	**4,651**	**4,651**	**4,651**	**4,651**
Total Liabilities	**9,257**	**9,257**	**8,823**	**9,006**	**9,279**	**9,372**	**9,372**	**10,263**	**10,951**	**11,666**	**12,290**
Total NiSource Common Stockholders' Equity	**7,947**	**7,947**	**8,399**	**8,487**	**8,540**	**8,841**	**8,841**	**9,429**	**10,045**	**10,685**	**11,364**
Noncontrolling interest in consolidated subsidiaries	326	326	326	326	326	326	326	326	326	326	326
Total Stockholders' Equity	**8,273**	**8,273**	**8,725**	**8,813**	**8,866**	**9,168**	**9,168**	**9,755**	**10,371**	**11,012**	**11,691**
Long-term debt, excluding amounts due within one yea	10,424	10,424	10,674	10,924	11,174	11,424	11,424	12,024	12,624	13,224	13,824
Total Capitalization	**18,697**	**18,697**	**19,399**	**19,737**	**20,040**	**20,591**	**20,591**	**21,779**	**22,995**	**24,235**	**25,514**
Total Liabilities and Equity	**27,954**	**27,954**	**28,222**	**28,743**	**29,319**	**29,963**	**29,963**	**32,042**	**33,946**	**35,902**	**37,804**

Source: Company reports, Guggenheim Securities, LLC estimates

from $21) value for SoCalGas, utilizing our 16x regulated P/E multiple for growth above peer average to our 2026E; (3) ~$24/share for Oncor, applying our 16x regulated multiple plus 1.0x premium to our 2026E for incremental upside from TX legislation, anticipated capital upsides and load/customer growth; (4) ~$25/share for SRE's ownership of SIP based on a 12x EBITDA multiple applied to our 2026E, net of attributed debt; (5) $0/share for development projects as we take a conservative stance on project FIDs; and (6) ~($8)/ share for parent drag (up from -$7). Taking a sum of the segments and discounting for 1 year to reach our 12-month PT, we arrive at our $88 PT (up from $79). (Note: sum may not round to SOTP exactly.)

- **Risks:** Outside of exposure to the wildfires and potential delays around Cameron, risks to our valuation 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.

Consolidated Financials

INCOME STATEMENT ($MM)	4Q23E	2023E	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E	2027E	2028E
Utilities	3,112	14,003	3,168	2,599	2,971	3,524	12,262	12,473	12,798	13,168	13,543
Energy-related businesses	433	2,771	414	384	504	458	1,760	1,812	1,883	1,976	2,073
Total Operating Revenue	**3,545**	**16,774**	**3,582**	**2,984**	**3,474**	**3,982**	**14,022**	**14,285**	**14,681**	**15,144**	**15,616**
Operating Expenses:											
Utilities:											
Cost of electric fuel and purchased power	325	3,579	304	302	374	335	1,314	1,303	1,307	1,312	1,347
Cost of natural gas	333	718	402	276	286	451	1,415	1,443	1,463	1,490	1,534
Litigation expense											
Operation and maintenance	1,775	5,733	1,192	1,294	1,432	1,127	5,045	5,033	5,057	5,102	5,147
Depreciation and amortization	436	2,087	506	512	518	449	1,985	2,051	2,117	2,183	2,249
Franchise fees and other taxes	115	624	154	145	159	115	573	573	573	573	573
Total Operating Expenses	**2,985**	**13,179**	**2,558**	**2,529**	**2,769**	**2,477**	**10,332**	**10,403**	**10,517**	**10,659**	**10,850**
Opex Check	**2,985**		**2,558**	**2,529**	**2,769**	**2,477**					
	0		0	0	0	0					
EBITDA	**997**	**5,683**	**1,530**	**967**	**1,223**	**1,955**	**5,675**	**5,933**	**6,281**	**6,668**	**7,015**
EBIT	**560**	**3,595**	**1,024**	**455**	**705**	**1,506**	**3,690**	**3,882**	**4,164**	**4,485**	**4,766**
Equity earnings, before income tax		-					-	-	-	-	-
Other income, net	117	192	68	28	(26)	(18)	52	52	52	52	52
Total interest and related charges	194	1,129	318	325	333	209	1,185	1,252	1,387	1,486	1,619
Pretax income	483	2,658	774	158	346	1,279	2,557	2,682	2,829	3,051	3,198
Income tax expense (benefit)	117	616	169	38	77	278	561	587	599	647	678
Equity earnings, net of income tax	335	1,421	216	233	275	358	1,083	1,223	1,291	1,364	1,582
Net Income including noncontrolling interests	702	3,464	821	354	545	1,359	3,079	3,318	3,521	3,769	4,102
Noncontrolling interests	6	441	6	6	6	6	24	24	24	24	24
Extraordinary items included in operating (after tax)	0	(33)	0	0	0	0	-	-	-	-	-
Reported GAAP Earnings	**696**	**2,990**	**815**	**348**	**539**	**1,353**	**3,055**	**3,294**	**3,497**	**3,745**	**4,078**
Income (loss) from disc ops	-	-	-	-	-	-	-	-	-	-	-
Items excluded from operating earnings		(93)									
Adjusted Earnings	**696**	**2,897**	**815**	**348**	**539**	**1,353**	**3,055**	**3,294**	**3,497**	**3,745**	**4,078**
Earnings Check											
Preferred Addback											
Diluted shares	632	632	635	637	640	642	639	642	642	642	642
Reported GAAP EPS	$1.10	$4.73	$1.28	$0.55	$0.84	$2.11	$4.78	$5.13	$5.44	$5.83	$6.35
Adjusted EPS	**$1.10**	**$4.58**	**$1.28**	**$0.55**	**$0.84**	**$2.11**	**$4.78**	**$5.13**	**$5.44**	**$5.83**	**$6.35**

Source: Company reports, Guggenheim Securities, LLC estimates

Consolidated Financials

CASH FLOW STATEMENT ($MM)	4Q23E	2023E	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E	2027E	2028E
Cash Flows From Operating Activities											
Net income	702	3,338	821	354	545	1,359	3,079	3,318	3,521	3,769	4,102
Depreciation and amortization	436	2,087	506	512	518	449	1,985	2,051	2,117	2,183	2,249
Deferred income taxes and investment tax credits	-	234	-	-	-	-	-	-	-	-	-
Equity earnings	(335)	(1,421)	(216)	(233)	(275)	(358)	(1,083)	(1,223)	(1,291)	(1,364)	(1,582)
Remeasurement of equity method investments	-	-	-	-	-	-	-	-	-	-	-
Write-off of long-lived assets / Share Based Compensation	-	53	-	-	-	-	-	-	-	-	-
Fixed-price contracts and other derivatives	-	(580)	-	-	-	-	-	-	-	-	-
Other CFO	493	500	125	125	125	125	500	500	500	600	600
Changes in operating assets and liabilities:											
Net change in other working capital components	-	1,610	-	-	-	-	-	-	-	-	-
Insurance receivable for Aliso Canyon costs	-	-	-	-	-	-	-	-	-	-	-
Changes in other liabilities		604					-	-	-	-	-
Net cash provided by operating activities	**1,296**	**6,425**	**1,236**	**758**	**912**	**1,576**	**4,481**	**4,646**	**4,847**	**5,187**	**5,369**
Cash Flows From Investing Activities											
Expenditures for property, plant and equipment	(1,359)	(7,433)	(1,608)	(1,608)	(1,608)	(1,608)	(6,433)	(6,433)	(6,433)	(6,433)	(7,000)
Expenditures for investments and acquisition of business	-	(281)	-	-	-	-	-	-	-	-	-
Proceeds from sale of equity interests and assets, net of cash s	-	-	-	-	-	-	-	-	-	-	-
Purchases of nuclear decommissioning and other trust assets	-	(462)	-	-	-	-	-	-	-	-	-
Proceeds from sales by nuclear decommissioning and other tru	-	503	-	-	-	-	-	-	-	-	-
Advances to unconsolidated affiliates	500	500	-	-	-	500	500	500	500	500	500
Purchase of bonds issued by unconsolidated affiliate	-	-	-	-	-	-	-	-	-	-	-
Other Investing		10					-	-	-	-	-
Net cash used in investing activities	**(859)**	**(7,163)**	**(1,608)**	**(1,608)**	**(1,608)**	**(1,108)**	**(5,933)**	**(5,933)**	**(5,933)**	**(5,933)**	**(6,500)**
Cash Flows From Financing Activities											
Common dividends paid	(421)	(1,530)	(452)	(454)	(456)	(458)	(1,820)	(1,959)	(2,096)	(2,243)	(2,400)
Preferred dividends paid	-	(22)	-	-	-	-	-	-	-	-	-
Issuances of common stock	-	-	300	300	300	300	1,200	-	-	-	-
Repurchases of common stock	-	(32)	-	-	-	-	-	-	-	-	-
Issuance of preferred stock	-	-	-	-	-	-	-	-	-	-	-
Issuances of debt (maturities greater than 90 days)	1,089	8,000	-	-	-	-	-	3,000	3,000	3,000	3,000
Payments on debt (maturities greater than 90 days)	-	(6,018)	-	-	-	-	-	-	-	-	-
Proceeds from sale of noncontrolling interests	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in short-term debt, net	(629)	-		200	800	(300)	700	400	200	-	300
Purchase of noncontrolling interests	-	1,269	-	-	-	-	-	-	-	-	-
Net distributions to noncontrolling interests	-	-	-	-	-	-	-	-	-	-	-
Other	-	570	-	-	-	-	-	-	-	-	-
Net cash used in financing activities	**39**	**2,237**	**(152)**	**46**	**644**	**(458)**	**80**	**1,441**	**1,104**	**757**	**900**
Effect of exchange rate changes on cash		6					-	-	-	-	-
Increase (decrease) in cash and cash equivalents	**476**	**1,505**	**(525)**	**(805)**	**(52)**	**10**	**(1,372)**	**155**	**18**	**12**	**(230)**
Beginning Cash and cash equivalents	1,149	667	1,625	1,100	296	244	1,625	253	408	426	438
Ending Cash and cash equivalents	**1,625**	**1,625**	**1,100**	**296**	**244**	**253**	**253**	**408**	**426**	**438**	**208**

Source: Company reports, Guggenheim Securities, LLC estimates

Consolidated Financials

BALANCE SHEET ($MM)	4Q23E	2023E	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E	2027E	2028E
ASSETS											
Current Assets:											
Cash and cash equivalents	1,283	1,283	758	(46)	(98)	(89)	(89)	66	84	96	(134)
Restricted cash	238	238	238	238	238	238	238	238	238	238	238
Accounts receivable:											
Customers	1,939	1,939	1,939	1,939	1,939	1,939	1,939	1,939	1,939	1,939	1,939
Other receivables	498	498	498	498	498	498	498	498	498	498	498
Due from unconsolidated affiliates	42	42	42	42	42	42	42	42	42	42	42
Income taxes receivable	72	72	72	72	72	72	72	72	72	72	72
Inventories	451	451	451	451	451	451	451	451	451	451	451
Regulatory balancing accounts -undercollected	190	190	190	190	190	190	190	190	190	190	190
Fixed-price contracts and other derivatives A	144	144	144	144	144	144	144	144	144	144	144
Asset held for sale, power plant	-	-	-	-	-	-	-	-	-	-	-
Other	587	587	587	587	587	587	587	587	587	587	587
Total current assets	**5,444**	**5,444**	**4,919**	**4,115**	**4,063**	**4,072**	**4,072**	**4,227**	**4,245**	**4,257**	**4,027**
Investments											
Nuclear decommissioning trust funds	827	827	827	827	827	827	827	827	827	827	827
Investment in Oncor	14,148	14,148	14,148	14,148	14,148	14,148	14,148	14,148	14,148	14,148	14,148
Other A	2,208	2,208	2,208	2,208	2,208	2,208	2,208	2,208	2,208	2,208	2,208
Total investments	**17,183**	**17,183**	**17,183**	**17,183**	**17,183**	**17,183**	**17,183**	**17,183**	**17,183**	**17,183**	**17,183**
Property, Plant and Equipment											
Property, Plant and Equipment	71,707	71,707	73,315	74,923	76,531	78,139	78,139	84,572	91,004	97,437	104,437
Accumulated depreciation, depletion and amortization	(17,612)	(17,612)	(18,118)	(18,630)	(19,148)	(19,597)	(19,597)	(21,648)	(23,766)	(25,949)	(28,198)
Total property, plant and equipment, net	**54,094**	**54,094**	**55,196**	**56,292**	**57,383**	**58,542**	**58,542**	**62,923**	**67,239**	**71,488**	**76,239**
Deferred Charges and Other Assets											
Restricted cash LT	104	104	104	104	104	104	104	104	104	104	104
Due from unconsolidated affiliates LT	0	0	0	0	0	0	0	0	0	0	0
Regulatory assets LT	2,784	2,784	2,659	2,534	2,409	2,284	2,284	1,784	1,284	684	84
Goodwill	1,602	1,602	1,602	1,602	1,602	1,602	1,602	1,602	1,602	1,602	1,602
Other intangible assets	324	324	324	324	324	324	324	324	324	324	324
Dedicated assets in support of certain benefit plans	513	513	513	513	513	513	513	513	513	513	513
Insurance receivable for Aliso Canyon costs	0	0	0	0	0	0	0	0	0	0	0
Deferred income taxes A	155	155	155	155	155	155	155	155	155	155	155
Sundry and other	4,095	4,095	4,095	4,095	4,095	4,095	4,095	4,095	4,095	4,095	4,095
Total deferred charges and other assets	**9,577**	**9,577**	**9,452**	**9,327**	**9,202**	**9,077**	**9,077**	**8,577**	**8,077**	**7,477**	**6,877**
TOTAL ASSETS	**86,298**	**86,298**	**86,751**	**86,917**	**87,830**	**88,874**	**88,874**	**92,910**	**96,744**	**100,405**	**104,326**

Source: Company reports, Guggenheim Securities, LLC estimates

Consolidated Financials

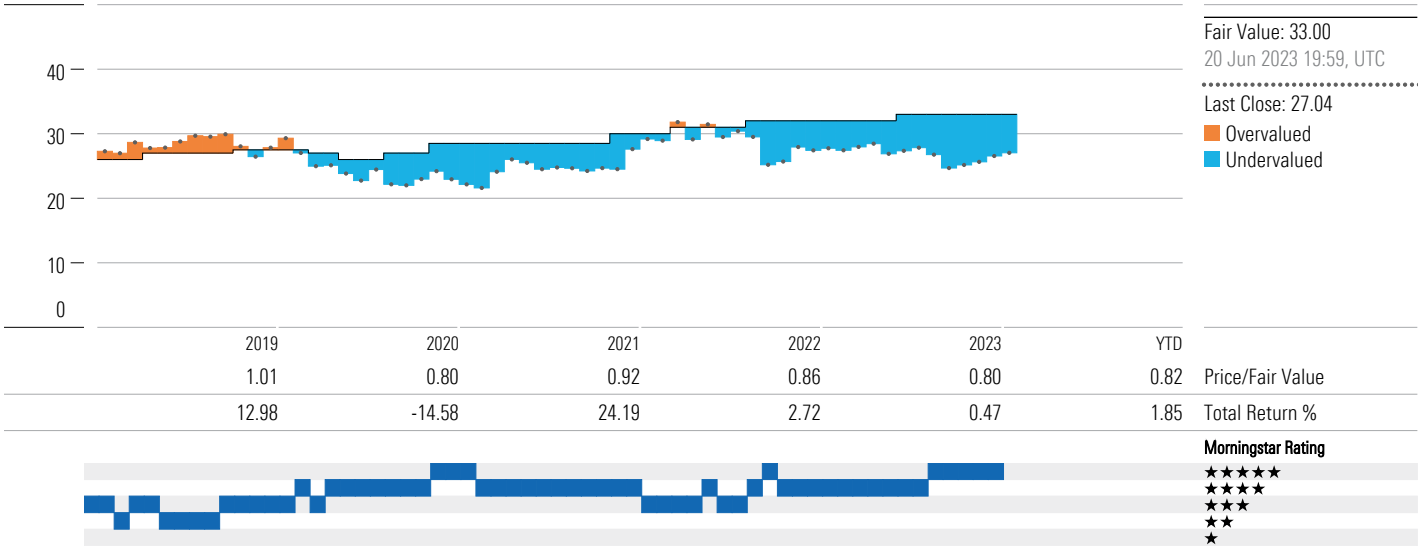
BALANCE SHEET ($MM)	4Q23E	2023E	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E	2027E	2028E
Current Liabilities:											
Short-term debt	1,348	1,348	1,348	1,548	2,348	2,048	2,048	2,448	2,648	2,648	2,948
Accounts payable -trade	2,234	2,234	2,234	2,234	2,234	2,234	2,234	2,234	2,234	2,234	2,234
Accounts payable -other	219	219	219	219	219	219	219	219	219	219	219
Due to unconsolidated affiliate	5	5	5	5	5	5	5	5	5	5	5
Dividends and interest payable	734	734	734	734	734	734	734	734	734	734	734
Accrued compensation and benefits	496	496	496	496	496	496	496	496	496	496	496
Regulatory balancing accounts -overcollected	529	529	529	529	529	529	529	529	529	529	529
Current portion of long-term debt	974	974	974	974	974	974	974	974	974	974	974
Fixed-price contracts and other derivatives	144	144	144	144	144	144	144	144	144	144	144
Reserve for Aliso Canyon costs	126	126	126	126	126	126	126	126	126	126	126
Liabilities held for sale	0	0	0	0	0	0	0	0	0	0	0
Other	985	985	985	985	985	985	985	985	985	985	985
Total current liabilities	**7,794**	**7,794**	**7,794**	**7,994**	**8,794**	**8,494**	**8,494**	**8,894**	**9,094**	**9,094**	**9,394**
Long-Term Debt											
Long-term debt	28,792	28,792	28,792	28,792	28,792	28,792	28,792	31,792	34,792	37,792	40,792
Total long-term debt	**28,792**	**28,792**	**28,792**	**28,792**	**28,792**	**28,792**	**28,792**	**31,792**	**34,792**	**37,792**	**40,792**
Deferred Credits and Other Liabilities											
Due to unconsolidated affiliate LT	303	303	303	303	303	303	303	303	303	303	303
Customer advances for construction	0	0	0	0	0	0	0	0	0	0	0
Pension and other postretirement benefit plan obligations, net c	309	309	309	309	309	309	309	309	309	309	309
Deferred income taxes	5,095	5,095	5,095	5,095	5,095	5,095	5,095	5,095	5,095	5,095	5,095
Deferred investment tax credits	3,468	3,468	3,468	3,468	3,468	3,468	3,468	3,468	3,468	3,468	3,468
Regulatory liabilities arising from removal obligations	0	0	0	0	0	0	0	0	0	0	0
Asset retirement obligations	3,584	3,584	3,584	3,584	3,584	3,584	3,584	3,584	3,584	3,584	3,584
Fixed-price contracts and other derivatives LT	942	942	942	942	942	942	942	942	942	942	942
Reserve for wildfire litigation		0					0	0	0	0	0
Deferred credits and other	2,308	2,308	2,308	2,308	2,308	2,308	2,308	2,308	2,308	2,308	2,308
Total deferred credits and other liabilities	**16,009**	**16,009**	**16,009**	**16,009**	**16,009**	**16,009**	**16,009**	**16,009**	**16,009**	**16,009**	**16,009**
Total liabilities	**52,595**	**52,595**	**52,595**	**52,795**	**53,595**	**53,295**	**53,295**	**56,695**	**59,895**	**62,895**	**66,195**
Contingently redeemable preferred stock of subsidiary											
Noncontrolling Interest	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Subsidiary Preferred Stock	20	20	20	20	20	20	20	20	20	20	20
Common Shareholders' Equity		0					0	0	0	0	0
Common stock-no par	7,472	7,472	7,772	8,072	8,372	8,672	8,672	8,672	8,672	8,672	8,672
Other paid-in capital	889	889	889	889	889	889	889	889	889	889	889
Retained earnings	21,512	21,512	21,665	21,331	21,144	22,188	22,188	22,824	23,458	24,119	24,740
Accumulated other comprehensive income (loss)	(1,190)	(1,190)	(1,190)	(1,190)	(1,190)	(1,190)	(1,190)	(1,190)	(1,190)	(1,190)	(1,190)
Total common shareholders' equity	**33,703**	**33,703**	**34,156**	**34,122**	**34,235**	**35,579**	**35,579**	**36,215**	**36,849**	**37,510**	**38,131**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**86,298**	**86,298**	**86,751**	**86,917**	**87,830**	**88,874**	**88,874**	**92,910**	**96,744**	**100,405**	**104,326**

Source: Company reports, Guggenheim Securities, LLC estimates

NiSource Inc NI ★★★★★ 5 Jan 2024 22:17, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
27.04 USD 5 Jan 2024	33.00 USD 20 Jun 2023 19:59, UTC	0.82	11.18 USD Bil 5 Jan 2024	Narrow	Mid Value	Low	Standard	3 Jan 2024 06:00, UTC

Price vs. Fair Value



	2019	2020	2021	2022	2023	YTD	
	1.01	0.80	0.92	0.86	0.80	0.82	Price/Fair Value
	12.98	-14.58	24.19	2.72	0.47	1.85	Total Return %

Morningstar Rating
★★★★★
★★★★
★★★
★★
★

Total Return % as of 5 Jan 2024. Last Close as of 5 Jan 2024. Fair Value as of 20 Jun 2023 19:59, 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 Gas and Electric Investments Driving Growth

Business Strategy & Outlook Travis Miller, Strategist, 8 Jan 2024

NiSource's focus on electric and gas infrastructure, including renewable energy, creates growth opportunities that could last for a decade or longer.

We expect about half of NiSource's operating income will come from its Indiana gas and electric utility, NIPSCO, and the rest from its six natural gas distribution utilities, excluding minority interest. We expect the gas utilities to grow along with the electric business in the near term, keeping that earnings mix about the same for at least the next four years.

Driving that growth is $16 billion of investment that NiSource plans during the next five years for electric and gas system infrastructure projects. Key initiatives include replacing steel and cast iron pipe with plastic at its natural gas distribution utilities and replacing coal plants with renewable energy at its electric business.

Constructive state rate regulations allow NiSource's utilities to collect a return of and a return on the bulk of its investments within 18 months, enhancing cash flow. We expect modest customer growth combined with NiSource's infrastructure growth investments to support 7% long-term annual earnings growth and 6% annual dividend growth.

To help fund its growth and strengthen its balance sheet, NiSource sold a 19.9% interest in its Indiana utility to Blackstone in 2023 for $2.16 billion, an 80% premium to sector valuations at the time. The

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NiSource Inc NI ★★★★★ 5 Jan 2024 22:17, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
27.04 USD 5 Jan 2024	33.00 USD 20 Jun 2023 19:59, UTC	0.82	11.18 USD Bil 5 Jan 2024	Narrow	Mid Value	Low	Standard	3 Jan 2024 06:00, UTC

Sector
Utilities

Industry
Utilities - Regulated Gas

Business Description

NiSource is one of the nation's largest natural gas distribution companies with approximately 3.2 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, including coal, natural gas, and renewable energy.

premium price provides low-cost equity financing for its growth plan.

NiSource's business simplification started with its Columbia Pipeline Group separation in 2015. 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. 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.

Bulls Say Travis Miller, Strategist, 8 Jan 2024

- We expect the dividend to grow near 6% annually during the next few years before accelerating to keep pace with earnings in 2025 and beyond.
- NiSource's plan to replace coal generation with renewable energy in Indiana supports the state policymakers' desire to cut the state's carbon emissions.
- New legislation has improved the regulatory framework in Indiana for NiSource's electric and natural gas distribution utilities.

Bears Say Travis Miller, Strategist, 8 Jan 2024

- 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.
- Policies to reduce carbon emissions could be a long-term threat for NiSource's natural gas distribution business if policymakers in states it serves aim to reduce retail gas use.
- NiSource's large capital investment plan raises execution risk and the possibility of project delays.

Economic Moat Travis Miller, Strategist, 8 Jan 2024

Service territory monopolies and efficient scale advantages are the primary moat sources for NiSource's regulated gas and electric utilities. State and federal regulators grant regulated utilities like NiSource 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 networks. 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.

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 realized returns might vary in the short run based on demand trends, investment cycles, operating costs, and access to financing.

We estimate NiSource will derive roughly half of its operating earnings from its natural gas distribution utilities and half from its integrated electric business in Indiana, excluding the minority interest ownership in its Indiana utility, NIPSCO. In all cases, state and federal regulators set customer rates that allow NiSource to recover its operating and capital costs.

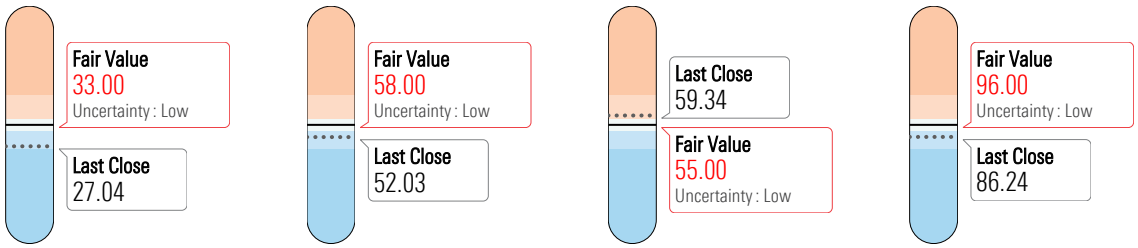
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NiSource Inc NI ★★★★★ 5 Jan 2024 22:17, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
27.04 USD 5 Jan 2024	33.00 USD 20 Jun 2023 19:59, UTC	0.82	11.18 USD Bil 5 Jan 2024	Narrow	Mid Value	Low	Standard	3 Jan 2024 06:00, UTC

Competitors



	NiSource Inc NI	Alliant Energy Corp LNT	CMS Energy Corp CMS	WEC Energy Group Inc WEC
Economic Moat	Narrow	Narrow	Narrow	Narrow
Currency	USD	USD	USD	USD
Fair Value	33.00 20 Jun 2023 19:59, UTC	58.00 8 Nov 2022 17:16, UTC	55.00 20 Mar 2023 19:16, UTC	96.00 5 Dec 2022 16:31, UTC
1-Star Price	41.25	72.50	68.75	120.00
5-Star Price	26.40	46.40	44.00	76.80
Assessment	Significantly Undervalued 7 Jan 2024	Undervalued 7 Jan 2024	Overvalued 7 Jan 2024	Undervalued 7 Jan 2024
Morningstar Rating	★★★★★ 5 Jan 2024 22:17, UTC	★★★★ 5 Jan 2024 22:17, UTC	★★ 5 Jan 2024 22:17, UTC	★★★★ 5 Jan 2024 22:17, UTC
Analyst	Travis Miller, Strategist	Andrew Bischof, Strategist	Travis Miller, Strategist	Andrew Bischof, Strategist
Capital Allocation	Standard	Standard	Standard	Exemplary
Price/Fair Value	0.82	0.90	1.08	0.90
Price/Sales	2.09	3.18	2.22	2.95
Price/Book	1.84	1.97	2.49	2.31
Price/Earning	18.03	19.06	23.36	19.96
Dividend Yield	3.70%	3.48%	3.29%	3.62%
Market Cap	11.18 Bil	13.28 Bil	17.31 Bil	27.20 Bil
52-Week Range	22.86—28.95	45.15—56.26	49.87—65.72	75.47—99.26
Investment Style	Mid Value	Mid Value	Mid Core	Mid Core

NiSource has no direct commodity price risk that could weaken its moat. NiSource exited the no-moat retail energy supply business in 2010.

Fair Value and Profit Drivers Travis Miller, Strategist, 8 Jan 2024

Our fair value estimate for NiSource is $33 per share.

We assume NiSource invests $14 billion of capital in 2024-27, including $2 billion for renewable energy projects in Indiana to replace its coal-fired power generation fleet by 2028. This is consistent with management's investment plan.

We expect NiSource's safety-related gas distribution investments will remain well above maintenance-level spending for several more years, resulting in earnings growth at all of its gas utilities. We expect investment at the gas utilities to slow beyond 2026 while growth investment at the Indiana electric utility continues.

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NiSource Inc NI ★★★★★ 5 Jan 2024 22:17, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
27.04 USD 5 Jan 2024	33.00 USD 20 Jun 2023 19:59, UTC	0.82	11.18 USD Bil 5 Jan 2024	Narrow	Mid Value	Low	Standard	3 Jan 2024 06:00, UTC

In total, we expect 11% average annual rate base growth and 7% average annual earnings growth through 2027 on a consolidated basis. The electric rate increase in Indiana as part of a regulatory settlement will help offset earnings dilution in 2024 from the NIPSCO minority interest sale. We expect regulatory rate negotiations to continue across its service territories in 2024.

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 like NiSource operating in states that have constructive regulatory frameworks.

Risk and Uncertainty Travis Miller, Strategist, 8 Jan 2024

We assign NiSource a Low Morningstar Uncertainty Rating. Regulatory risk remains the key uncertainty, especially given the potential for customer bill increases to recover capital investments the company plans in the coming years. However, NiSource's regulatory exposure is diversified with state-regulated gas and electric operations in six states and a federally regulated electric transmission system.

NiSource has reduced some of the regulatory uncertainty related to its planned investments by securing preapprovals and favorable rate mechanisms that provide for customer rate increases as the utility makes its infrastructure investments. A constructive rate ruling in Indiana in 2023 suggests state regulators support NiSource's investment plan.

In 2020, NiSource announced it would eliminate all coal-fired generation from its power plant fleet by 2028, significantly reducing environmental, social, and governance 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 away from coal generation.

Capital Allocation Travis Miller, Strategist, 8 Jan 2024

We assign NiSource a Standard Morningstar Capital Allocation Rating primarily due to management's work with regulators and policymakers in the states it serves to support its investments in clean energy, infrastructure modernization, and safety.

NiSource's management team under CEO Lloyd Yates has continued to find ample areas for growth investment. it has an aggressive 6%-8% annual earnings growth target and a $16 billion capital investment plan that will test management's ability to execute.

There was speculation when Yates took over in early 2022 that NiSource would divest one or more of its gas distribution utilities to raise equity to fund its growth investments. But the market collapse in 2022

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made that a less attractive option.

Instead, NiSource agreed to sell a 19.9% minority interest in its Indiana electric utility to Blackstone for $2.16 billion. We think the implied valuation was exceptional at a near-80% premium to NiSource's consolidated valuation at the time of the announcement in mid-2023. The premium deal price reduces the dilution that shareholders otherwise would have faced if NiSource had to raise market equity.

Current and former NiSource management made two key capital allocation decisions 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.

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.

Previous CEO Joe Hamrock championed NiSource's clean energy growth strategy after succeeding Bob Skaggs in mid-2015. Skaggs, a 32-year NiSource veteran, left to lead the newly formed Columbia Pipeline Group when NiSource spun it off. CFO Donald Brown joined NiSource in April 2015 after stints at UGI Utilities and Constellation Energy.

Analyst Notes Archive

COP28 Highlights U.S. Utilities' Clean Energy Growth Potential Travis Miller, Strategist, 30 Nov 2023
With the U.N. Climate Change Conference, otherwise known as COP28, starting this week, we are reasserting our view that the market underappreciates utilities' critical role in limiting global warming.

We consider utilities to be the gatekeepers of decarbonization. Utilities are doing more than any sector to increase renewable energy, cut emissions, expand the energy grid, enable electric vehicles, and maintain energy reliability during extreme weather. This requires huge, multidecade investments that should drive earnings and dividend growth for utilities. We expect COP28 to support our bullish clean energy outlook, which is reflected in our fair value estimates and economic moat ratings.

We think many of our top utilities picks will play a bigger role in decarbonization than the market expects. These include Entergy, NiSource, WEC Energy, Portland General, and Duke Energy. We think their high dividend yields and underappreciated long-term clean energy growth offer attractive

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investment opportunities.

We forecast clean energy will be two thirds of total U.S. power generation by 2032. This is due to increasingly attractive economics, especially for solar, and state policymaking. We don't expect any significant new federal policies following the 2022 Inflation Reduction Act.

Utilities in states with aggressive clean energy goals should outpace our 6% annual average sector growth forecast. Half of the U.S. population lives in states with 100% clean energy mandates.

U.S. utilities trade at a median 7% discount to our fair value estimates after falling 9% this year, including dividends. Utilities are trailing the market by 29 percentage points, on track for the second-worst full-year relative performance in at least 30 years.

Despite the negative sentiment, utilities' fundamentals are strong. We think they deserve premium valuations compared with historical averages, given their better growth potential, improving rate regulation, and less volatile earnings.

NiSource: Cost Efficiency Key to Growth Outlook; Top Utilities Pick Travis Miller, Strategist, 20 Nov 2023

We are reaffirming our $33 fair value estimate and narrow moat rating for NiSource after meeting with management.

NiSource's stock trades at a 20% discount to our fair value estimate as of Nov. 17, making it one of the cheapest U.S. utilities. Its 4% dividend yield and 16 P/E are in line with the sector median, but we think the stock should trade at a premium because of NiSource's long-term growth upside and regulatory support.

NiSource has several paths to achieve the high end of its 6%-8% earnings growth outlook and extend that growth through the end of the decade. If management can limit the drag from higher financing and operating costs, earnings growth could trend closer to its 8%-10% annual asset base growth, one of the highest growth rates in the sector. NiSource limited the financing drag with its $2.15 billion minority interest stake in its Indiana electric utility this year at a significant premium to public market valuations. NiSource shouldn't need new equity until 2025 aside from replacing convertible preferred stock that was already in our forecast. NiSource has minimal debt refinancing needs. Maintaining mostly flat operating costs will be a challenge, but we think there are enough redundant costs across NiSource's subsidiaries that modest efficiencies can offset inflation. NiSource's information technology system upgrades in 2024 could produce some savings.

We also think there is an upside to management's $16 billion capital investment plan for 2024-28. Opportunities include smart meter upgrades, renewable natural gas projects with financial incentives in

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Virginia, another potential $2 billion of renewable energy projects in Indiana, and early hydrogen investments.

Earnings are on track to meet our 2023 estimate and the high end of management's $1.54-$1.60 EPS guidance range. Our 2024 forecast is in line with management's $1.68-$1.72 EPS guidance. We expect dividend growth to track earnings growth.

NiSource Earnings: New Investment Opportunities Support Growth Outlook; Top Utilities Pick Travis Miller, Strategist, 1 Nov 2023

We are reaffirming our $33 fair value estimate for NiSource after the company reported $0.19 per share of operating earnings in the third quarter, up from $0.10 in the same period last year. Year-to-date earnings are up 10% from last year and on track to meet our full-year estimate and the high end of management's $1.54-$1.60 EPS guidance range. We are reaffirming our narrow moat rating.

Several updates from management support our view that NiSource has some of the best long-term growth prospects in the sector. Combined with constructive regulation, we expect NiSource to grow earnings faster and for longer than most other utilities.

NiSource's stock trades at a 24% discount to our fair value estimate as of Oct. 31, making it one of the cheapest U.S. utilities. Its 4% dividend yield and 16 P/E are in line with the sector medians, but we think the stock should trade at a premium because of NiSource's long-term growth potential and regulatory support.

Management raised its five-year capital investment plan by 7% to $16 billion in 2024-28, implying 8%-10% annual regulatory asset growth and 6%-8% annual EPS growth, in line with our outlook. Management also initiated 2024 EPS guidance of $1.68-$1.72, implying at least 7% growth. We expect dividend growth to track earnings growth.

Management also detailed $2 billion of potential investment opportunities pending regulatory support. NiSource has a history of regulatory support, particularly in Indiana, its largest service territory. Additional growth investments likely would lead us to raise our fair value estimate.

We also have confidence in management's financing plan. NiSource's significant equity needs will keep earnings growing more slowly than the regulatory asset base. However, earnings growth could trend toward 8% annually if NiSource finds low-cost financing opportunities like the $2.15 billion minority interest sale of its Indiana electric utility earlier this year.

Utilities Finally Feel Heat From Rising Interest Rates; Sector Cheapest Since 2009 Travis Miller, Strategist, 2 Oct 2023

We are reaffirming our fair value estimates and economic moat ratings for all U.S. utilities after the

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sector fell nearly 5% on Monday. We think the sector's 11% drop since last week offers a rare opportunity for investors to buy high-quality utilities at very attractive prices.

U.S. utilities now trade at a median 15% discount to our fair value estimates. This matches the largest discount since the market bottoms in March 2020 and March 2009. Utilities' median 16 P/E is the lowest since exiting the 2008-09 recession.

We considered U.S. utilities 15% overvalued last August before the sector began a 25% slide through Monday, including dividends. The sector trails the Morningstar U.S. Market Index by 30 percentage points year to date after coming into the year slightly overvalued based on our fair value estimates.

The increasing probability of higher-for-longer interest rates has finally caught up to utilities. With the 10-year U.S. Treasury yield up to 4.7% from 3.3% in April, utilities' dividend yields are less attractive and financing costs likely will climb. The sector's 3.9% dividend yield has been lower than the 10-year U.S. Treasury yield since August 2022, the first time since the 2008-09 recession.

Despite the negative sentiment, utilities' fundamentals are strong. We think most utilities deserve premium valuations compared with historical averages given their better growth prospects, improving rate regulation, and less-volatile earnings. We forecast a median 6% annual EPS and dividend growth across our coverage. Our top picks are utilities that we think can grow earnings and dividends faster and for longer than their current market valuations imply.

We have long warned investors that utilities with aggressive growth plans and high valuations would fall the fastest if interest rates rose. NextEra Energy (down 38% year to date) and American Water Works (down 21%) are among those that we long considered overvalued but now trade below our fair value estimates.

NiSource Earnings: Executing Growth Plan After Finalizing Minority Interest Sale Travis Miller, Strategist, 2 Aug 2023

We are reaffirming our $33 fair value estimate for NiSource after the company reported $0.11 per share of weather-adjusted operating earnings in the second quarter, down from $0.12 in the second quarter of 2022. First-half earnings are up 1% and on track to meet our full-year expectations for 7% growth given the large revenue step-ups that will take effect in the second half of the year. We are reaffirming our narrow moat rating.

NiSource is one of our top utilities picks, trading at a 17% discount to our fair value estimate as of Aug. 1. We think it has better regulation and more long-term investment opportunities than most other utilities relative to its size. The stock's 3.6% dividend yield and our 7% annual earnings growth outlook for the next five years offer investors what we consider an attractive total return.

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Management reaffirmed its 6%-8% annual earnings growth rate target through 2027 and suggested EPS this year will be at the high end of its $1.54-$1.60 guidance range, up from the $1.50-$1.57 range it initiated in November. These are both in line with our outlook.

A series of constructive regulatory outcomes, notably a $291.8 million rate increase settlement in its largest service territory, Indiana, have contributed to the upside. Other approved and anticipated rate increases in Maryland, Virginia, and Ohio give us high confidence that NiSource can achieve 7% earnings growth during at least the next two years.

Constructive regulation also supports NiSource's $15 billion capital investment plan during the next five years, setting a path for 6%-8% annual earnings and dividend growth beyond 2024. Support for renewable energy investments, particularly in Indiana, is a key piece of that long-term growth.

We expect NiSource to close its $2.15 billion minority interest sale of its Indiana utility by year-end, eliminating most financing needs in 2024. The premium deal price led us to raise our fair value estimate by $1 per share in June.

NiSource: Blackstone Pays Premium Price for Indiana Utility Share; NiSource a Top Utilities Pick

Travis Miller, Strategist, 20 Jun 2023

We are raising our fair value estimate to $33 from $32 after NiSource announced a deal to sell a 19.9% interest in its largest subsidiary, NIPSCO, to Blackstone Infrastructure Partners. We are reaffirming our narrow moat and stable moat trend ratings. The stock trades at a 17% discount to our updated fair value estimate.

The long-anticipated transaction priced far above our expectations at $2.15 billion, implying a $10.8 billion equity value for NiSource's Indiana gas and electric utility, which contributes about half of NiSource's total earnings. NiSource's consolidated market cap, including its six gas distribution utilities, was $11.3 billion as of June 16. We had expected $1.5 billion of proceeds based on current utilities sector valuations.

At 32 times earnings, the deal is one of the richest ever for a regulated utility and an 80% premium to the utilities sector median and NiSource's 17.5 P/E as of June 16. This confirms our view that NiSource deserves a premium valuation because of its clean energy growth opportunities and constructive regulation in Indiana.

Despite the premium price, the incremental value for NiSource shareholders is limited because of the small relative size of the deal and NiSource's need to reduce debt with about half of the proceeds. The remaining proceeds and ongoing equity contributions from Blackstone will help fund what we expect will be $15 billion of capital investment during the next five years, in line with management's plan.

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On a consolidated basis, we forecast 7% average annual earnings growth during the next five years, in line with management's 6%-8% target and among the top half of U.S. utilities in our coverage. Constructive regulatory outcomes at NiSource's six gas utilities and a recent electric rate settlement at NIPSCO provide good earnings growth visibility for 2023 and 2024. We expect earnings dilution from the Blackstone deal to keep consolidated earnings mostly flat in 2024.

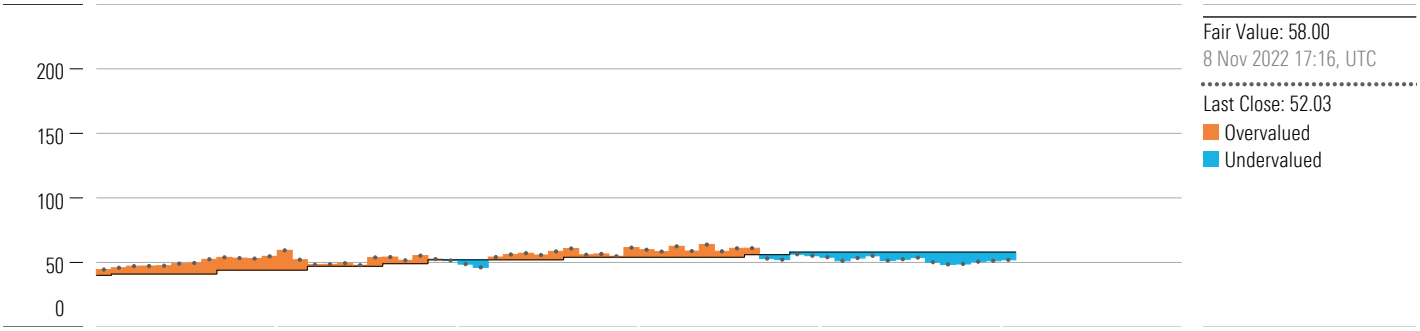
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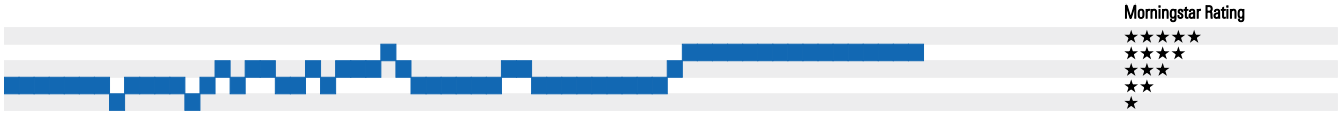
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Competitors Price vs. Fair Value

Alliant Energy Corp LNT

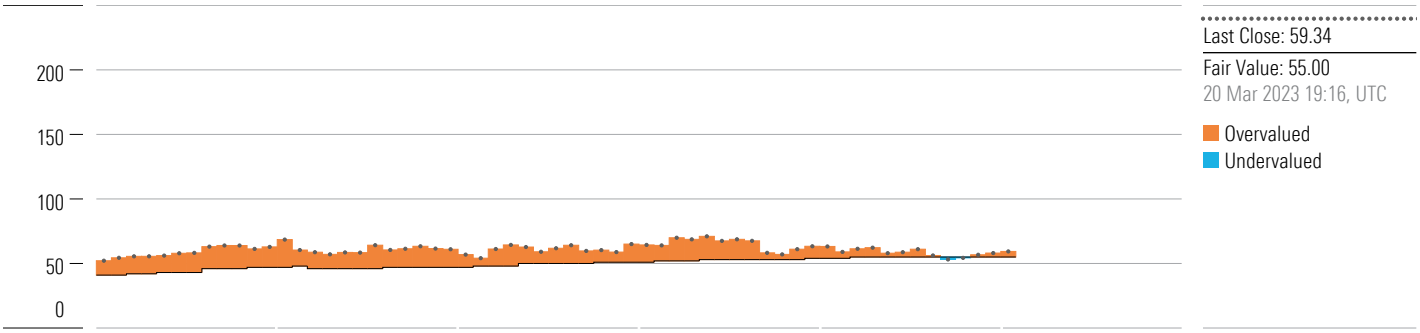


	2019	2020	2021	2022	2023	YTD	
	1.24	0.99	1.14	0.95	0.88	0.90	Price/Fair Value
	32.88	-3.05	22.41	-7.40	-3.80	1.42	Total Return %



Total Return % as of 5 Jan 2024. Last Close as of 5 Jan 2024. Fair Value as of 8 Nov 2022 17:16, UTC.

CMS Energy Corp CMS



	2019	2020	2021	2022	2023	YTD	
	1.34	1.30	1.28	1.17	1.06	1.08	Price/Fair Value
	29.65	-0.32	9.47	0.18	-5.23	2.19	Total Return %



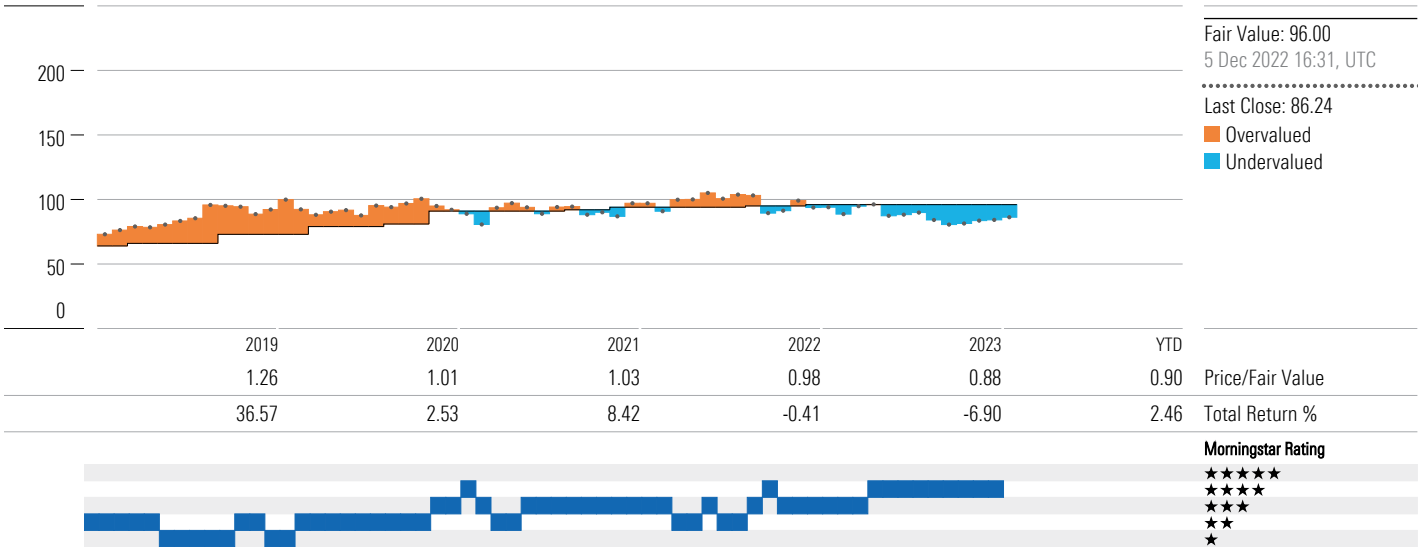
Total Return % as of 5 Jan 2024. Last Close as of 5 Jan 2024. Fair Value as of 20 Mar 2023 19:16, UTC.

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WEC Energy Group Inc WEC



	2019	2020	2021	2022	2023	YTD	
	1.26	1.01	1.03	0.98	0.88	0.90	Price/Fair Value
	36.57	2.53	8.42	-0.41	-6.90	2.46	Total Return %

Total Return % as of 5 Jan 2024. Last Close as of 5 Jan 2024. Fair Value as of 5 Dec 2022 16:31, UTC.

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NiSource Inc NI ★★★★★ 5 Jan 2024 22:17, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
27.04 USD 5 Jan 2024	33.00 USD 20 Jun 2023 19:59, UTC	0.82	11.18 USD Bil 5 Jan 2024	Narrow	Mid Value	Low	Standard	3 Jan 2024 06:00, UTC

Morningstar Historical Summary

Financials as of 30 Sep 2023

Fiscal Year, ends 31 Dec	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	TTM
Revenue (USD K)	5,272,400	4,651,800	4,492,500	4,874,600	5,114,500	5,208,900	4,681,700	4,899,600	5,850,600	—	4,083,400	5,788,000
Revenue Growth %	14.0	-11.8	-3.4	8.5	4.9	1.8	-10.1	4.7	19.4	—	-1.5	4.2
EBITDA (USD K)	1,278,400	1,238,600	1,416,600	1,376,800	733,900	1,595,000	1,056,500	1,787,400	2,137,700	—	1,585,700	2,188,500
EBITDA Margin %	24.3	26.6	31.5	28.2	14.4	30.6	22.6	36.5	36.5	—	38.8	37.8
Operating Income (USD K)	792,100	801,500	865,100	926,700	125,900	1,305,200	961,400	1,014,600	1,161,600	—	932,400	1,299,000
Operating Margin %	15.0	17.2	19.3	19.0	2.5	25.1	20.5	20.7	19.9	—	22.8	22.4
Net Income (USD K)	530,000	286,500	331,500	128,500	-50,600	383,100	-17,600	584,900	804,100	—	476,900	721,400
Net Margin %	10.1	6.2	7.4	2.6	-1.3	6.3	-1.6	10.8	12.8	—	10.7	11.5
Diluted Shares Outstanding (K)	316,600	319,800	323,500	330,800	356,500	376,000	384,300	417,300	442,700	—	447,400	446,975
Diluted Earnings Per Share (USD)	1.67	0.90	1.02	0.39	-0.18	0.87	-0.19	1.27	1.70	—	0.98	1.50
Dividends Per Share (USD)	1.02	0.83	0.64	0.70	0.78	0.80	0.84	0.88	0.94	—	0.75	0.99

Valuation as of 29 Dec 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Recent Qtr	TTM
Price/Sales	2.1	1.0	1.7	1.7	1.8	2.0	1.8	2.4	2.2	2.1	2.1	2.1
Price/Earnings	25.3	12.8	23.3	31.3	-87.7	22.6	-29.4	25.3	17.8	17.7	17.7	17.7
Price/Cash Flow	10.8	3.8	9.0	10.5	7.8	12.3	7.2	9.5	9.1	6.2	6.2	6.2
Dividend Yield %	2.4	4.25	2.89	2.73	3.08	2.87	3.66	3.19	3.43	3.77	3.77	3.77
Price/Book	2.2	1.6	1.9	2.0	2.0	2.1	2.0	2.3	2.0	1.8	1.8	1.8
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 2023

Fiscal Year, ends 31 Dec	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	TTM
ROA %	2.2	1.4	1.8	0.7	-0.3	1.5	-0.3	2.3	2.9	—	—	2.5
ROE %	8.8	5.7	8.4	3.1	-1.4	6.6	-1.5	10.3	13.1	—	—	11.4
ROIC %	4.9	3.8	4.9	2.7	1.4	4.2	1.3	5.3	6.3	—	—	5.8
Asset Turnover	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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Recent Qtr	TTM
Debt/Capital %	56.9	60.8	59.8	63.5	55.3	56.9	62.1	57.4	56.2	—	60.4	—
Equity/Assets %	25.1	22.0	21.8	21.6	22.3	22.5	22.1	22.4	22.5	—	21.8	—
Total Debt/EBITDA	7.8	5.6	5.6	6.5	14.7	7.1	11.1	7.2	6.8	—	10.0	—
EBITDA/Interest Expense	3.5	3.3	4.0	3.8	2.0	4.3	2.9	5.4	5.9	Infinite	4.5	4.9

Morningstar Analyst Historical/Forecast Summary as of 03 Nov 2023

Financials

			Estimates		
Fiscal Year, ends 31 Dec 2022	2021	2022	2023	2024	2025
Revenue (USD Mil)	4,900	5,851	6,105	6,385	6,621
Revenue Growth %	4.7	19.4	4.4	4.6	3.7
EBITDA (USD Mil)	1,755	2,087	2,185	2,459	2,656
EBITDA Margin %	35.8	35.7	35.8	38.5	40.1
Operating Income (USD Mil)	1,007	1,266	1,315	1,529	1,656
Operating Margin %	20.5	21.6	21.5	23.9	25.0
Net Income (USD Mil)	572	651	714	772	840
Net Margin %	11.7	11.1	11.7	12.1	12.7
Diluted Shares Outstanding (Mil)	417	443	450	454	459
Diluted Earnings Per Share(USD)	1.37	1.47	1.59	1.70	1.83
Dividends Per Share(USD)	0.83	0.86	1.00	1.06	1.12

Forward Valuation

			Estimates		
	2021	2022	2023	2024	2025
Price/Sales	2.3	1.9	1.8	1.8	1.7
Price/Earnings	20.2	18.7	17.0	15.9	14.8
Price/Cash Flow	-18.0	-14.0	-12.5	-9.3	-9.2
Dividend Yield %	3.0	3.1	3.7	3.9	4.1
Price/Book	1.7	1.6	1.5	1.5	1.4
EV/EBITDA	12.8	11.2	11.7	10.4	9.6

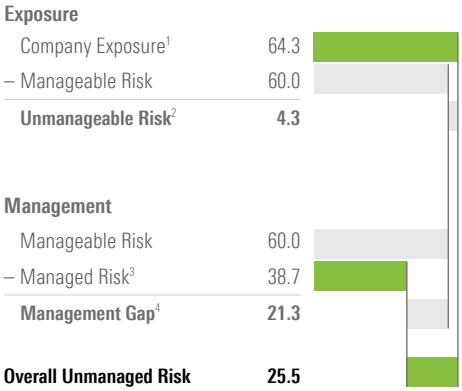
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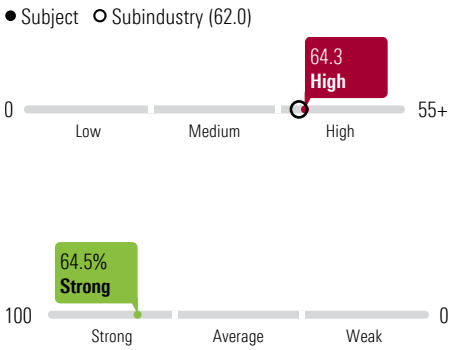
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NiSource Inc NI ★★★★★ 5 Jan 2024 22:17, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
27.04 USD 5 Jan 2024	33.00 USD 20 Jun 2023 19:59, UTC	0.82	11.18 USD Bil 5 Jan 2024	Narrow	Mid Value	Low	Standard	 3 Jan 2024 06:00, UTC

ESG Risk Rating Breakdown

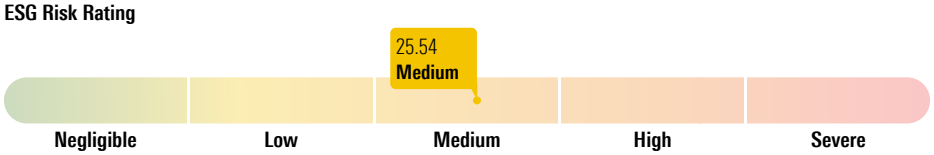




- Exposure represents a company's vulnerability to ESG risks driven by their business model
- Exposure is assessed at the Subindustry level and then specified at the company level
- Scoring ranges from 0-55+ with categories of low, medium, and high-risk exposure

- Management measures a company's ability to manage ESG risks through its commitments and actions
- Management assesses a company's efficiency on ESG programs, practices, and policies
- Management score ranges from 0-100% showing how much manageable risk a company is managing

ESG Risk Rating



ESG Risk Ratings measure the degree to which a company's value is impacted by environmental, social, and governance risks, by evaluating the company's ability to manage the ESG risks it faces.

1. A company's Exposure to material ESG issues 2. Unmanageable Risk refers to risks that are inherent to a particular business model that cannot be managed by programs or initiatives 3. Managed Risk = Manageable Risk multiplied by a Management score of 64.5% 4. Management Gap assesses risks that are not managed, but are considered manageable 5. ESG Risk Rating Assessment = Overall Unmanaged Risk = Management Gap plus Unmanageable Risk

ESG Risk Rating Assessment[5]



ESG Risk Rating is of Jan 03, 2024. Highest Controversy Level is as of Jan 08, 2024. Sustainalytics Subindustry: Multi-Utilities. Sustainalytics provides Morningstar with company ESG ratings and metrics on a monthly basis and as such, the ratings in Morningstar may not necessarily reflect current Sustainalytics' scores for the company. For the most up to date rating and more information, please visit: sustainalytics.com/esg-ratings/.

Peer Analysis 03 Jan 2024

Peers are selected from the company's Sustainalytics-defined Subindustry and are displayed based on the closest market cap values

Company Name	Exposure			Management			ESG Risk Rating		
NiSource Inc	64.3 | High	0	55+	64.5 | Strong	100	0	25.5 | Medium	0	40+
Alliant Energy Corp	55.4 | High	0	55+	65.7 | Strong	100	0	21.4 | Medium	0	40+
WEC Energy Group Inc	55.4 | High	0	55+	54.3 | Strong	100	0	27.3 | Medium	0	40+
Xcel Energy Inc	60.6 | High	0	55+	60.4 | Strong	100	0	26.4 | Medium	0	40+
CMS Energy Corp	59.4 | High	0	55+	68.0 | Strong	100	0	21.7 | Medium	0	40+

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Appendix

Historical Morningstar Rating

NiSource Inc NI 5 Jan 2024 22:17, UTC

Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
—	—	—	—	—	—	—	—	—	—	—	★★★★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★★★★	★★★★★	★★★★★	★★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★★★	★★★★	★★★★★	★★★★	★★★	★★★	★★★★	★★★	★★★	★★★	★★★	★★★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★★	★★★★★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★	★★★★	★★★	★★★
Dec 2019	Nov 2019	Oct 2019	Sep 2019	Aug 2019	Jul 2019	Jun 2019	May 2019	Apr 2019	Mar 2019	Feb 2019	Jan 2019
★★★	★★★	★★★	★★	★★	★★	★★	★★★	★★★	★★	★★★	★★★

Alliant Energy Corp LNT 5 Jan 2024 22:17, UTC

Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
—	—	—	—	—	—	—	—	—	—	—	★★★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★★★	★★★★	★★★★	★★★	★★	★★	★★	★★	★★	★★	★★	★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★★	★★★	★★★	★★	★★	★★	★★	★★	★★	★★★	★★★★	★★★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★★★	★★★	★★	★★★	★★	★★	★★★	★★★	★★	★★★	★★	★
Dec 2019	Nov 2019	Oct 2019	Sep 2019	Aug 2019	Jul 2019	Jun 2019	May 2019	Apr 2019	Mar 2019	Feb 2019	Jan 2019
★★	★★	★★	★★	★	★★	★★	★★	★★	★★	★★	★★

CMS Energy Corp CMS 5 Jan 2024 22:17, UTC

Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
—	—	—	—	—	—	—	—	—	—	—	★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★	★★★	★★★	★★★	★★★	★★	★★	★★	★★	★★	★★	★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★	★★	★★	★★	★	★	★★	★	★	★	★★	★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★	★★	★★	★★	★	★★	★★	★	★	★	★★	★★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★	★	★	★	★	★	★	★★	★	★	★	★
Dec 2019	Nov 2019	Oct 2019	Sep 2019	Aug 2019	Jul 2019	Jun 2019	May 2019	Apr 2019	Mar 2019	Feb 2019	Jan 2019
★	★	★	★	★	★	★	★	★	★	★	★★

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WEC Energy Group Inc WEC 5 Jan 2024 22:17, UTC

Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
—	—	—	—	—	—	—	—	—	—	—	★★★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★	★★★	★★★	★★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★★	★★★	★★★★	★★★	★★	★★	★★★	★★	★★	★★★	★★★	★★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★	★★	★★★	★★★★	★★★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★★★	★★	★★	★★	★★	★★	★★	★★	★★	★★	★	★
Dec 2019	Nov 2019	Oct 2019	Sep 2019	Aug 2019	Jul 2019	Jun 2019	May 2019	Apr 2019	Mar 2019	Feb 2019	Jan 2019
★★	★★	★	★	★	★	★	★★	★★	★★	★★	★★

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Research Methodology for Valuing Companies

Alternative location for disclosure can be found https://pspdf-stg.morningstar.com/v1/disclosure

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.

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 is designed to capture the range of potential outcomes for a company's intrinsic value. This rating is used to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating is aimed at identifying the confidence we should have in assigning a fair value estimate for a given stock.

Morningstar Equity Research Star Rating Methodology



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Our Uncertainty Rating is meant to take into account anything that can increase the potential dispersion of future outcomes for the intrinsic value of a company, and anything that can affect our ability to accurately predict these outcomes. The rating begins with a suggested rating produced by a quantitative process based on the trailing 12-month standard deviation of daily stock returns. An analyst overlay is then applied, with analysts using the suggested rating, historical rating data, and their own knowledge of the company to inform them as they make the final Uncertainty Rating decision. Ultimately, the rating decision rests with the analyst. Analysts take into account many characteristics when making their final decision, including cyclical factors, operational and financial factors such as leverage, company-specific events, ESG risks, and anything else that might increase the potential dispersion of future outcomes and our ability to estimate those outcomes.

Our recommended margin of safety—the discount to fair value demanded before we'd recommend buying or selling the stock—widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the potential dispersion of outcomes, 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 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

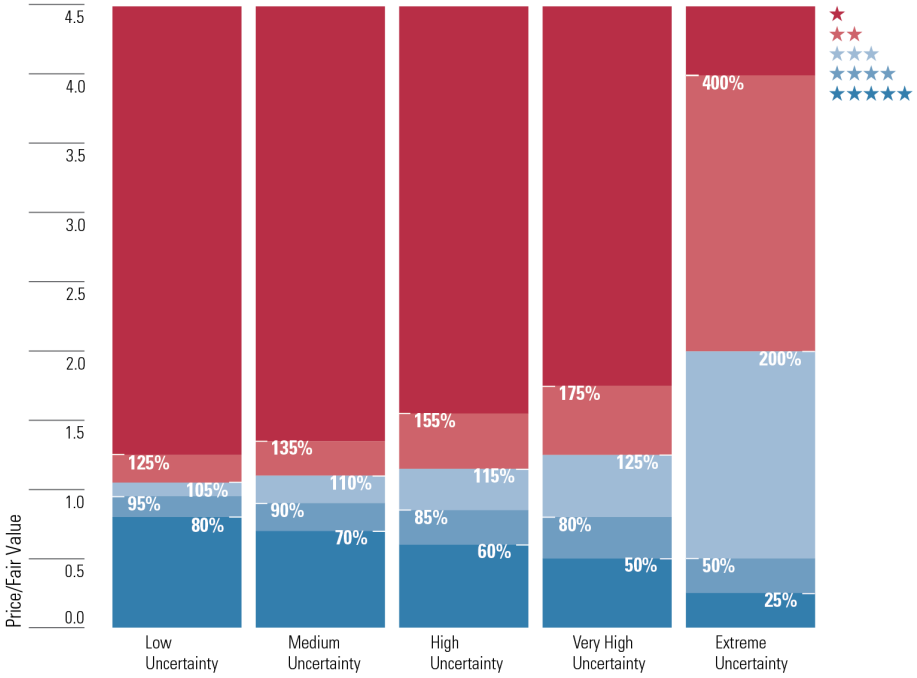
Our uncertainty rating is based on the interquartile range, or the middle 50% of potential outcomes, covering the 25th percentile–75th percentile. This means that when a stock hits 5 stars, we expect there is a 75% chance that the intrinsic value of that stock lies above the current market price. Similarly, when a stock hits 1 star, we expect there is a 75% chance that the intrinsic value of that stock lies below the current market price.

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. 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.

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

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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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First Read

NiSource Inc.

Details Filed in NIPSCO Gas Settlement

What Happened?

Yesterday, the details in the NIPSCO gas rate case settlement were filed. The company will implement a $121mm rate increase premised on a 9.75% and 52.39% equity ratio. NI had requested a $162mm increase, 52.39% equity ratio and 10.70% ROE. The last case, in July of 2022, was based on a 9.85% ROE and 49.47% equity ratio. The rate increase will be done in two phases with roughly 70% to go into effect in September '24 and the remaining balance likely by March 2025.

What's Our View?

We believe investors should view this as a positive development and evidence of further de-risking on the 6-8% EPS growth plan. Receiving ~75% of the revenue requested is a reasonable outcome and consistent with expectations embedded in our EPS outlook for '25/'26 of $1.84/$1.98. We see stable and consistent execution on the regulatory front, as demonstrated by this settlement, as continuing to justify a higher valuation than the in-line multiple vs. the group average we see it currently trading.

What's Next?

NI recently filed a rate case in Pennsylvania that should be resolved by year-end. We expect updates on the next earnings call on incremental capex opportunities and how much progress has been made on the $600mm of ATM equity issuance being targeted for 2024.

Valuation:

We maintain our Buy rating and $31 price target.

Equities

Americas

Electric Utilities

12-month rating	**Buy**
12m price target	**US$31.00**
Price (20 Mar 2024)	**US$26.86**
RIC: NI.N **BBG:** NI US	

Trading data and key metrics

52-wk range	US$28.89-23.18
Market cap.	US$12.0b
Shares o/s	448m (COM)
Free float	99%
Avg. daily volume ('000)	1,236
Avg. daily value (m)	US$32.4
Common s/h equity (12/23E)	US$6.42b
P/BV (12/23E)	1.9x
Net debt to EBITDA (12/23E)	5.9x

EPS (UBS, diluted) (US$)

	12/23E	
	UBS	**Cons.**
Q1	0.77	0.77
Q2	0.11	0.11
Q3	0.19	0.19
Q4E	0.52	0.53
12/23E	1.59	1.60
12/24E	1.71	1.72
12/25E	1.84	1.86

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Highlights (US$m)	12/20	12/21	12/22	12/23E	12/24E	12/25E	12/26E	12/27E
Revenues	4,697	4,900	5,836	6,092	6,463	6,771	7,006	7,281
EBIT (UBS)	1,031	1,046	1,149	1,308	1,581	1,791	1,937	2,124
Net earnings (UBS)	507	573	650	712	790	879	964	1,052
EPS (UBS, diluted) (US$)	1.32	1.37	1.47	1.59	1.71	1.84	1.98	2.12
DPS (net) (US$)	0.88	0.90	0.94	1.00	1.06	1.12	1.19	1.26
Net (debt) / cash	(10,501)	(11,253)	(13,028)	(13,069)	(14,475)	(16,003)	(17,061)	(17,983)

Profitability/valuation	12/20	12/21	12/22	12/23E	12/24E	12/25E	12/26E	12/27E
EBIT (UBS) margin %	22.0	21.3	19.7	21.5	24.5	26.5	27.7	29.2
ROIC (EBIT) %	7.5	7.4	7.3	7.1	7.6	7.8	7.8	8.0
EV/EBITDA (UBS core) x	9.9	10.4	11.4	10.4	9.2	8.7	8.5	8.1
P/E (UBS, diluted) x	18.6	17.9	19.6	16.9	15.7	14.6	13.6	12.7
Equity FCF (UBS) yield %	(6.0)	(6.2)	(6.5)	(15.6)	(12.6)	(10.3)	(6.1)	(4.5)
Dividend yield (net) %	3.6	3.6	3.3	3.7	3.9	4.2	4.4	4.7

Source: Company accounts, LSEG Eikon, 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$ 27.10 on 21-Mar-2024

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Forecast returns

Forecast price appreciation	15.4%
Forecast dividend yield	3.9%
Forecast stock return	19.3%
Market return assumption	9.6%
Forecast excess return	9.7%

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

We apply a 12% premium valuation for NI, which reflects +5% for overall group attractiveness, +3% for second quartile regulation and 4% for first quartile EPS growth. This drives an earnings target multiple of 16.8x our 2025 estimate of $1.84/shr and a $31 target price.

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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Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at https://neo.ubs.com/quantitative, or contact your UBS sales representative for access to the report or the Quantitative Research Team on qa@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

NiSource Inc.

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	4
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view)	3
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	4
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	3
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	3
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	
11. What is the catalyst?	

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UBS Global Research: Global Equity Rating Definitions

12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	52%	38%
Neutral	FSR is between -6% and 6% of the MRA.	40%	38%
Sell	FSR is > 6% below the MRA.	8%	35%
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 2023.
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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UBS Securities LLC: Gregg Orrill, Jeffrey Keitel, Ross Fowler, CFA, William Appicelli, CFA.

Company Disclosures

Company Name	Reuters	12-month rating	Price	Price date
NiSource Inc.[13,4,5,16,7]	NI.N	Buy	US$27.10	21 Mar 2024

Source: UBS Global Research; LSEG Eikon. 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.

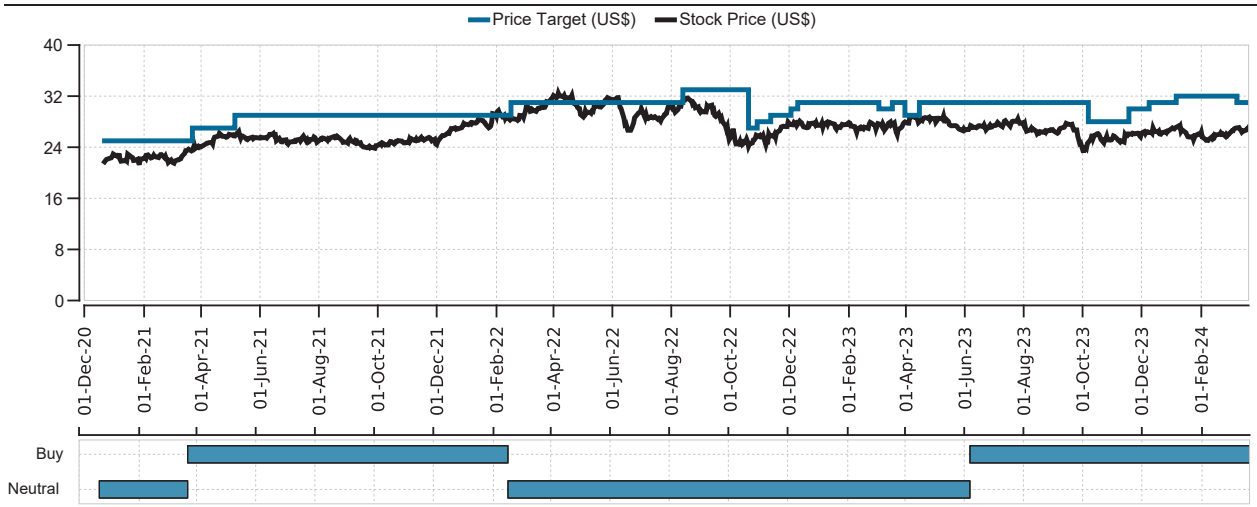
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NiSource Inc. (US$)



Date	Stock Price (US$)	Price Target (US$)	Rating
2020-12-21	21.53	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
2022-08-12	31.14	33.00	Neutral
2022-10-19	24.88	27.00	Neutral
2022-10-28	25.89	28.00	Neutral
2022-11-11	25.81	29.00	Neutral
2022-12-02	27.57	30.00	Neutral
2022-12-09	27.39	31.00	Neutral
2023-03-03	27.70	30.00	Neutral
2023-03-17	27.47	31.00	Neutral
2023-03-30	27.84	29.00	Neutral
2023-04-14	27.85	31.00	Neutral
2023-06-06	26.96	31.00	Buy
2023-10-06	24.59	28.00	Buy
2023-11-17	26.08	30.00	Buy
2023-12-08	26.30	31.00	Buy
2024-01-05	27.04	32.00	Buy
2024-03-08	27.01	31.00	Buy

Source: UBS Global Research; LSEG Eikon as of 21-Mar-2024. All prices as of local market close. Ratings as of date shown.

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EVERCORE ISI

Energy | Power & Utilities

August 07, 2024

NiSource Inc

NI | $30.94

Outperform | Target Price/Base Case: $34.00 (from $32.00)

Earnings Report

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Company Statistics

Market Capitalization (M)	$13,978
Shares Outstanding (M)	448
Dividend	1.06
Dividend Yield	3.4%
Payout Ratio	61.6%
Expected Total Return	12.4%
Fiscal Year End	Dec

Earnings Summary

	2024E	2025E	2026E
EPS	$1.72	$1.83	$1.96
P/E	18.1	17.1	15.9
EPS vs Consensus	(0.1)%	(0.8)%	(0.8)%
Consensus EPS	$1.72	$1.84	$1.98
Consensus P/E	18.1	16.9	15.8

1 Year Price History



Source: FactSet

Through the Uprights

Key 2Q24 Takes:

- NI reported Q2 non-GAAP adjusted EPS of $0.21 vs. our estimate of $0.17 and street consensus of $0.16.
- Now expect to achieve the upper half of 2024 adjusted EPS guidance of $1.70-$1.74.
- Reaffirmed 2023-2028 annual adjusted EPS growth target of 6-8%.
- Reaffirmed base capex plan of $16.4B for 2024-2028.
  - Still supporting 8%-10% 2023-2028 annual utility rate base growth
  - $1.6B 2024-2028 incremental opportunity not included in base plan
- Base capital plan includes up to $600M of equity via ATM in 2024, of which $500M have been priced through end of June.
  - Still project $200-300M of annual total equity raised via ATM from 2025-2028 (no change)
  - Equity sized to support current investment grade credit ratings and maintain 14-16% FFO/Debt annually through 2028.
  - Upside to the Base Capital Plan may require modest increases to ATM to maintain the capital structure
- NIPSCO gas rate case: On October 25, 2023, NI filed request for $162M revenue increase, based on 10.7% ROE vs current 9.85% and 52.39% equity ratio vs current 49.47%. On March 20, 2024, settlement was filed with a $121M rate increase based on a 9.75% ROE and 52.39% equity ratio, which was approved by the Indiana Utility Regulatory Commission on July 31, 2024
- PA rate case: On March 15, 2024, PA rate case was filed, requesting a $124M rate increase, based on a 11.75% ROE and a 54.40% equity layer. Intervenor testimony was filed in late June and the company is privately reviewing the testimony. While a settlement is not yet confirmed, the company is working towards a resolution that balances customer and stakeholder interests. A decision is expected by year end.

Maintaining our Outperform rating and raising TP to $34 from $32 per share. NiSource is amongst our best ideas for 2024. We continue to see NI shares as undervalued, targeting above average EPS growth of 6-8% and de risked financing plan with NIPSCO minority sale closed in Dec 2023. We think shares should trade in line with higher premium names like CMS and DUK.

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Additional Details:

- **VA rate case**: On April 29, 2024, VA rate case was filed, requesting a $53M rate increase, based on a 10.85% ROE and a 42.76% equity layer. Interim rates are expected to be in effect around October. Decision is expected by May 2025.
- **KY rate case**: On May 16, 2024, NI filed its rate case in Kentucky, requesting a rate increase of $24M based on 10.8% ROE and 52.64% equity layer. Intervener testimony is expected later this month with hearings in October. Decision is expected late this year or early next year.
- **Microsoft data center**: On June 3, 2024, Indiana Governor Eric J. Holcomb announced that Microsoft will invest $1 billion to establish a new data center in northwest Indiana, which is NIPSCO's service territory.
- **Incremental capital:** The company has previously discussed $1.6B in incremental capital opportunity which would be added to the base plan periodically following regulatory approvals. Management also highlighted previously need for additional gas pipeline infrastructure to serve new gas generation supporting data centers.
- **MISO transmission planning**: $300M of combined projects awarded to NiSource under Tranche 1 are included in company's capital and financing plan. LRTP Tranche 2 will likely commence beyond NI's current financial plan and the company could be awarded projects. On June 21, 2024, MISO presented results from the Long Range Transmission Portfolio (LRTP) Tranche 2.1 near-final portfolio of $23B to $27B. Tranche 2.1 is expected to be finalized with MISO Board of Directors' approval in Q4 2024. MISO plans to propose second set of projects, Tranche 2.2, in 2025.
- **2024 IRP**: The final 2024 IRP will be filed with IURC (Indiana Utility Regulatory Commission) in November 2024, which informs company's CPCN filings going forward. There won't be approval or denial from the commission. The 2024 IRP will evaluate NIPSCO's long-term generating capacity requirements by 2035 and inform generation investment decisions. It builds on generation already included in five-year base capital plan and will analyze energy demand projected across the next two decades associated with potential data center development, electrification, electric vehicle utilization, while incorporating changing policy and resource adequacy requirements. As of June 24, 2024, second stakeholder advisory meeting the IRP analysis outlines a significant potential upside. Given the potential opportunities in the pipeline from NIPSCO's Economic Development team, the IRP analysis will include 2,600 MW of new load in all scenarios and a load sensitivity with an additional 6,000 MW. Total IRP peak load with emerging load sensitivity is 5,500 MW by 2028, 8,400 MW by 2030, and 11,100 MW by 2035. The build-out of new energy and capacity resources to meet this potential new load will be analyzed in the 2024 IRP process. The third stakeholder advisory meeting is scheduled for Aug 21, 2024.
- **Target Price**: Maintaining our Outperform rating and raising TP from $32 to $34 per share. We are keeping our 24E/ 25E/26E of $1.72/$1.83/$1.96 unchanged. See our base case SOTP valuation of $34 on Exhibit 1. We apply a 5% premium to our peer target 16x multiple for the electric business, which we estimate will grow rate base by 8-10% through 2028 versus peers at 6-7%. Our base case for the LDCs applies an in-line peer gas multiple, now of ~17.5x 2026 EPS. Our bear case in Exhibit 1 derives $28/share valuation assuming NI will grow EPS at 6% based off 2023 non-GAAP EPS of $1.60, while our bull case is $36/share assuming the company can grow at 8%. We see attractive risk/reward with base case TP of $34 driving a total return of 12%. Our bull/bear case valuation of $36/$28 respectively could result in 19% upside vs -7% downside.

Exhibit 1: NiSource SOTP Valuation

Base

Base Case	'26 EPS	P/E	Val/Shr
Gas EPS	$1.49	17.5x	$26.04
Electric EPS	$0.90	16.8x	$15.20
Parent/Other	($0.43)	17.1x	($7.41)
Consolidated 2026 EPS	**$1.96**	17.3x	**$34.00**
ETR (including dividend)			12%

Bull 2.00

Bull Case	'26 EPS	P/E	Val/Shr
Gas EPS	$1.52	18.5x	$28.03
Electric EPS	$0.92	17.6x	$16.16
Parent/Other	($0.43)	18.0x	($7.80)
Consolidated 2026 EPS	**$2.00**	18.0x	**$36.00**
ETR (including dividend)			18%

Bear 1.90

Bear Case	'26 EPS	P/E	Val/Shr
Gas EPS	$1.45	14.4x	$20.92
Electric EPS	$0.88	15.2x	$13.43
Parent/Other	($0.43)	14.8x	($6.41)
Consolidated 2026 EPS	**$1.90**	14.7x	**$28.00**
ETR (including dividend)			-7%

Source: Evercore ISI

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VALUATION METHODOLOGY

We use a SOTP analysis to arrive at our price target

RISKS

Risks to our thesis include an inability to deploy capital at the company's expected rate resulting in a lower rate base and regulatory pressure resulting in lower allowed ROEs

COMPANIES UNDER COVERAGE BY AUTHOR

Symbol	Company	Rating	Price (2024-07-08)	Evercore ISI Target
AEE	Ameren Corp.	In Line	$80.56	$79.00
AEP	American Electric Power	In Line	$98.29	$97.00
AES	The AES Corporation	Outperform	$16.52	$23.00
AGR	Avangrid Inc	In Line	$35.83	
AWK	American Water Works Company, Inc.	In Line	$143.60	$150.00
CEG	Constellation Energy Corp	Outperform	$181.04	$212.00
CMS	CMS Energy Corp.	In Line	$64.90	$64.00
CNP	CenterPoint Energy, Inc.	In Line	$25.77	$30.00
D	Dominion Energy, Inc	In Line	$54.17	$56.00
DTE	DTE Energy Co.	Outperform	$119.07	$122.00
DUK	Duke Energy Corp.	Outperform	$112.92	$115.00
ED	Consolidated Edison Inc.	In Line	$100.89	$98.00
ES	Eversource Energy	In Line	$65.49	$69.00
EVRG	Evergy	In Line	$58.78	$58.00
EXC	Exelon Corp.	In Line	$37.59	$42.00
NEE	NextEra Energy Inc	In Line	$76.97	$75.00
NI	NiSource Inc	Outperform	$30.94	$34.00
NRG	NRG Energy Inc.	In Line	$71.19	$74.00
OGE	OGE Energy Corp	In Line	$38.82	$36.00
PEG	Public Service Enterprise Group	Outperform	$78.42	$80.00
PPL	PPL Corp.	Outperform	$30.23	$32.00
PWR	Quanta Services, Inc.	Outperform	$248.03	$288.00
SO	Southern Co.	In Line	$86.45	$84.00
SRE	Sempra Energy	Outperform	$77.05	$84.00
VST	Vistra Energy Corp	Outperform	$74.39	$103.00
WEC	WEC Energy Group, Inc.	In Line	$88.47	$88.00
WTRG	Essential Utilities Inc.	Outperform	$39.45	$42.00
XEL	Xcel Energy Inc.	Outperform	$57.86	$65.00

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NI BUY

NiSource Inc.
Sector: Power & Utilities

Earnings Release

Share Price	$30.94
Price Target	$33.00

EPS ($) (FY DEC)	1Q	2Q	3Q	4Q	FY
2024	0.85	0.21	0.06E	0.60E	1.72E
Prior	—	*0.13*	—	*0.68E*	—
P/E					18.0x
2025	—	—	—	—	1.84E
P/E					16.8x
2026	—	—	—	—	1.97E
P/E					15.7x

Market Data

52-Week Range	$22.86 - $32.38
Dividend	$1.06
Dividend Yield	3.4%
Market Cap (M)	$13,871
Enterprise Value (M)	$21,092
Shares Out (M)	448.3
ADV (3 mo; 000)	4,282

August 7, 2024

NI: 2Q24 Beat; FY24 EPS at Upper Half of Range; Management Tone Around DC/Hyperscaler Upside Remains Measured, Systematic and Somewhat Conservative

Key Message: NI reported a solid beat compared to Gugg/consensus estimates and reiterated its FY 2024 EPS guidance range of $1.70–$1.74, with expectations to be at the upper half of the range. We see tailwinds to the company's current capex and growth targets given the positive economics within the company's service territory driving incremental investments to support new data center load. With a positive backdrop for accelerated load growth driven by data center demand, possible line of sight to a capex upside revision later this year, and positive momentum on the regulatory front. Management's tone remains measured, systematic, and somewhat conservative, in our view. With incremental growth not embedded in valuation, stabilized balanced, top quartile growth, **we reiterate our Buy rating and a $33 PT.**

Upside to five-year capex plan? Possibly coming sooner than later…. We wait. NI continues to see positive tailwinds from data centers which is underpinned by the positive economics, resource's reliability, and government support within its service territory. As noted on the call, mgmt continues to see an acceleration of customer interest in the Northern Indiana service territory, highlighting a new announcement for a significant new data center in the NIPSCO service territory – bringing the total to four new data centers statewide this year. Although, NI did not update its capex plan this quarter, the company continues to address the possibility of upside to the current five-year plan over the last several quarter. With $16.4B imbedded in the current plan and $1.6B in upside opportunities (not part of our model), we see the potential for a capex upside revision possibly towards the back half of this year or early next year with Q4 results. With opportunities in generation and transmission beyond 2028, mgmt touched on original estimates of $300M of tranche 1 for the portfolio of projects that plan to be executed. As addressed in our question, the company continues to engage with MISO, and believes it will take time to execute projects safely and reliably across multistate regions. We continue to model Capex ~$3Bn/year which we deem as conservative, equity issuances of $600mm for 2024, $250mm/year from '25-'28.

Positive regulatory dialogue…. In Indiana, **NIPSCO** received approval from the Indiana Utility Regulatory Commission in its gas rate case following a unanimous settlement in March. **We continue to model ~9.6% ROE through 2028 in Indiana**. In **Kentucky**, mgmt. expects intervenor testimony later this month, with hearings in October. **We model ~9.4% ROE through 2028.** Additionally, the **Pennsylvania** rate case continues to make progress following initial intervenor testimony filed in June while hearings were held last month. Mgmt noted confidence in achieving a constructive outcome in PA. **We continue to model ~9.7% ROE in PA through 2028.**

NI reported 2Q24 adj EPS of $0.21, ahead of both Guggenheim/consensus at $0.13/ $0.16. The company reaffirmed its 2024 EPS guidance range of $1.70–$1.74 (midpoint $1.72) in line with both Gugg/consensus and now expects to be at the upper end of the range for the full year. The company reaffirmed its 2023–2028 long-term adj EPS growth rate of 6%–8% and a rate base growth of 8%–10%. FFO/Debt target remains at 14%–16% annually through 2028 and includes up to $600M of equity via ATM in 2024 and $200M–$300M of annual total equity raised via ATM from 2025–2028, supporting its current investment grade credit rating. NI continues to anticipate flat O&M expense over the plan horizon, supporting affordability across all customer bases.

This report is intended for Sophroni Popovski at NiSource, Inc. (NI). Unauthorized distribution of this report is prohibited.

Valuation: We arrive at our $33 price target by employing our 16x regulated group target multiple, which is based on a regression model of regulated utility valuations and forward interest rate expectations over the past 30+ years, plus a 1.5x premium to reflect top quartile rate base growth through the forecast period, as well as incremental growth opportunities and strategic initiatives that aren't currently being captured in our estimates. We then apply that combined multiple to our 2026 EPS estimate of $1.97 and finally discount back by one year.

Risks: Downside risks to our thesis include renewable supply chain disruptions, as well as traditional risk factors inherent with all regulated utilities, including: (1) rate case risk, (2) potential for a lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

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Equity Research

WELLS FARGO

Price Target Change — August 7, 2024

Natural Gas LDCs

NiSource Inc. (NI)

Strong Quarter with Upside Opportunities Mounting—Reiterate Overweight

Our Call

NI reported strong Q2 results and pointed to the upper half of the '24 guidance range. With sales growth accelerating, mgmt. highlighted upside investment opportunities across the platform (generation, electric transmission, gas infrastructure).

Reiterate Overweight. We continue to be impressed by NI's execution on financial targets, and robust load growth prospects provide upside opportunities within and beyond the 5-yr plan. Even with YTD outperformance (NI +21% vs. LDCs +12% and Regulated Elecs. +16%), shares trade at modest 1-2% P/E premiums to combo gas/elec. peers; we think there's room for multiple expansion. We increase our PT to $35/sh (applies a 7-9% P/E premium) from $33/sh primarily reflecting higher peer group multiples.

EPS Outlook. Based on 1H results, NI expects '24 EPS to land in the top half of the $1.70-1.74 guidance range; and mgmt. affirmed the 6-8% annual EPS growth target, which re-bases on '24A. The company highlighted that the plan does not include future data center load and investment along with other upside drivers (gas modernization programs and AMI, higher costs on MISO Tranche 1 projects, etc.). We nudge up our '24-28E EPS to/from $1.74/1.72, $1.86/1.84, $1.98/1.97, $2.12/2.11 & $2.24/2.23.

Sales Update. Weather-normalized elec. sales jumped 5% in Q2. NIPSCO is seeing strong pull-through from *existing* data center customers and growing interest from potential new data center customers given supportive state policies combined with transmission capacity, land and proximity to load (Chicago). On the gas front, the company experienced w/n growth of 3% in 1H (down in Q2 but shoulder quarter for gas) with standouts VA & OH posting mid/high single digit residential and commercial growth.

CapEx Upside & IRP. NI continues to highlight $1.6b of upside capex through '28 with additional opportunities thereafter. Most notably, in IRP stakeholder meetings, NI has outlined an incremental need for 2.6 GW by 2035 in the reference case (vs. current peak of 2.3 GW) reflecting risk-adjusted assumptions on new customer interest in Northwest IN; there is another 6 GW in the "emerging load sensitivity" case. We expect a formal IRP filing in November.

Equity Update. NI priced $500mm of '24 equity needs (up to $600mm for the year) as of 6/30 via forward agreements under the ATM. The company also issued $500mm of 6.95% junior subordinated notes that receive 50% equity credit, which is additive to the initial equity plans and bolsters the balance sheet cushion as NI targets an FFO/Debt ratio of 14-16% vs. the 13% downgrade threshold.

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Rating	Overweight
Ticker	**NI**
Price Target/Prior:	**$35.00/$33.00**
Upside/(Downside) to Target	**12.0%**
Price (08/07/2024)	**$31.24**
52 Week Range	$22.86 - 32.38
Shares Outstanding (MM)	448
Market Cap (MM)	$14,005
Enterprise Value (MM)	$25,852
Average Daily Volume	4,294,658
Average Daily Value (MM)	$134
Dividend (NTM)	$1.06
Dividend Yield	3.4%
Net Debt (MM) - last reported	$11,847
ROIC - Current year est.	10%
3 Yr EPS CAGR from current year (unless otherwise noted)	7%

$ EPS	2023A	2024E Curr.	2024E Prior	2025E Curr.	2025E Prior
Q1 (Mar)	0.77 A	0.85 A	NC	-	NC
Q2 (Jun)	0.11 A	0.21 A	0.11E	-	NC
Q3 (Sep)	0.19 A	0.16 E	0.20E	-	NC
Q4 (Dec)	0.53 A	0.52 E	0.56E	-	NC
FY	1.60 A	1.74 E	1.72E	1.86 E	1.84E
P/E	19.5x	17.9x		16.8x	

Source: Company Data, Wells Fargo Securities estimates, and Factset.
NA = Not Available, NC = No Change, NE = No Estimate

All estimates/forecasts are as of 8/7/2024 unless otherwise stated. 8/7/2024 15:45:37EDT. Please see page 5 for rating definitions, important disclosures and required analyst certifications.
Wells Fargo Securities, LLC does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of the report and investors should consider this report as only a single factor in making their investment decision.

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Wells Fargo Express Takeaways

NiSource Inc. (NI) | Rating: Overweight | Price Target: $35.00
Analyst: Sarah Akers

Financials

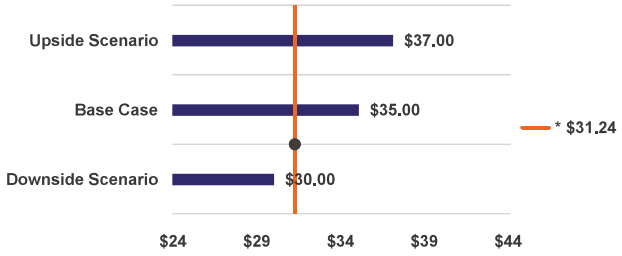
FY (Dec) $	2023A	2024E	2025E
ESTIMATES			
EPS			
Q1	0.77 A	0.85 A	-
Q2	0.11 A	0.21 A	-
Q3	0.19 A	0.16 E	-
Q4	0.53 A	0.52 E	-
AN	1.60 A	1.74 E	1.86 E
Rev. (MM)	5,566.0 A	6,057.4 E	6,443.3 E
EBIT (MM)	1,356.1 A	1,635.5 E	1,850.4 E
EBITDA (MM)	2.26B A	2.64B E	2.97B E
DPS	1.00 A	1.06 E	1.12 E
WELLS FARGO vs. CONSENSUS			
Consensus Estimate	1.60 A	1.72 E	1.84 E
Difference from Consensus		1.1%	1.0%
VALUATION			
P/E	19.5x	17.9x	16.8x
EV/Revenue	4.6x	4.3x	4.0x
EV/EBIT	19.1x	15.8x	14.0x
EV/EBITDA	11.4x	9.8x	8.7x

Consensus Estimate: EPS; Source: FactSet
Source: Company Data, Wells Fargo Securities estimates, and Factset.
NA = Not Available, NE = No Estimate

Investment Thesis

We rate shares Overweight, as we do not think NI's robust long-term infrastructure growth opportunities and supportive regulatory treatment are properly reflected in the current share price.

Risk vs. Reward – Upside/Downside Price Target Scenarios



**As of 08/07/24*
Source: Wells Fargo Securities, LLC estimates and Factset.

Base Case | $35.00

Our $35/sh price target reflects the combination of (1) our P/E multiple analysis (75%) ($35-36/sh) - we apply a 7-9% premium to the blended gas/electric '25 median multiple of 16.5-17X on our '25E EPS; premium reflects above-avg. 6-8% EPS growth supported by constructive regulatory treatment and robust gas/electric infrastructure investment opportunities and (2) our dividend discount analysis (25%) ($33/sh), which utilizes a 7.75% discount rate and assumes dividend growth of 5-7% through 2033.

Upside Scenario | $37.00

Should NI continue to execute on financing targets and secure constructive regulatory outcomes, we think shares could migrate toward a 10-15% premium (vs. our target 7-9%). Further, incremental investment opportunities ($2B upside) could drive EPS to the upper half of the 6-8% range.

Downside Scenario | $30.00

In a downside scenario, regulatory lag is greater than expected due to a combination of cost pressures and sub-par regulatory outcomes; and financing costs are higher than expected. In this case, shares trade at an in-line multiple (vs. our target 7-9% premium); that said, we see additional downside (bear case) should a gas system incident undermine recent progress/investor perception resulting in a reversion to a ~10% P/E discount.

Upcoming Catalysts

- Pending PA Gas rate case
- Pending VA Gas rate case
- Potential upside to capex plan (gas modernization, AMI, RNG, system growth tied to manufacturing revitalization, etc.) - expect an update in November '24

Company Description

NiSource, Inc. is a holding company based in Merrillville, IN with regulated gas (~65%) and electric (~35%) utility operations. NI's Gas Distribution Operations serve 3.3M customers in IN, KY, MD, OH, PA & VA. NI's Electric Operations subsidiary, NIPSCO, is vertically-integrated and serves approximately 500 thousand customers in northern IN.

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Financials

NI Earnings Model ($ millions except per share data)	2023	2024E	2025E	2026E	2027E	2028E
Revenues	**$5,566**	**$6,057**	**$6,443**	**$6,833**	**$7,103**	**$7,383**
Expenses						
Cost of Gas, Purchased Power & Fuel	1,533	1,551	1,565	1,576	1,588	1,599
O&M	1,495	1,589	1,631	1,637	1,637	1,637
Depreciation & Amortization	908	1,007	1,118	1,219	1,299	1,374
Other	274	274	278	282	286	290
Total Expenses	**$4,210**	**$4,422**	**$4,593**	**$4,715**	**$4,810**	**$4,901**
EBIT	**$1,356**	**$1,635**	**$1,850**	**$2,118**	**$2,293**	**$2,482**
EBITDA	**$2,264**	**$2,643**	**$2,969**	**$3,337**	**$3,592**	**$3,856**
Other Income	8	8	28	8	8	8
Interest Expense	490	520	613	741	788	859
Income Taxes	155	258	291	319	348	375
Tax Rate	*18%*	*23%*	*23%*	*23%*	*23%*	*23%*
Earnings						
Net Operating Earnings	$719	$865	$975	$1,066	$1,165	$1,256
Preferred Dividends	43	8	0	0	0	0
Noncontrolling Interest	(40)	54	68	78	85	90
Income from Continuing Operations	**$716**	**$804**	**$907**	**$989**	**$1,081**	**$1,166**
Avg. Diluted Shares Outstanding	448	461	487	499	510	520
Ongoing EPS	**$1.60**	**$1.74**	**$1.86**	**$1.98**	**$2.12**	**$2.24**
Q1 EPS	0.77	0.85A				
Q2 EPS	0.11	0.21A				
Q3 EPS	0.19	0.16				
Q4 EPS	0.53	0.52				

NI Supplemental Information	2023	2024E	2025E	2026E	2027E	2028E
Dividend Information						
Dividends Per Share - YE Rate	$1.00	$1.06	$1.12	$1.19	$1.26	$1.34
Dividends Paid Per Share	1.00	1.06	1.12	1.19	1.26	1.34
Payout Ratio	62%	61%	60%	60%	60%	60%
Cash Flow & Balance Sheet Items						
Capital Expenditures (millions)	$2,646	$3,307	$3,797	$2,972	$2,959	$2,971
Book ROE	9.8%	9.7%	9.7%	9.8%	9.9%	9.9%
FFO/Debt	14%	17%	16%	16%	16%	17%
Debt/EBITDA	6.2x	4.9x	5.0x	4.8x	4.7x	4.6x
Common Equity as % of Total Capitalization	36%	39%	38%	38%	39%	39%

Source: Wells Fargo Securities, LLC estimates and company filings

Acronyms:

AMI - Advanced Metering Infrastructure

IRP - Integrated Resource Plan

LDC - Local Distribution Company

MISO - Midcontinent Independent System Operator

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Investment Thesis, Valuation and Risks

NiSource Inc. (NI)

Investment Thesis

We rate shares Overweight, as we do not think NI's robust long-term infrastructure growth opportunities and supportive regulatory treatment are properly reflected in the current share price.

Target Price Valuation for NI: $35.00 from $33.00

Our $35/sh price target reflects the combination of (1) our P/E multiple analysis (75%) ($35-36/sh) - we apply a 7-9% premium to the blended gas/electric '25 median multiple of 16.5-17X on our '25E EPS; premium reflects above-avg. 6-8% EPS growth supported by constructive regulatory treatment and robust gas/electric infrastructure investment opportunities and (2) our dividend discount analysis (25%) ($33/sh), which utilizes a 7.75% discount rate and assumes dividend growth of 5-7% through 2033.

Risks to Our Price Target and Rating for NI

Risks include lower-than-expected sales growth, unfavorable regulatory developments, unexpected cost pressures, and incidents on the gas system, which could result in shareholder liabilities.

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BARCLAYS

Equity Research
7 August 2024

U.S. Power & Utilities

2Q24 First Looks: NI & OGE

NI: In-line update with strong quarterly result, ATM execution on track YTD, slight ISD push for renewables; OGE: Beat on the quarter, FY24 guidance reaffirmed with bias towards top half of range

CORE
First Look

OGE	EQUAL WEIGHT
U.S. Power & Utilities	POSITIVE
Price Target	USD 36.00
Price (06-Aug-24)	USD 38.82
Potential Upside/Downside	-7.3%

NI	OVERWEIGHT
U.S. Power & Utilities	POSITIVE
Price Target	USD 34.00
Price (06-Aug-24)	USD 30.94
Potential Upside/Downside	+9.9%

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NI 2Q Results (Inline update): 2Q24 EPS Beat; $500mm ATM executed YTD; Slight Renewable ISD Push: NI reported 2Q24 EPS of $0.21 vs. Barclays $0.18 / Consensus $0.14, and 2Q23 of $0.11. The quarterly beat is mostly driven by strong performance at NIPSCO during the quarter. NI also reaffirmed $1.70-1.74 2024 EPS guidance, 6-8% LT adjusted EPS growth, 8-10% annual rate base growth for 2023-2028, and the 5yr capital plan of $16.4bn (does not include DC related investments). NI continues to see $1.6bn of CapEx upside opportunity not yet embedded in the 5yr plan. On current NIPSCO renewables projects, we see slight push of ISD for Dunns Bridge II (from 2024 to 2025), Green River solar (from 2024 to 2025), but given the company has reaffirmed EPS trajectory in FY24 and beyond, we are less worried on this impacting fundamentals. On the ATM program, as of June 30th, NI has ~$400mm available out of the $900mm program, and we see company as already executed ~$500mm YTD, on track for $600mm target for this year. Equity issuance guidance for of $200-300mm per year through ATM from 2025-2028 remains unchanged. **What to watch for on call:** NIPSCO IRP; Timing of CapEx upside items; regulatory strategy across PA/KY/VA with pending rate cases.

OGE 2Q Results (Positive): FY24 Guidance Reaffirmed with Bias Towards Top Half of Range: OGE reported $0.51/sh at the consolidated level for 2Q24 vs. $0.44/sh Barclays estimate and $0.46/sh Consensus (BBG). We note that operating revenues QoQ increased ~$0.29/sh which was driven largely by warmer than normal weather and strong load growth in the service territory. Additionally, management reaffirmed FY24 EPS guidance at the consolidated level of $2.06-$2.18 (with a bias towards the top half of the range) vs. $2.13 Barclays estimate and $2.12 Consensus. The company noted that this guidance assumes 201.5mn diluted shares outstanding ad normal weather for the remainder of the year. **Focus Items for the Call:** We remain focused on the settled rate case in OK and expect management to provide an update on the timeline, but see the process somewhat de-risked with the prior week's positive ALJ recommendation. Additionally, we expect an update on load growth forecasts for the company which is a key catalyst for OGE at this time. Lastly, we expect management to provide more clarity on investment opportunities in the pipeline such as the three RFPs outstanding.

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Completed: 07-Aug-24, 11:56 GMT Released: 07-Aug-24, 11:56 GMT Restricted - External

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EVERCORE ISI

Flash Note | Energy | Power & Utilities

August 07, 2024

NiSource Inc
NI | $31.12
Outperform | Target Price/Base Case: $32.00
Company Update

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First Crack at 2Q24

We believe NiSource's 2Q24 earnings release has neutral to positive implications for the stock. Q2 EPS beat our estimate and consensus, the company reaffirmed 2024 non-GAAP adjusted EPS guidance range of $1.70-$1.74. Reiterated 6-8% annual EPS growth target through 2028.

Key Takes:

- NI reported Q2 non-GAAP adjusted EPS of $0.21 vs. our estimate of $0.17 and street consensus of $0.16.
- Reaffirmed 2024 adjusted EPS guidance of $1.70-$1.74.
  - Mid-pt of $1.72 in line with consensus of $1.72.
- Reaffirmed 2023-2028 annual adjusted EPS growth target of 6-8%.
- Reaffirmed base capex plan of $16.4B for 2024-2028.
  - Still supporting 8%-10% 2023-2028 annual utility rate base growth
  - $1.6B 2024-2028 incremental opportunity not included in base plan
- Base Capital Plan includes up to $600M of equity via ATM in 2024 (no change)
  - Assuming $200-300M of annual total equity raised via ATM from 2025-2028 (no change)
  - Equity sized to support current investment grade credit ratings and maintain 14-16% FFO/Debt annually through 2028.
  - Upside to the Base Capital Plan may require modest increases to ATM to maintain the capital structure
- In July, there was major windstorm in company's Indiana service area.
- Several rate cases ongoing, see details within.

NI will host a conference call at 11am ET. Dial-in: 1 (888) 596-4144. Conference ID: 5571489#

Additional Details:

- **NIPSCO gas rate case:** On October 25, 2023, NI filed request for $162M revenue increase, based on 10.7% ROE vs current 9.85% and 52.39% equity ratio vs current 49.47%. On March 20, 2024, settlement was filed with a $121M rate increase based on a 9.75% ROE and 52.39% equity ratio, which was approved by the commission on July 31, 2024.
- **PA rate case**: On March 15, 2024, PA rate case was filed, requesting a $124M rate increase, based on a 11.75% ROE and a 54.40% equity layer. Intervenor testimony was filed in late June and the company is privately reviewing the testimony. Settlement discussion will start in September and a decision is expected by year end.
- **VA rate case**: On April 29, 2024, VA rate case was filed, requesting a $53M rate increase, based on a 10.85% ROE and a 42.76% equity layer. Interim rates are expected to be in effect around October. Decision is expected by May 2025.
- **KY rate case**: On May 16, 2024, NI filed its rate case in Kentucky, requesting a rate increase of $24M based on 10.8% ROE and 52.64% equity layer. Decision is expected late this year or early next year.
- **Microsoft data center**: On June 3, 2024, Indiana Governor Eric J. Holcomb announced that Microsoft will invest $1 billion to establish a new data center in northwest Indiana, which is NIPSCO's service territory.
- **Incremental capital:** The company has previously discussed $1.6B in incremental capital opportunity which would be added to the base plan periodically following regulatory approvals. Management also highlighted previously need for additional gas pipeline infrastructure to serve new gas generation supporting data centers.

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- **2024 IRP**: The final 2024 IRP will be filed with IURC (Indiana Utility Regulatory Commission) in November 2024, which informs company's CPCN filings going forward. There won't be approval or denial from the commission. The 2024 IRP will evaluate NIPSCO's long-term generating capacity requirements and inform generation investment decisions. It builds on generation already included in five-year base capital plan and will analyze energy demand projected across the next two decades associated with potential data center development, electrification, electric vehicle utilization, while incorporating changing policy and resource adequacy requirements. As of June 24, 2024, second stakeholder advisory meeting the IRP analysis outlines a significant potential upside. Given the potential opportunities in the pipeline from NIPSCO's Economic Development team, the IRP analysis will include 2,600 MW of new load in all scenarios and a load sensitivity with an additional 6,000 MW. Total IRP peak load with emerging load sensitivity is 5,500 MW by 2028, 8,400 MW by 2030, and 11,100 MW by 2035. The build-out of new energy and capacity resources to meet this potential new load will be analyzed in the 2024 IRP process. The third stakeholder advisory meeting is scheduled for Aug 21, 2024.

The Fleishman Daily 8/7/24 - CEG, NI, OGE, WEC, AEE/EVRG, SRE, Gas infrastructure, MPLX, OKE, IRA Tax Credits, ENLT, STEM, RUN

Steve Fleishman <utilities@wolferesearch.com>
Wed 8/7/2024 8:46 AM
To:Popovski \ Sophroni <spopovski@nisource.com>

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August 7, 2024

THE FLEISHMAN DAILY 8/7/24

CEG, NI, OGE, WEC, AEE/EVRG, SRE, Gas infrastructure, MPLX, OKE, IRA Tax Credits, ENLT, STEM, RUN

The Fleishman Daily 8/7/24
Utilities: CEG, NI, OGE, WEC, AEE/EVRG, SRE
Midstream: Gas infrastructure, MPLX, OKE
Clean Energy: IRA Tax Credits, ENLT, STEM, RUN

Utilities

CEG – Like real estate, it's colocation, colocation, colocation
NI – Q2 beat; FY24 guide and L-T 6-8% annual EPS growth target reaffirmed; ~$500M of 2024 ATM equity now priced; solid
OGE – Q2 beat; FY24 EPS tracking in the top-half of guide; L-T 5-7% EPS growth target reiterated; 2024 load growth forecast raised to 4-6%; positive
WEC – Sets up equity ATM for up to $1.5B
AEE/EVRG – Mike Kehoe wins Republican primary for MO gov, was key to getting original PISA bill in 2018; constructive
SRE – Don't be Azul, there's plenty of exciting growth

Midstream

Gas infrastructure – D.C. Circuit vacates FERC certificate for Rio Grande LNG and Rio Bravo pipeline
MPLX – Defense wins championships
OKE – Competition in the Bakken will be OK

Clean Energy

IRA Tax Credits – Group of 18 Republican legislators write letter saying not to repeal IRA energy tax credits
ENLT – 2Q24 EBITDA beat, 2024 guidance raised, returns outlook remain solid; positive
STEM – Big 2Q revenue miss; Guidance slashed; CFO change; Strategic review announced; Negative
RUN – Green energy printing green cash

Wolfe Utility & Midstream Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Clean Energy Comps, Clean Energy Stock Charts, Models, Valuation Charts, Marketing Deck

Quarterly data: Weather, Forward Prices, Spot Prices, Nuke Outages

Utilities

CEG – Like real estate, it's colocation, colocation, colocation
Click here to view our complete note
FY24 guide raised; no data center deals yet; lower PT slightly less PJM upside. CEG had in line 2Q24 of $1.68 but raised 2024 guide to $7.60-8.40 from $7.23-8.03, above then-consensus of $7.63, largely on continued strong commercial margins, higher output, and lower outages, offset by higher stock incentive O&M. CEG also raised 2025 enhanced margins by $250M implying 2025 guide in the high $8 range above consensus of $8.53. Importantly, CEG is confident on its co-location strategy, despite a protest at FERC against TLN-AWS' co-located data center. CEG expects a ruling on that ISA this year and says conversations with potential data center partners are ongoing. We view a co-location deal as a key catalyst for the stock and see a positive risk/reward skew. CEG's PJM auction disclosure indicates a starting point a bit deeper below PTC floor than we projected likely due to basis. We lower our PT to $236 from $245 on less upside from PJM auctions than we had assumed.

NI – Q2 beat; FY24 guide and L-T 6-8% annual EPS growth target reaffirmed; ~$500M of 2024 ATM equity now priced; solid

- **Q2 beat.** NI reported 2Q24 EPS of $0.21 vs. us/cons. at $0.18/$0.16.
- **2024 guidance reaffirmed.** FY24 range of $1.70-1.74 vs. us/cons. at $1.72.
- **L-T 6-8% annual EPS growth target reaffirmed through 2028.**
- **5-year base capex plan maintained at $16.4B.** Supports 8-10% annual rate base growth over 2023-28; ~$1.6B of N-T upside opportunities through 2028 not included in the base plan.
    - Future data center load and investment not in 2024-28 financial plan.
- **IN renewable project developments.** Est. in-service dates for Dunns Bridge II Solar + Storage (full ownership) now 2025 vs. 2024 prior and Green River Solar (PPA) now 2025 vs. 2024 prior.
- **ATM equity needs unchanged.** Base capital plan includes up to $600M of ATM equity in 2024 and $200-300M of annual ATM equity from 2025-28.
    - In May, NI executed another forward sale of ~$299.1M for 10.39M shares at $28.79/sh. to be settled by 12/20/24; as of 6/30, NI has priced ~$499.1M of its 2024 equity needs.
    - Reiterated 14-16% FFO/Debt annually through 2028; upside to base capex plan may require modest increases to ATM equity to maintain the capital structure.
- **Rate case updates.** IURC approved NIPSCO Gas' settlement stipulating a $120.9M revenue increase, 9.75% ROE, 52.39% equity ratio, and W/N rider on 7/31; PA, VA, and KY cases pending.

Strong 1H24 results from NI (up +$0.18 YoY vs. 1H23) and we will look to get a better sense of where NI is tracking within 2024's guidance range. On the call, we will be focused on NI's data center opportunity given MSFT's recent $1B investment announcement in Northwest IN and NIPSCO's IRP slides estimating ~2.6-8.6

GW of potential load growth from data centers. We will also be interested to hear from mgmt. on how pending rate cases are progressing, especially in PA, where 8/20 is the settlement deadline.

OGE – Q2 beat; FY24 EPS tracking in the top-half of guide; L-T 5-7% EPS growth target reiterated; 2024 load growth forecast raised to 4-6%; positive

- **Q2 beat.** OGE reported 2Q24 EPS of $0.51, above us/cons. at $0.47/$0.46.
  - Weather was +$0.05 vs. normal in Q2 and +$0.02 favorable YTD.
- **2024 EPS expected to be in the top-half of $2.06-2.18 guidance range.** Due to strong load growth and warmer than normal weather in 1H24.
- **L-T & annual 5-7% EPS growth target through 2028 reaffirmed.** Off FY24's $2.12 midpoint.
- **5-year capex plan maintained.** $6B over 2024-28.
- **2024 financing plan update.** Issued $350M of 5.45% HoldCo debt in May; $350M planned debt issuance at OGE in Q3; issued $11M of DRIP equity YTD vs. $15-25M annual DRIP plan.
  - Forecasted FFO/Debt of ~17% each year throughout 2024-28.
- **Regulatory developments.** ALJ recommended approval of uncontested OK rate case settlement with OCC order expected in the fall; issued 1.5 GW RFP to address IRP capacity requirements.
- **Now forecasting 2024 total retail load growth of 4-6%.** Compared to 3-5% original projection.
  - W/N sales up +6.7% in Q2. Residential up +2.3%, Commercial up +15.4%, Industrial up +3.4%, Oilfield up +3.2%, Public Authority up +4.1%.
  - YTD W/A sales up +5.8% driven by +13.8% Commercial load growth.

As we highlighted in our Q2 earnings preview (**link**), 2024 EPS is tracking in the top-half of guidance given robust load growth and weather benefit. On the call, we will be focused on mgmt.'s commentary around sales growth trends and look for more color on how discussions are progressing with ~6 data center projects that were referenced at Q1. We will also be interested to hear from mgmt. on the 1.5 GW RFP and implications for OGE's capex/financing plan.

WEC – Sets up equity ATM for up to $1.5B

- Yesterday, WEC filed an 8K noting that it entered into an equity distribution agreement to sell from time to time up to $1.5B in shares
  - As part of this, WEC can also enter into forward sales agreement
- Recall that WEC's current five-year plan calls for $1.95-2.35B of equity
  - Only $100-200M is planned for this year

Not surprising, as WEC has equity in its plan, which will be issued via ATM and DRIP.

AEE/EVRG – Mike Kehoe wins Republican primary for MO gov, was key to getting original PISA bill in 2018; constructive

- On 8/6, Lt Gov Mike Kehoe won the Republican gubernatorial primary in MO; the state is Republican-controlled, suggesting he will win the general this Nov.
- As a state Senate leader, Kehoe was instrumental in passing PISA as a legislative leader in 2018.
- Earlier this year, the MO legislature ran out of time to enact legislation (SB 1422, HB 1746) that would have extended PISA to 2035 from 2028 and make investments in gas and storage generation eligible for PISA accounting. It would have allowed for 90% deferral of depreciation and return for gas and storage (vs 85% currently for grid investments).

ME/Battery Storage – ME announced $147 million federal grant to build 85MW/8500MWh energy storage project

CT – CT receives $390M in DOE grid funds for transmission and storage

DOE – DOE announce $2.2 billion in funding for 8 new transmission projects

CA/Wildfire – Major CA wildfires status update; Hill Fire at 93%, Park Fire at 34%, Nixon Fire at 98%, and Pedro Fire at 95%.

OGE – OGE reports 2Q24 EPS beat; 2024 guidance reiterated but mgmt. expects to be in the top half

- OGE reported 2Q24 Non-GAAP EPS of $0.51 vs. consensus of $0.46 and our $0.44 estimate
- OGE reiterated 2024 EPS guidance of $2.06 to $2.18, but pointed to the top half of the range.
- OGE raise the load growth assumptions in plan from 3-5% to 4-6%.
- Weather normalized load growth was 6.7% with an additional weather tailwind vs. prior year.
- OGE reiterated no need for external equity issuance, with a 17% FFO/Debt target through the 5 year plan.
- OGE Reiterated 5-7% consolidated EPS growth rate guidance through 2028.

NI – Reports 2Q24 results; solid beat vs Gugg/consensus; reaffirms 2024 guidance; reaffirms 6-8% LT growth rate

- **2Q24:** reports 2Q24 adj EPS of $0.21, ahead of Guggenheim/consensus estimates of $0.13/$0.16
- **2024 guidance:** reaffirmed $1.70-$1.74 ($1.72 midpoint) vs. Guggenheim/consensus at $1.72/$1.72
- **LT EPS growth:** reaffirmed 6%-8% 2023–2028
- **Credit:** reiterated range of 14%-16% FFO/debt annually through 2028
- **Capex:** 2024–2028 capex plan to $16.4bn; noted future data center load and investments are not in the 2024 – 2028 financial plan
- **Rate Base:** reaffirmed annual 8%–10% rate base for 2023–2028
- **Customer bills:** annual average customer bill growth projected to be <4% (2023-2028)
- **Cost management:** reiterates flat O&M
- **Dividend:** reiterated 60%–70% payout target
- **TSR:** reaffirmed 10%–12% total shareholder return
- Call is at **11:00am ET… 888-596-4144**… Passcode: **5571489**

AVA – Reports 2Q24 miss; maintains FY24 guidance; reaffirms 4-6% LT growth off a 2025 base year

- **2Q24:** reports miss of $0.29 vs. Gugg/consensus of $0.37/$0.30
- **Effective tax rate:** was 2.9% in the 1H24 vs. -20.8% during the prior year. Expected effective tax rate for 2024 to be 1.8%. Expects the tax customer credits in 2024 to be approximately half of the amounts recognized in 2023. Due to a tranche of these credits being fully returned to customers as of the 4Q'23.
- **2024 guidance:** reaffirms guidance of $2.36-$2.56 ($2.46 midpoint) vs. Gugg/consensus of $2.45/2.44, respectively
- **Reiterated segments guidance:** reaffirmed **Avista Utilities**: $2.23-$2.39, **AEL&P**: $0.09-$0.11, **Other:** $0.04-$0.06
- **LT growth:** reaffirmed 4%-6% off of a 2025 base year. Assumes a constructive outcome in general rate case
- **Capex:** reaffirmed 2024-2026 Avista Utilities capex guidance to $500m/ $525m/$575m
- **Equity:** continues to expect to issue $70m of common stock in 2024; issued $17.6M during the 1H24
- **Debt:** issued $83.7m of LT debt via remarketing which was completed in April 2024. Mgmt. expects no further debt issuances in 2024
- Call is at **10:30am ET….** 844-543-0451... PIN: 824707

This report is intended for Sophroni Popovski at NiSource, Inc. (NI). Unauthorized distribution of this report is prohibited.

J.P.Morgan

NiSource Inc.

With Large Power Comes Large Responsibility… To Invest in Meeting Load Growth; More to Come on Capex Updates; 2Q Tops Estimates; 2024 Guidance Reaffirmed

Overweight

NI, NI US
Price (06 Aug 24):$30.94

North American Utilities

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- **With large power comes large responsibility... to invest in meeting load growth; more to come on capex updates.** With no changes to NI's $16.4bn base capex and $1.6bn near-term upside capex on the quarter, we anticipate attention on the call surrounding the potential cadence of 2H updates on the investment ramifications of NI's emerging large power opportunity, as illustrated by the $1bn MSFT data center announcement in NIPSCO's service territory and reinforced by NI's recent IRP disclosures showcasing significant generation potential. Consistent with management's messaging at investor meetings, NI is witnessing outsized large power interest seeking to leverage favorable IN qualities, which we expect will add to NI's $1.6bn near-term incremental investment potential in the form of a steady cadence of capex additions. Given, 1) the lack of capex updates on the quarter, and 2) disclosures continue to highlight that the current 2024-2028 plan does not reflect future data center load and associated investment, we point to the company's typical fall plan refresh as the next potential forum to begin incorporating these large power tailwinds, where timing also appears optimal versus a November IRP filing. For now, we acknowledge that the combination of no splashy news and positioning risks a disappointing update and look for today's call as a forum for management to outline NI's growth tailwinds across the electric and gas operations.
- **2Q24 EPS tops estimates; 2024 guidance reaffirmed.** NI reported 2Q24 adj EPS of $0.21, ahead of the $0.17 JPM/Street median estimate. Earnings grew +10c YoY, primarily driven by a +$77.8mm increase in NIPSCO adj operated income. Columbia and Corporate adj operating income increased +$2.4mm and decreased -$5.9mm, respectively. NI also reaffirmed its $1.70-1.74 2024 adj EPS guidance (JPMe/Street median $1.73/$1.72) and long-term plan/ outlook.
- **Conference call details.** NI will host a webcast to discuss 2Q24 results on Wednesday, August 7 at 11:00AM ET.

See page 2 for analyst certification and important disclosures.
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This report is intended exclusively for:
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UBS

Global Research and Evidence Lab
7 August 2024

First Read

NiSource Inc.

Beat in the quarter. In-line update

Q: How did the results compare vs expectations?

A: NI reported adj EPS in the quarter of $0.21 vs consensus of $0.18 and UBSe of $0.17.

Q: What were the most noteworthy areas in the results?

A: The biggest driver was higher rates at NIPSCO. It looks like in the quarter the tax rate was lower (16% vs last year of 24%) which helped earnings by ~3c in the quarter. Also, in the quarter weather added 3c vs normal.

Q: Has the company's outlook/guidance changed?

A: No. The company reiterated their '24 full year guidance of $1.70-1.74 and maintained their LT earnings guidance of 6-8%. The company continues to target LT rate base growth of 8-10%. Capex guidance remains unchanged at $16.4b over their planing horizon of 2023-2028. Equity needs for the year remain at $600m, with $200-300m in annual needs over 2025-2028.

Q: How would we expect investors to react?

A: Neutral. Results look in-line with expectations, though we would like clarity on how the company is tracking towards their annual target of 14.1% FFO/debt which is within NI's targeted 14-16% range. We expect the call to focus on incremental capex opportunities from data centers and subsequent IRP update that show a substantial increase in the load growth projections..

Key Metrics ()

	Consensus estimates	UBS estimates	Actual	% diff vs. UBS
Adj EPS	$0.18	$0.17	$0.21	23.5%

Source: FactSet, UBS Estimates, Company Reports

Equities

Americas
Electric Utilities

12-month rating	**Buy**
12m price target	**US$35.00**
Price (06 Aug 2024)	**US$30.94**
RIC: NI.N **BBG:** NI US	

Trading data and key metrics

52-wk range	US$31.81-23.18
Market cap.	US$13.9b
Shares o/s	448m (COM)
Free float	99%
Avg. daily volume ('000)	1,304
Avg. daily value (m)	US$38.1
Common s/h equity (12/24E)	US$7.33b
P/BV (12/24E)	1.8x
Net debt to EBITDA (12/24E)	5.6x

EPS (UBS, diluted) (US$)

	12/24E	
	UBS	Cons.
Q1E	0.81	0.85
Q2E	0.17	0.16
Q3E	0.34	0.18
Q4E	0.38	0.59
12/24E	1.71	1.72
12/25E	1.84	1.84
12/26E	1.98	1.98

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Highlights (US$m)	12/21	12/22	12/23	12/24E	12/25E	12/26E	12/27E	12/28E
Revenues	4,900	5,836	5,573	6,463	6,771	7,006	7,281	7,542
EBIT (UBS)	1,046	1,149	1,366	1,581	1,791	1,937	2,124	2,297
Net earnings (UBS)	573	650	716	790	878	964	1,052	1,156
EPS (UBS, diluted) (US$)	1.37	1.47	1.60	1.71	1.84	1.98	2.11	2.28
DPS (net) (US$)	0.90	0.94	1.00	1.06	1.12	1.19	1.26	1.34
Net (debt) / cash	(11,253)	(13,028)	(12,914)	(14,484)	(16,015)	(17,075)	(18,000)	(18,757)
Profitability/valuation	**12/21**	**12/22**	**12/23**	**12/24E**	**12/25E**	**12/26E**	**12/27E**	**12/28E**
EBIT (UBS) margin %	21.3	19.7	24.5	24.5	26.5	27.7	29.2	30.5
ROIC (EBIT) %	7.4	7.3	7.5	7.6	7.8	7.8	8.0	8.2
EV/EBITDA (UBS core) x	10.4	11.4	10.1	9.8	9.3	9.1	8.6	8.2
P/E (UBS, diluted) x	17.9	19.6	16.9	18.1	16.8	15.7	14.6	13.6
Equity FCF (UBS) yield %	(6.2)	(6.5)	(14.3)	(12.1)	(9.0)	(5.3)	(3.9)	(2.4)
Dividend yield (net) %	3.6	3.3	3.7	3.4	3.6	3.8	4.1	4.3

Source: Company accounts, LSEG Eikon, 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$ 30.94 on 06-Aug-2024

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Forecast returns

Forecast price appreciation	13.1%
Forecast dividend yield	3.5%
Forecast stock return	16.6%
Market return assumption	9.0%
Forecast excess return	7.6%

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 $35 price target is a 18% premium to the Regulated Utility average P/E or 17.7x our $1.98 EPS in 2026E. The valuation includes +5% for the group undervaluation vs. the market, +3% for second quartile regulation, and +4% for first-quartile EPS growth and +6% for earnings consistency.

Risks include, but are not limited to, the following: changes to the regulatory environment, changes in interest rates, ability to achieve favorable returns on investment projects, and ability to continue to reinvest in the business for growth.

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IN Fact

June 18, 2024 | 01:14 ET~

NiSource

BMO Capital Markets

NI-NYSE	Rating	Price: Jun-17	Target	Total Rtn
	Outperform	$28.00	$31.00	15%

Utilities, Power & Renewables

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Positioning for the Upside—On the Road With NI Management

Bottom Line:

We had the pleasure of hosting meetings with NI senior management last week. **We came away from our meetings with more conviction in the NI story, and it remains our top pick in the sector.** At an in-line multiple to the group, we believe NI's peer-leading, visible EPS growth (with upside potential), balance sheet strength, manageable equity financing needs, constructive regulatory jurisdictions, and longer-term upside potential from growing data center (DC) demand create one of the most attractive investment opportunities in our coverage universe. **Reiterate Outperform and $31 price target.**

Key Points

Moreover, we believe the company's profile includes several aspects that positively differentiate the story relative to its utility peers, including: 1) projected future guidance rebases off its actual results, delivering a true compound growth-rate vs. a traditional multi-year CAGR which can have YoY variability; 2) highly visible/executable growth rate of at least 7%, with the potential for years to be at above the top end of its 6-8% outlook (2023-2028); 3) management expects to have at least 100bps+ of credit cushion relative (14-16%) to its downgrade threshold of 13% through its 5-year plan; 4) predictable regulatory environment with over 90% of its earnings/rate-base exposed to favorable regulatory compacts in IN/OH/PA; 5) conservative weighted-average customer count growth assumption of ~0.5% (assumes flat usage); and 6) conservative interest rate (marked at October 2023 levels) and natural gas price (~$4.00/MMBTU) assumptions embedded in the company's forecast.

Importantly, we believe Microsoft's recent announcement to build a $1bn DC in Northern Indiana, along with the announcement of seven DC/crypto-mining projects in the state, totaling ~$15-17bn in investment, should help investors overcome concerns that the company's more gas distribution-weighted profile would not allow it to participate in the demand growth thematic bolstering its primarily electric peers (Exhibit 5).

Although we acknowledge following the capital plan update on the 1Q call the "knowable" catalyst calendar likely turns towards regulatory execution, we see several drivers for multiple expansion over the next 12 months including: 1) removal of an equity "overhang" as management executes against its 2024 ATM program (~$400mm remaining); 2) regulatory execution with pending gas rate cases in IN/PA/VA/KY, and its electric IRP filing in the fall; 3) periodic additions to its current and longer-term capital plan from economic development as well as infrastructure replacement/upgrades; and 4) potential DC-related announcements.

2024 Institutional Investor All-America & All-Canada Research Teams Learn more If our research has been helpful, we appreciate your consideration.



Company Data			in $
Dividend	$1.06	Shares O/S (mm)	448.3
Yield	3.8%	Market Cap (mm)	$12,553
P/BV	1.6x	Net Debt (mm)	$8,877

BMO Estimates				in $
(FY-Dec.)	2023A	2024E	2025E	2026E
EPS	$1.60	$1.73	$1.85	$1.98
DPS	$1.00	$1.06	$1.13	$1.20

Consensus Estimates				
	2023A	2024E	2025E	2026E
EPS		$1.72	$1.85	$1.97

Valuation				
	2023A	2024E	2025E	2026E
P/E	17.5x	16.2x	15.1x	14.1x
Div. Yield (%)	3.6%	3.8%	4.1%	4.3%

QTR. EPS	Q1	Q2	Q3	Q4
2023A	$0.77	$0.11	$0.19	$0.53
2024E	$0.85a	$0.15	$0.13	$0.55
2025E	$0.97	$0.16	$0.14	$0.59
2026E	$1.03	$0.17	$0.15	$0.63

Our Thesis

After the analyst day, we believe NI has meaningfully derisked the story that offers potential above-average EPS and rate base growth in favorable regulatory jurisdictions, with what may be, upon the completion of the NIPSCO minority stake sale, one of the stronger balance sheets in the sector.

This report was prepared by an analyst(s) employed by BMO Nesbitt Burns Inc., and who is (are) not registered as a research analyst(s) under FINRA rules.
For disclosure statements, including the Analyst Certification, please refer to page(s) 12 to 16.

BMO Capital Markets

NiSource - Block Summary Model

Income Statement	2023A	2024E	2025E	2026E
Electric Operations	462	595	689	760
Gas Distribution	922	990	1,104	1,224
Coporate & Other	(12)	(24)	(24)	(24)
Consolidated EBIT	1,414	1,603	1,811	2,002
Depreciation & Amortization	875	951	1,024	1,088
EBITDA	2,290	2,554	2,835	3,090
Interest Expense	493	457	551	619
Income Tax	156	194	214	234
Income from continuing operations	722	803	885	964
Weighted Average Shares Outstanding	450	464	477	486
Diluted Operating EPS	$1.60	$1.73	$1.85	$1.98
Dividends per Share	$1.00	$1.06	$1.13	$1.20
Cash Flow Statement	**2023A**	**2024E**	**2025E**	**2026E**
Operating Cash Flow	1,615	1,781	1,963	2,129
Investing Cash Flow	(3,450)	(1,250)	(3,300)	(3,050)
Financing Cash Flow	1,781	(549)	1,353	851
Net Change in Cash Flow	(54)	(18)	16	(70)
EOP Cash on Balance Sheet	22	4	20	(50)
Common stock (net)	0	600	250	250
Net debt issued/(repaid)	2,286	(600)	1,700	1,240
Dividends paid	(450)	(494)	(541)	(584)
Balance Sheet	**2023A**	**2024E**	**2025E**	**2026E**
Common Equity	7,177	8,095	8,698	9,337
Preferred Equity	1,547	1,547	1,547	1,547
Total Debt	13,561	12,961	14,661	15,551
Enterprise Value	$25,876	$25,897	$27,820	$29,005
Common equity %	32.2%	35.8%	34.9%	35.3%
Preferred equity %	6.9%	6.8%	6.2%	5.9%
Total Debt %	60.9%	57.3%	58.9%	58.8%
Book Value per Share	$19.39	$20.79	$21.46	$22.41

Source: BMO Capital Markets, Company Reports

Scenarios

Valuation

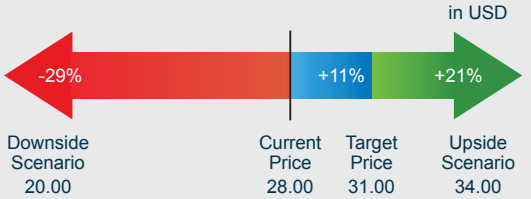
Our target price is the product of a P/E-based sum of the parts. We utilize a regulated-group average multiple using 2026E EPS as base valuation and then make specific adjustments to reflect our current view of the fundamental outlook.

Upside Scenario $34.00

Our upside scenario reflects continued multiple expansion associated with the company's premium, above-average earnings and dividend growth profile as well as its peer-leading balance sheet strength with nearly 200bps of cushion above its downgrade threshold.

Downside Scenario $20.00

Our downside scenario reflects an further tightening in U.S. monetary policy, adverse regulatory outcomes in its three primary jurisdictions (IN, PA, OH) as well as delays or cost overruns associated with its renewable investment program in IN.



Key Catalysts

Successful outcome in IURC filings for increased ownership of the Fairbanks and Gibson Solar projects, a final approval of the settlement agreement in the NIPSCO Gas Rate Case in 3Q24, and continued progress in the PA and VA gas rate case proceedings and the Ohio infrastructure replacement tracker.

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.

BMO Top 15 List

BMO Top 15 List Member

Income Stock

NI-NYSE Research

Glossary

Company Models

On the Road With Management – Positioning for the Upside

Bottom Line: We had the pleasure of hosting meetings with NI senior management last week. In attendance was EVP/CFO Shawn Anderson, EVP/Strategy & Risk/CCO Michael Luhrs, Sr. Director/Investor Relations Chris Turnure, and Sophroni Popovski, Investor Relations.

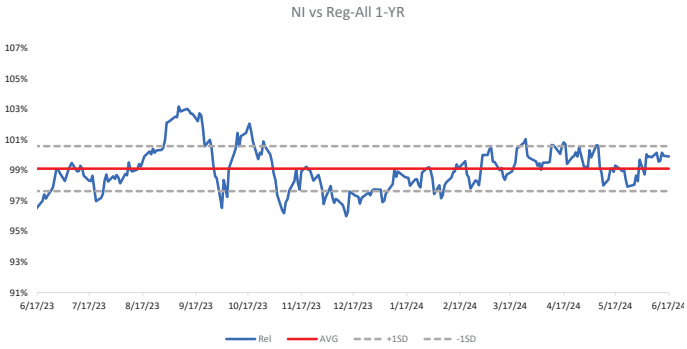
We came away from our meetings with more conviction in the NI story, and it remains our top pick in the sector. At an in-line multiple to the group, we believe NI's peer-leading, visible EPS growth (with upside potential), balance sheet strength, manageable equity financing needs, constructive regulatory jurisdictions, and longer-term upside potential from growing data center demand create one of the most attractive investment opportunities in our coverage universe. **We also appreciated management's core underlying focus on growing in a manner that benefits all stakeholders, especially customers through cost-effective investments and continued cost control which we believe adds durability to its long-term growth outlook.**

Moreover, we believe the company's profile includes several aspects that positively differentiate the story relative to its utility peers including: 1) projected future guidance rebases off its actual results resulting in a true compound growth rate vs a traditional multi-year CAGR which can have YoY variability; 2) a highly visible and executable growth rate of at least 7% with the potential for years to be at above the top end of its 6-8% outlook (2023-2028); 3) the company expects to have at least 100bps+ of credit cushion relative to its downgrade threshold through its 5-year plan (14-16% vs 13% downgrade threshold); 4) predictable regulatory environment with over 90% of its earnings/rate base exposed to favorable regulatory compacts in IN, OH, and PA; 5) a conservative weighted-average customer count growth assumption of ~0.5% (assumes flat usage); and 6) very conservative interest rate (marked at October 2023 levels) and natural gas price (~$4.00/MMBTU) assumptions embedded in the company's forecast.

Finally, we believe the recent announcement by Microsoft to build a new $1bn data center in Northern Indiana along with the other seven data center/crypto mining development projects in the state totaling nearly $15-17bn in investment should help investors overcome their concerns that the company's more gas distribution-weighted profile would not allow it to participate in the demand growth thematic bolstering its primarily electric peers (Exhibits 3 & 4).

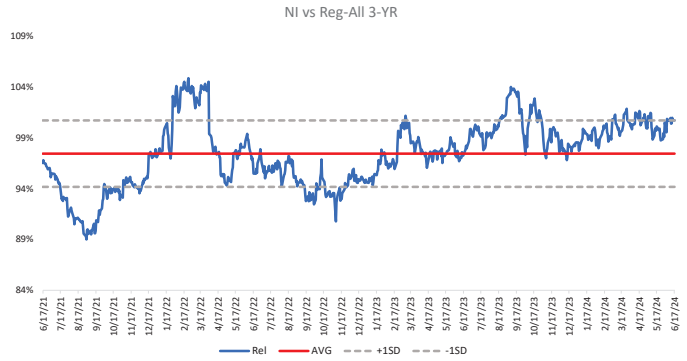
We reiterate our Outperform rating on NI shares, which remains an anchor on the GARP/Relative Value side of our BMO Barbell shares. Our target price remains unchanged at $31. Although we acknowledge following the capital plan update on the 1Q call the "knowable" catalyst calendar likely turns towards regulatory execution, we see several drivers for multiple expansion over the next 12 months including: 1) removal of an equity "overhang" as management executes against its 2024 ATM program ($600mm); 2) regulatory execution with pending gas rate cases in Indiana/Pennsylvania/Virginia, and its electric IRP filing in the fall; 3) periodic additions to its current and longer-term capital plan from economic development as well as infrastructure replacement/upgrades; and 4) potential DC-related announcements.

Exhibit 1 - 12-Month 2YR Forward Relative P/E



Source: BMO Capital Markets, FactSet

Exhibit 2 - 3-year 2YR Forward Relative P/E



Source: BMO Capital Markets, FactSet

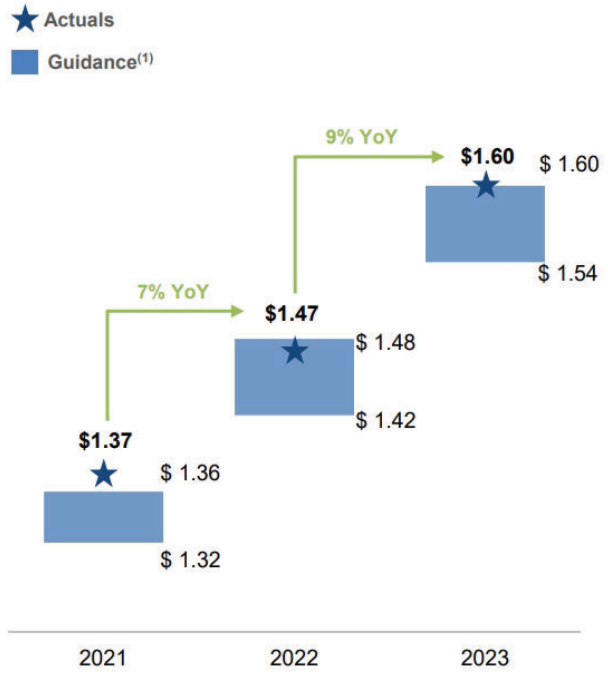
Visible and Affordable Infrastructure Growth Drivers Keep Growing

Management continued to highlight its visible runway (and expanding set) of growth opportunities which importantly are affordable to customers as infrastructure is economically modernized (renewables as an example) and the company continues to keep O&M flat allowing rate increase to stay below inflation (~4%). The company's current $16.4bn capital plan (2024-2028) supports its 8-10% regulated asset base growth outlook with the potential for upside drivers that could keep EPS growth toward the top end of its 6-8% longer-term target. More importantly, guidance rebases off its actual results which could allow the company to be at or above the top end of its long-term growth outlook. This would compare favorably relative to our own and consensus implied compound annual growth through 2026 of ~7.3-7.4%. **Management remains comfortable and confident that it can meet the 6-8% long-term target growth rate highlight that have been meeting or exceeding this outlook (Exhibit 3) with YoY growth at the midpoint implying 7.5% and nearly 9% at the top end.**

Roughly 45% of the current 5-year capital plan is related to its gas distribution operations which in addition to decades of modernization investments, is supporting onshoring and economic development in manufacturing and industrial processes, accelerating decarbonization through existing assets, and is also helping to enable the continued electrification growth of the areas that surround its operations. This visible and recurring capital program coupled with management's focus on customer affordability and regulatory frameworks with mechanisms to minimized rate lag (TDSIC/IRP/CEP programs, forward test years, CWIP in rate base) creates a predictable underlying base of EPS growth. Moreover, NI's LDC customers will be benefiting from the lower YoY cost of natural gas which should be down ~15% on average.

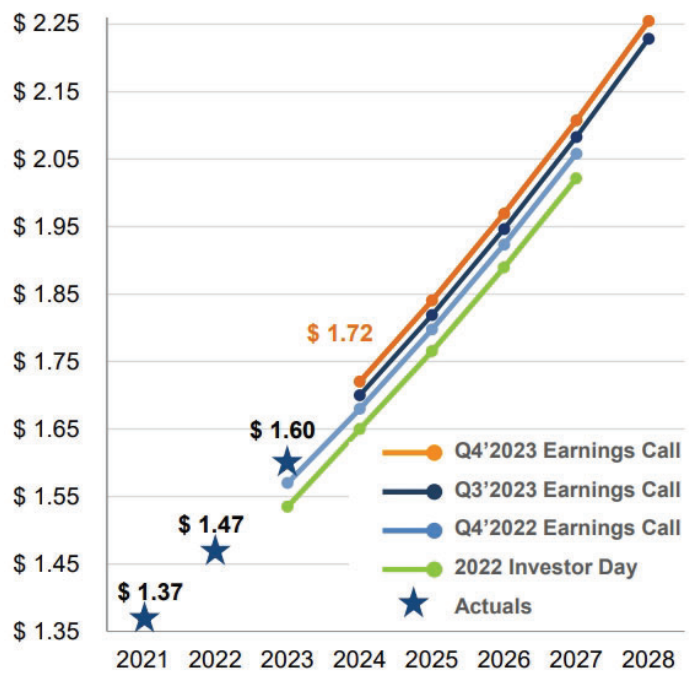
At NIPSCO, which represents the other 55% of the company's capital plan, the near-term growth driven by generation-related investments comes from the decarbonization of the utilities' supply portfolio and allowing it to be coal-free by 2028. Longer term, however, after nearly a 20-year hiatus, economic development and data center demand are driving increased load growth in Northern Indiana. This should benefit the utility and its customers by: 1) increased volumes driving per unit cost benefits given the company's cost-effective investments program and continued cost control efforts; and 2) the potential for additional investment in generation, transmission and gas distribution to help facilitate this growth. NiSource's integrated gas & electric profile and strategic Midwest/Eastern footprint positions it favorable to participate in these secular growth drivers. Moreover, management's continued focus on making investments and controlling costs that enhance customer affordability we believe adds the durability of the company's business model. Finally, we would highlight the company's currently authorized 58.00% equity layer and 9.85% ROE creates an attractive (especially relative) economic framework for deploying capital across its jurisdictional asset base.

Exhibit 3 - Built Track Record of Above-Peer Growth



Source: BMO Capital Markets, Company Reports

Exhibit 4 - Future Guidance Rebases Off Actual Results



Source: BMO Capital Markets, Company Reports

In a trend we expect to continue to recur over subsequent quarters, with its 1Q24 results, the company moved an incremental $400mm into its base plan to reflect the 100% ownership in the Fairbanks and Gibson solar projects. Management noted that it still has additional "near-term" investment opportunities of $1.6bn through 2028 with the remaining incremental capital primarily related to increased IRA-facilitated generation ownership, new gas modernization programs, PHMSA-driven investments as well as gas-related AMI.

While potentially approaching the backend of its current capital plan, it is important to note that the impact on volumes and incremental investment related to high load factor demand including data centers represent additional upside to the company's long-term growth outlook. Management highlighted it has not included any load growth or incremental capital deployment related to data centers in its 6-8% outlook. Similar to the process it went through with its renewable projects, management wants to remain disciplined in its capital deployment whereby it identifies the opportunity, develops it, demonstrates it is good for stakeholders and bring them onboard, after which it can be announced. The successful and consistent execution of this strategy, it believes, can continue to drive above-peer growth and potentially represent a step change in the company's growth rate with the rebasing off its growth outlook off actual results.

Demand Growth & Data Center – Nothing but Upside With This New Vector

As discussed above, management has not budgeted any sales growth upside or investment-related benefit from the expanding demand from high load factor data centers and crypto-mining development. This remains 100% upside to the company's current plan that has been at or above the midpoint of its 6-8% long term outlook over the past three years.

The company is seeing significant interest in Northern Indiana for data center and crypto mining development. In fact, management noted it is talking to multiple entities with an average project size of ~1GW. This reflects several positive attributes within the states including its robust transmission infrastructure, natural gas transmission network, available energy capacity, low wildfire risk, and political alignment including economic development incentives. To this latter point, the governor in 2019 signed a law that would support a tax abatement on the state's sales and use tax to incentivize data centers

to locate in Indiana. This was part of his strategy to diversify the employment base in Indiana from steel and traditional industrial manufacturing to incorporate new tech employment and opportunities. Additionally, outside of Washington, D.C./Pentagon, the Chicago metro area has one of the largest fiber networks in the country providing latency advantages. Since the passage of the 2019 law, eight projects have located to Indiana with four announcements coming in the past six months alone. In Exhibit 4 we highlight the announced data center/crypto mining development in Indiana which totals $15-17bn in total investment for just four of the projects. Of note six of these facilities are located within NIPSCO's service territories and could represent ~$14bn of the known investment (Exhibits 5 & 6). **As a reminder, NI has also partnered with Blackstone, a firm with a $1tn of assets under management, and who happens to own QTS Data Centers, the largest data center development company in the United States, as well as one of the largest renewable and natural gas development companies on the electric generation side that's based in Northern Indiana.**

Exhibit 5 - Announced Data Center/Crypto Mining Development in Indiana

Sponsor	County	Investement Potential	Number
Google	Allen	$2.0bn	1
Meta	Clark	$0.8-3.0bn	2
Microsoft	La Porte	$1.0bn	3
Amazon	St. Joseph	$11.0bn	4
DX Hammond Collocation Center	Lake		5
Digital Egg / Crypto Mining	Fulton		6
Digital Egg / Crypto Mining	Miami		7
AboutBit / Crypto Mining	Sullivan		8
Total Potenital Data Center Investment		**$14.8-17.0bn**	

Source: BMO Capital Markets, Indiana Capital Chronical

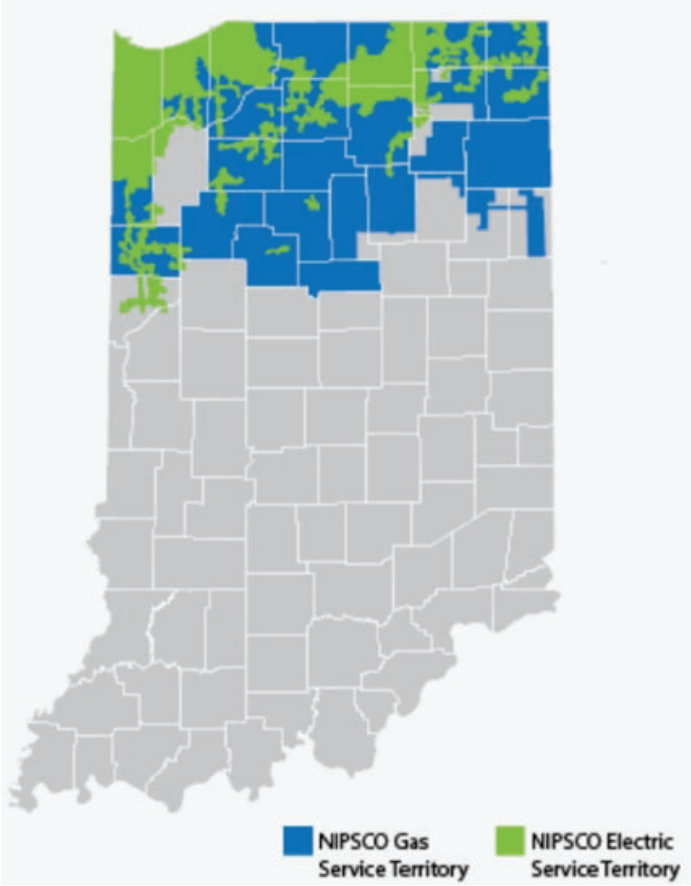
In addition to data center demand, large industrial companies fueled by economic development stimulus are coming to Indiana due to the low cost of land, ample energy supply, low wages, and a low relative corporate tax base. In January 2022, Intel announced its intention of building the largest semiconductor manufacturing facility in the world near Columbus in the city of New Albany, OH. It's a $28bn, two fab project (permitted for 4 but expandable to 8 fabs), which is expected to come online in 2027-2028 and create over 10,000 jobs (7,000 construction and 3,000 permanent).

Exhibit 6 - Data Center (Yellow) & Crypto Mining (Green) Announcements



Source: BMO Capital Markets, Indiana Business Research Center

Exhibit 7 - NIPSCO Electric & Gas Service Territory



Source: BMO Capital Markets, Company Reports

Affordable Reliability A Key Focus

The company remains vigilant in maintaining a flat O&M profile which it has successfully done since 2016. In 2023, management was able to take out ~$55mm in annual O&M through its continuous improvement program called Project Apollo which is now fully up and running. It's an employee-led program to focus on taking waste out of the system, similar to six sigma and other "lean" programs. This is in addition to the savings coming from the company's IT transformation which will help enable them to take out and automate some of the work that we do as well as the cost savings associated with the shutdown of its 847MW Schahfer (2025) and 540MW Michigan City (2028) coal plants. With these retirements, NIPSCO will be roughly 70% renewable-based generation and the company expects to continue to leverage that for the benefits of customers on energy prices. As they approach the Michigan City retirement, the company is working on its generation supply needs that likely necessitate another gas plant that would be coming online in 2027 or early 2028 with the current IRP process going on right now. Because the company will need additional generation beyond that and opportunities with it, it is working that through the stakeholder groups and the different communities now with a formal filing expected in November.

The recent EPA rules make it more challenging to build new gas-fired generation especially combine cycle generation given the 40% capacity factor requirement. However, NiSource's service territories are well-positioned for carbon capture & sequestration (CCS) longer term (~2030-2032) and there are technologies including pyrolysis that could come into play. This also includes hydrogen production, which the company continues to explore but expects is likely to take a bit longer dated despite the IRA's tax incentives. Despite these intermediate-term challenges, the ultimate application of these new technologies could make the investment case for new build combined cycle plants

more viable as NIPSCO would own the asset's production and be able to earn a regulated return on its investment. Additionally, given the asset's multi-decade useful life the economic viability including a higher ultimate capacity factor likely further improves the NPV of the investment to both customers and shareholders.

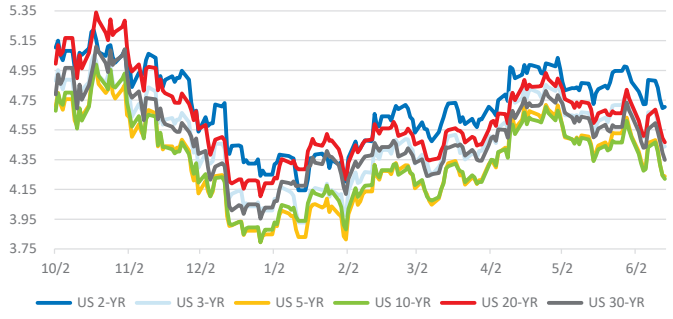
Balance Sheet & Interest Rate Exposure – A Differentiator

Despite the $400mm increase in its capital plan, management reiterated its equity funding program with no changes to its $600mm of equity in 2024 and $200-300mm annually (1.5-2.5% dilution) from 2025-2028 (all via ATM) to sustain FFO/Debt in the 14-16% range. This manageable program equity program is largely due to the positive cash flow attributes of tax transferability from the full ownership of its regulate renewable projects. The company has completed ~$200mm of its ATM program in 1Q24 through a forward sale agreement (priced at ~$26) and management continues to note that it has the option to use a forward structure to align proceeds with the use of funds, the NIPSCO minority interest transaction, hybrid securities, Jr. subordinated debt, and senior unsecured debt as part of its diverse funding sources to balance growth and credit quality.

The management also noted that it has been bearish on interest rates and therefore extremely conservative in its forecasts assuming the forward curves as of October 2023 (Exhibit 8). This appears to make next year's $1.25bn in maturities manageable. The company has no maturities in 2026 and ~$1bn in 2027 and 2028 (Exhibit 9).

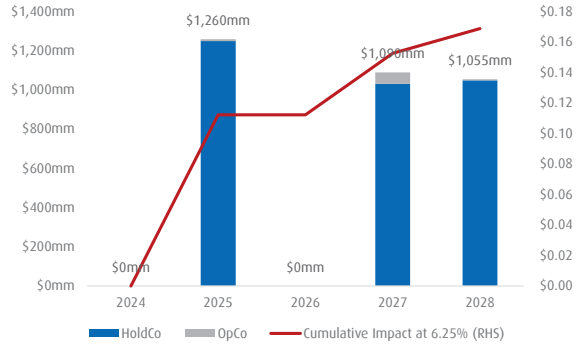
NiSource's parent rating is Stable at both Moody's (Baa2) and Standard & Poor's (BBB+). And its conversations with the rating agencies continue to be constructive as it has accelerated achieving the 14% into its plan by over a year and a half, also having spoke with Moody's last week. It continues to target the 14-16% range which reflects the various different methodologies employed by the rating agencies and will achieve 14-16% in all years of the plan. Relative to the 13% downgrade threshold at Moody's this implies at least 100bps of cushion. **We continue to view the balance sheet strength as a significant positive differentiator to peers in the current environment.**

Exhibit 8 - U.S. Treasury Rates – October 2023 To Present



Source: BMO Capital Markets, Bloomberg

Exhibit 9 - Bond Maturity Schedule for NiSource



Source: BMO Capital Markets, FactSet

Regulatory Updates

On the gas distribution side, the company reached a settlement in its NIPSCO gas case on March 20, for a proposed revenue increase of $120.9mm versus its initial ask of $161.9mm. The company expects a final order by August 20, 2024, with Step 1 rates going into effect in September 2024 and Step 2 rates going into effect in March 2025.

On the renewable investment front, the Cavalry and Dunns Bridge II Solar + Storage projects remain on track to be completed in 4Q24 and the Fairbanks and Gibson Solar projects are expected to be completed in 2025. Management feels good on its supplies associated with the projects and expects to meet the expectations for the installation time frames. **The company anticipates**

its next NIPSCO electric rate case to align with the completion of this renewable construction program with all four projects expected to be operational by the end of next year in line with the retirement of its Schaefer coal plant by the end of 2025.

The company filed its gas rate cases in Pennsylvania on March 15, requesting a $124.1mm in base rate increase, and Virginia on April 29, where it is requesting $37.2mm in base rate increase, net of the $15.4mm SAVE rider. We would expect a final order in both cases by the end of 2024. Pennsylvania's commission has settled 10 of the 11 last rate cases going back to 2008. The rate case centered almost singularly on pipeline modernization. **The company also filed its gas rate case in Kentucky on May 16, requesting a $23.8mm base rate increase.**

Lastly, on the 2024 electric Integrated Resource Plan (IRP) at NIPSCO, the company started the stakeholder meeting process in April, with a filing with the IURC expected in 3Q24. The IRP will include a comprehensive analysis of the energy demand over the next 20 years from economic development which will include potential data center development, electrification, electric vehicle utilization as well as incorporating changing energy policy and resource adequacy requirements and will build on the generation already in its 5-year plan.

Exhibit 10 - NiSource Inc. - Model Summary

Nisource (NI)

Model Summary Tables

Fiscal Year End: December

NI Model Summary	2020A	2021A	2022A	2023A	2024E	2025E	2026E
EPS By Segment							
Electric Operations	$0.64	$0.65	$0.56	$0.71	$0.75	$0.84	$0.92
Gas Distribution	$1.05	$1.02	$1.22	$1.31	$1.38	$1.47	$1.63
Corporate & Other	($0.36)	($0.30)	($0.31)	($0.41)	($0.40)	($0.46)	($0.56)
Consolidated E.P.S.	**$1.32**	**$1.37**	**$1.47**	**$1.60**	**$1.73**	**$1.85**	**$1.98**
Dividend per share	**$0.84**	**$0.88**	**$0.94**	**$1.00**	**$1.07**	**$1.13**	**$1.20**
Payout Ratio total	63.6%	64.3%	63.8%	62.3%	61.5%	61.2%	60.6%
Dividend Yield	2.9%	3.2%	3.4%	3.6%	3.9%	4.1%	4.4%
Valuation Metrics							
Price to Earnings	22.2x	20.2x	18.6x	17.1x	15.8x	14.8x	13.8x
Price to Book Value	1.7x	1.5x	1.4x	1.4x	1.3x	1.3x	1.2x
Funding Sources							
Cash Flow from Operations	$1,681	$1,255	$1,409	$1,615	$1,781	$1,963	$2,129
Total Debt Financings	$2,974	$0	$346	$2,286	($600)	$2,960	$1,240
Total Equity Financings	$211	$300	$154	$0	$600	$250	$250
Credit Metrics							
Total Debt/Capitalization	60%	56%	57%	61%	57%	59%	59%
FFO/Total Debt	13%	15%	15.6%	11.9%	13.7%	13.4%	13.7%
Regulated Operations Performance - Realized ROE							
NIPSCO Electric ROE	10.5%	11.0%	9.4%	10.4%	9.8%	9.7%	9.9%
Columbia Gas of Ohio ROE	8.2%	8.7%	9.7%	9.6%	9.7%	9.7%	9.9%
Columbia Gas of Pennsylvania ROE	8.2%	8.7%	9.2%	9.0%	9.0%	9.0%	9.3%
NIPSCO Gas ROE	8.2%	8.6%	10.4%	9.7%	9.7%	9.8%	10.0%
Columbia Gas of Virginia ROE	12.2%	13.3%	12.3%	12.6%	12.6%	12.7%	13.0%
Columbia Gas of Kentucky ROE	8.1%	7.6%	8.4%	8.1%	8.3%	8.4%	8.7%
Columbia Gas of Maryland ROE	8.3%	9.2%	9.6%	9.2%	9.3%	9.3%	9.5%

Source: BMO Capital Markets, Company Reports

Exhibit 11 - NiSource Inc. - Key Assumptions

Nisource (NI)
Model Summary Tables
Fiscal Year End: December

Key Model Assumptions	2020A	2021A	2022A	2023A	2024E	2025E	2026E
Total Capital Expenditures by Segment							
Electric Operations	$423	$483	$541	$1,450	$1,500	$1,500	$1,050
Gas Distribution	$1,267	$1,296	$1,596	$2,000	$1,900	$1,800	$2,000
Consolidated Capital Expenditures	**$1,690**	**$1,780**	**$2,136**	**$3,450**	**$3,400**	**$3,300**	**$3,050**
YE Rate Base Estimates							
NIPSCO Electric	$4,794	$4,898	$5,401	$6,463	$7,538	$8,576	$9,132
Columbia Gas of Ohio	$3,412	$3,937	$4,402	$5,016	$5,575	$6,075	$6,636
Columbia Gas of Pennsylvania	$2,069	$2,419	$2,699	$3,075	$3,418	$3,726	$4,069
NIPSCO Gas	$1,824	$1,991	$2,417	$2,752	$3,057	$3,330	$3,636
Columbia Gas of Massachusetts	$1,207	$0	$0	$0	$0	$0	$0
Columbia Gas of Virginia	$867	$1,086	$1,090	$1,243	$1,383	$1,508	$1,648
Columbia Gas of Kentucky	$371	$422	$481	$540	$593	$641	$694
Columbia Gas of Maryland	$150	$197	$223	$254	$282	$308	$336
Total Rate Base	**$14,693**	**$14,950**	**$16,713**	**$19,343**	**$21,847**	**$24,164**	**$26,152**

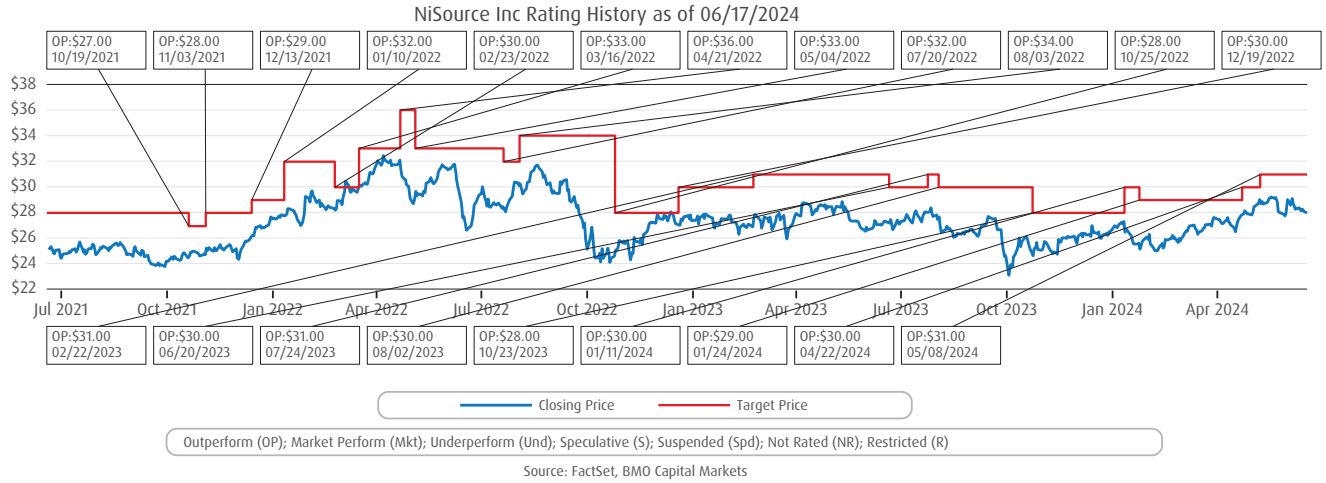
Source: BMO Capital Markets, Company Reports

Exhibit 12 - NiSource Inc. - SOTP Valuation

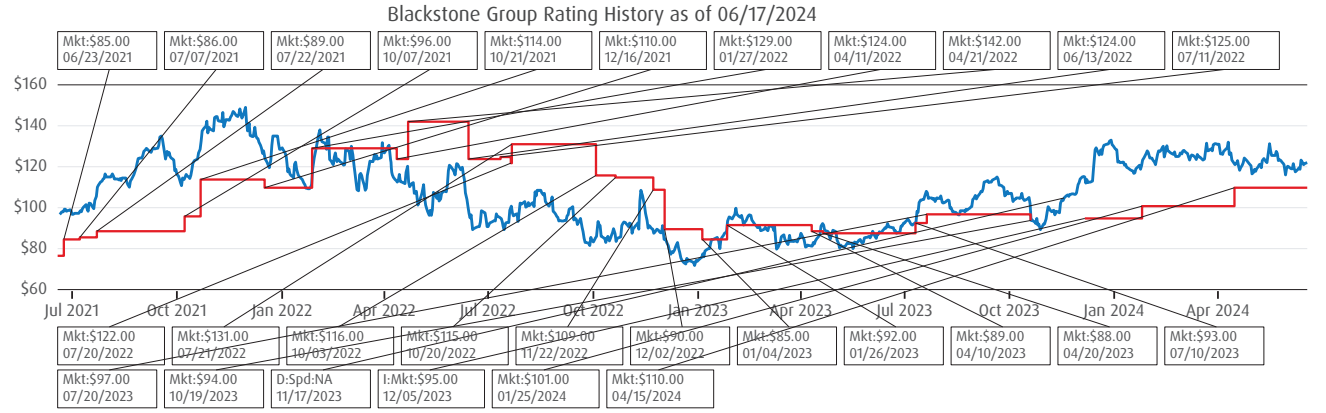
Nisource (NI)
Model Summary Tables
Fiscal Year End: December

Regulated, Corporate & Other	Valuation Metric	2026E EPS	Sector Comp	Sector Multiple	Prem/ (Discount)	Base Multiple	BMO Low Case P/E Multiple	BMO Low Case Implied Value ($ MM)	BMO Base Case P/E Multiple	BMO Base Case Implied Value ($ MM)	BMO High Case P/E Multiple	BMO High Case Implied Value ($ MM)
Electric Operations	EPS	$0.92	Electric	14.5x	+15.0%	16.7x	12.0x	$11	16.7x	$15	18.7x	$17
Gas Distribution	EPS	$1.63	Natural Gas	13.3x	+10.0%	14.6x	10.8x	$18	14.6x	$24	16.6x	$27
Corporate & Other	EPS	($0.56)	Blend	15.4x	+0.0%	15.4x	15.4x	($9)	15.4x	($9)	17.4x	($10)
Utility & Parent Value		**$1.98**					10.1x	**$20**	15.4x	**$31**	17.4x	**$34**
Total NiSource Inc.								**$20**		**$31**		**$34**
Upside/(Downside)								(29%)		9%		23%
Current Yield								4%		4%		4%
Total Return								**(25%)**		**13%**		**27%**

Source: BMO Capital Markets, Company Reports



Source: FactSet, BMO Capital Markets



Source: FactSet, BMO Capital Markets

IMPORTANT DISCLOSURES

Analyst's Certification

I, James M. Thalacker, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Company Specific Disclosures

Disclosure 1: BMO Capital Markets has undertaken an underwriting liability with respect to NiSource Inc and Blackstone Group within the past 12 months.

Disclosure 2: BMO Capital Markets has provided investment banking services for remuneration with respect to NiSource Inc and Blackstone Group within the past 12 months.

Disclosure 3: BMO Capital Markets has managed or co-managed a public offering of securities with respect to NiSource Inc and Blackstone Group within the past 12 months.

Disclosure 4: BMO Capital Markets or an affiliate has received compensation for investment banking services from NiSource Inc and Blackstone Group within the past 12 months.

Disclosure 5: BMO Capital Markets or an affiliate received compensation for products or services other than investment banking services within the past 12 months from NiSource Inc and Blackstone Group.

Disclosure 6A: NiSource Inc and Blackstone Group is a client (or was a client) of BMO Nesbitt Burns Inc., BMO Capital Markets Corp., BMO Capital Markets Limited or an affiliate within the past 12 months: A) Investment Banking Services

Disclosure 6C: NiSource Inc and Blackstone Group are clients (or were clients) of BMO Nesbitt Burns Inc., BMO Capital Markets Corp., BMO Capital Markets Limited or an affiliate within the past 12 months: C) Non-Securities Related Services.

Disclosure 8A: BMO Capital Markets or affiliates have beneficial ownership of 1% or more of any class of the equity securities of NiSource Inc (a) as of the end of the month prior to the issuance date of the research report, or (b) as of the end of the second most recent month if the report issuance date is less than 10 days after the end of the prior month.

Disclosure 8C: BMO Capital Markets or an affiliate has a financial interest in 0.5% or more in the issued share capital of NiSource Inc.

Disclosure 19: BMO Capital Markets Corp. ("BMO CMC") is acting as an agent to NiSource Inc on an at-the-market equity offering program. BMO CMC is being paid a fee based on the program. BMO CMC follows information control procedures which prevent its research analysts who are issuing research from having access to material non-public information received by BMO CMC's investment banking personnel in connection with the transaction. Accordingly, it is possible that individual employees at BMO CMC may have material non-public information or opinions which are not included in, and may not be consistent with, the information and opinions in this research report.

Methodology and Risks to Target Price/Valuation for Blackstone Group (BX-NYSE)

Methodology: Our target price is based on a sum-of-the-parts of: i) fee-related earnings; ii) spread-related earnings; iii) net accrued carried interest; and iv) APO's net invested capital.

Risks: Key risks include: i) reputational/return performance risks; ii) interest rate/market risks; iii) succession planning; iv) liquidity/outflow risks; and v) regulatory/taxation risks.

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 2026E 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.

Distribution of Ratings (June 17, 2024)

Rating category	BMO rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	StarMine Universe~
Buy	Outperform	49.6 %	20.9 %	51.6 %	56.4 %	62.8 %	57.7%
Hold	Market Perform	48.1 %	19.3 %	46.2 %	42.2 %	36.4 %	37.5%
Sell	Underperform	2.4 %	18.2 %	2.2 %	1.4 %	0.8 %	4.8%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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The Fleishman Daily 6/25/24 - NI, CNP, PEG, LNT, Bi-Weekly Mark, TRGP, ENB, KNTK, SEDG

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NI, CNP, PEG, LNT, Bi-Weekly Mark, TRGP, ENB, KNTK, SEDG

The Fleishman Daily 6/25/24
Utilities: NI, CNP, PEG, LNT, Bi-Weekly Mark
Midstream: TRGP, ENB, KNTK
Clean Energy: SEDG
WEBCAST: Virtual Chat with IREN Co-Founder and Co-CEO, Daniel Roberts; replay here

Utilities

NI – Estimates ~2.6-8.6 GW of potential load growth from data centers, etc., more than double previous 2.3-2.5 GW IRP peak load projection; wow
CNP – Estimates $425-475M of restoration costs from Houston derecho and expects recovery through regulatory mechanisms and securitization bonds; reaffirms EPS guidance
PEG – Moody's lowers outlook for Power unit to stable from positive, affirms rating; bit surprising
LNT – Will incur ~$0.17 one-time charge in Q2 from no return on remaining NBV of retired Lansing coal unit stipulated in IA settlement; expected
Bi-Weekly Mark: Bitcoin mining to data centers; IREN chat, CORZ deal

Midstream

TRGP – CFO Kneale to become President with expanded role; Will Byers to become CFO effective next month
ENB – Prices $1.2B of incremental hybrids; Proceeds help meet remaining $3B funding need for gas

LDCs

KNTK – Closes Durango acquisition; now sees leverage at 3.4x; to update 2024 guidance with Q2 earnings

Clean Energy

SEDG – Issuing $300M of convertible notes (refi); reaffirms 2Q revenue guide but $150M negative cash flow; $11M exposure to Titan Solar bankruptcy; negative

Wolfe Utility & Midstream Materials: Utility Comps, Utility Stock Charts, Midstream Comps, Clean Energy Comps, Clean Energy Stock Charts, Models, Valuation Charts, Marketing Deck

Utilities

NI – Estimates ~2.6-8.6 GW of potential load growth from data centers, etc., more than double previous 2.3-2.5 GW IRP peak load projection; wow

- Yesterday, NIPSCO published updated slides (link) for its 2nd 2024 IRP stakeholder meeting.
- There is strong demand for data center investment in NIPSCO's service territory: >30 inquiries over the last year, with 6 active projects being studied = estimate up to ~8.6 GW by 2035.
- Given potential pipeline opportunities, the IRP analysis will include 2.6 GW of new econ. dev't load in all scenarios and an emerging load sensitivity with an additional 6 GW over 2028-35.
    - This compares vs. the original reference case IRP peak load as of the April stakeholder meeting of ~2.3-2.5 GW over 2028-35 – see slides 16-25 for more detail.
- The build-out of new energy/capacity resources to meet this potential new load will be assessed in the 2024 IRP process.
- NIPSCO also reviewed preliminary results of its recent RFPs in slides 99-114:
    - 53 individual projects across 3 states (IN, KY, PA) with ~9.2 GW of capacity were represented; 109 total proposals = 22 Asset Sale + 73 PPA/Toll + 14 Combination.
    - No wind projects were bid into the RFP; asset sale prices for solar and thermal/other were redacted; solar + storage = $3,472/kW and standalone storage = $1,771/kW.
    - The bid evaluation period started on 6/8 and will be completed in Q3; definitive agreements are expected to be signed with bidders in Q4.

Our understanding is that NIPSCO's ~2.6-8.6 GW load growth forecast is risk-adjusted based on visibility into commercial actions taken by potential counterparties. While it's reasonable to assume that at least some of these potential projects may not materialize, even the low-end/base case ~2.6 GW load growth estimate represents a sizable step-up from NIPSCO's previous ~2.3-2.5 GW IRP peak load projection. No contracts have been signed yet and NI's base 5-year financial plan currently does not include economic development opportunities, but we may get more insight into additional generation capex needs at Q3 after the finalized IRP is filed in November.

CNP – Estimates $425-475M of restoration costs from Houston derecho and expects recovery through regulatory mechanisms and securitization bonds; reaffirms EPS guidance

- Yesterday, CNP filed an 8-K estimating that total costs to restore electric delivery facilities damaged due to the May 2024 Storm Events will be in the range of $425-475M.
- These estimates are subject to revisions as certain restoration costs may continue through the end of 2024, with potential for ongoing repairs to transmission facilities to continue into 2025.

GUGGENHEIM

FLASH NOTE

June 24, 2024

NI: NIPSCO Electric Demand Growth Projected to Be Among the Fastest in the Industry

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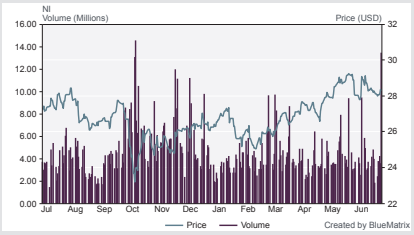
NiSource Inc.
Sector: Power & Utilities

Company Update

Share Price	$28.32

Market Data

52-Week Range	$22.86 - $29.44
Dividend	$1.06
Dividend Yield	3.7%
Market Cap (M)	$12,696
Enterprise Value (M)	$21,092
Shares Out (M)	448.3
ADV (3 mo; 000)	4,060



Key Message: NI released new electric demand growth projections this morning, which incorporated risk-adjusted data center-driven demand for the first time. We caught up with the company intraday, following this morning's announcement. While investors should not expect to see these new disclosures translate into upside to the capital plan for a while still, we believe that NI's shares should benefit from further multiple expansion in anticipation of the company quantifying the potential earnings upside. Intraday, NI is outperforming the UTY by ~80bps, with NI +2.1% vs. UTY +1.3% at the time of writing. NIPSCO's new load growth base case calls for a ~10% load growth CAGR from '24-'28, we estimate, and its bull case could see that figure climb to as high as a ~36% CAGR over the same period — both of which dwarf the current 0.5-0.6% annual growth rate embedded in guidance. While many utilities have been raising their load growth forecasts (particularly in the outer years of their current five-year plans), until now, Georgia Power's ~9% load growth CAGR had been the fastest growth rate we had seen among our coverage universe.

What happened? In an IRP update slide deck (link HERE) that was released pre-market today, NIPSCO disclosed significantly increased electric demand projections, in advance of its IRP process' second stakeholder advisory meeting, which took place today. The dramatic acceleration seen in NIPSCO's revised forecasts stands in stark contrast to the comparatively flat projections currently embedded in guidance and reflected in the slides from April's first stakeholder advisory meeting (link HERE). In today's disclosures (*see table and slides below*), NIPSCO published a revised base case forecast, which (for the first time) includes contributions from **data centers**, as well as a "High Large Load Sensitivity" scenario (or bull case). Both the base and bull scenarios are **risk-adjusted for probability,** according to the company, meaning that they represent mgmt.'s best attempt to accurately predict the most likely outcomes. The bull case, for example, doesn't assume that all of the data centers NIPSCO is currently talking to will become customers.

Using the relevant charts presented today (*shown further below*), we extrapolated that NIPSCO is now expecting a base case scenario of a ~10% load growth CAGR for '24-'28, as well as providing a bull case scenario with a ~36% CAGR. We note that even the base case represents **significant acceleration** vs. NIPSCO's current 0.5%-0.6% annual demand growth, which is driven entirely by new customer additions.

Comparing NIPSCO's New Base & Bull Scenarios vs. Current Guidance

NIPSCO IRP Load Forecast	2024	2025	2026	2027	2028	CAGR
NEW: Implied Bull Case	*11.6*	*11.7*	*13.2*	*20.0*	*39.6*	*35.9%*
NEW: Implied Base Case	11.6	11.7	11.7	13.5	17.0	10.0%
Prior forecast	11.6	11.7	11.7	11.8	11.9	0.55%

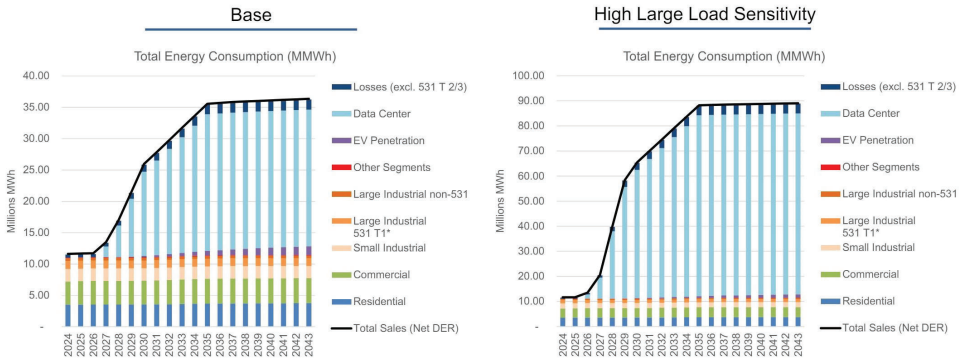
Source: Company materials (NIPSCO IRP slides), and Guggenheim Securities, LLC analysis.

It will still be a while before this data center upside shows up in capex guidance (either the base plan or upside opportunities)… We caught up with the company after today's disclosure, and asked about what investors should expect on the Q2 call this summer. NI said mgmt. will speak **qualitatively** about the revised load projections, but advised **not to expect** any **quantitative** updates in terms of data center load-driven guidance revisions or increases to either the current $16.4bn base capex plan or the $1.6bn of identified upside opportunities (none of which is driven by the accelerating load growth in today's disclosure). NI typically rolls forward its capital plan and guidance in tandem with its Q3 call; however, investors most likely should not expect data center-driven upside to be a part of this year's roll forward either — this seems reasonable to us given that the IRP process itself does not end until November.

This report is intended for Sophroni Popovski at NiSource, Inc. (NI). Unauthorized distribution of this report is prohibited.

So when will the capex plan and guidance reflect this strong data center-driven demand?... We got the sense that investors should expect an offcycle update in 2025, without the need to wait for the 3Q25 roll forward; however, we note that when asked this question, the company was reluctant to point to any particular quarter (e.g., the Q4 call) as being any more likely than the other periods.

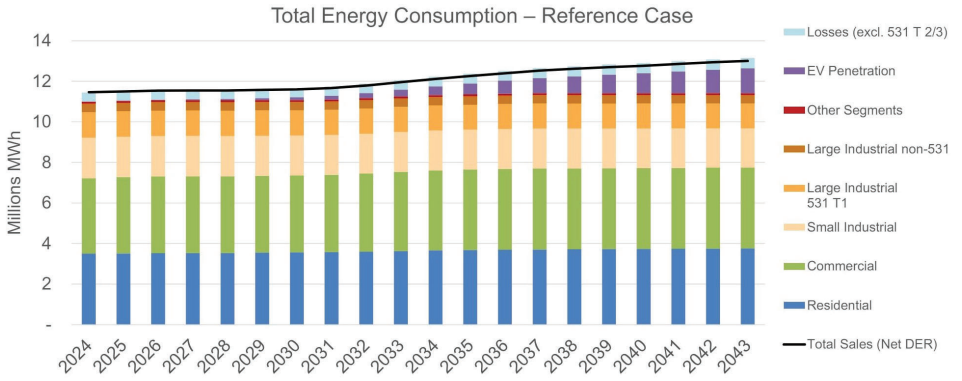
NIPSCO's Revised Projections for Total Energy Sales: Base Case and Bull Case (Risk-Adjusted)



Source: Company materials (NIPSCO IRP slides)

These **revised figures** can be compared and contrasted directly with **NIPSCO's prior forecast** from the April 2024 slide deck from the IRP's first stakeholder advisory meeting shown below (link HERE).

NIPSCO's Previous Reference Case Projections for Total Energy Sales



Source: Company materials (NIPSCO IRP slides)

For now, we continue to model slightly above 9% rate base growth at NIPSCO Electric for '23-'28 (NI uses a 2023 base year for rate base), while continuing to model 10% over the same period at the LDCs. The blended growth rate remains under the top end of NI's 8%-10% rate base growth guidance range, albeit towards the upper end. NI's guidance disclosures state that rate base growth could exceed the top end of the range in some years, which we do expect to see not only from incremental data center-driven capex, but even simply as more of the remaining $1.6bn of upside capex continues to move into the company's base plan.

For more on data center development, please see our notes: "*Data Center Power Grab With Leonard Klein – Datacenter Demand and Load Density Continue Inflection; No Constraint on Geography as Hyperscalers Look for Delivery Timelines*" **(link HERE)**, and "*Data Center Power Grab With Catalin Vieru – Differentiated Day 2 Shows DC Industry More Selective on Geography, More Constructive on Renewables and Off Grid Solutions*" **(link HERE)**.

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Valuation: We arrive at our $32 price target by employing our 16x regulated group target multiple, which is based on a regression model of regulated utility valuations and forward interest rate expectations over the past 30+ years, plus a 1x premium to reflect top-quartile rate base growth through the forecast period, as well as incremental growth opportunities and strategic initiatives that aren't currently being captured in our estimates. We then apply that combined multiple to our 2026 EPS estimate of $1.97 and finally discount back by one year.

Risks: Downside risks to our thesis include renewable supply chain disruptions, as well as traditional risk factors inherent with all regulated utilities, including: (1) rate case risk, (2) potential for a lower capex outlook, and (3) interest rate changes above what we account for in our regression model.

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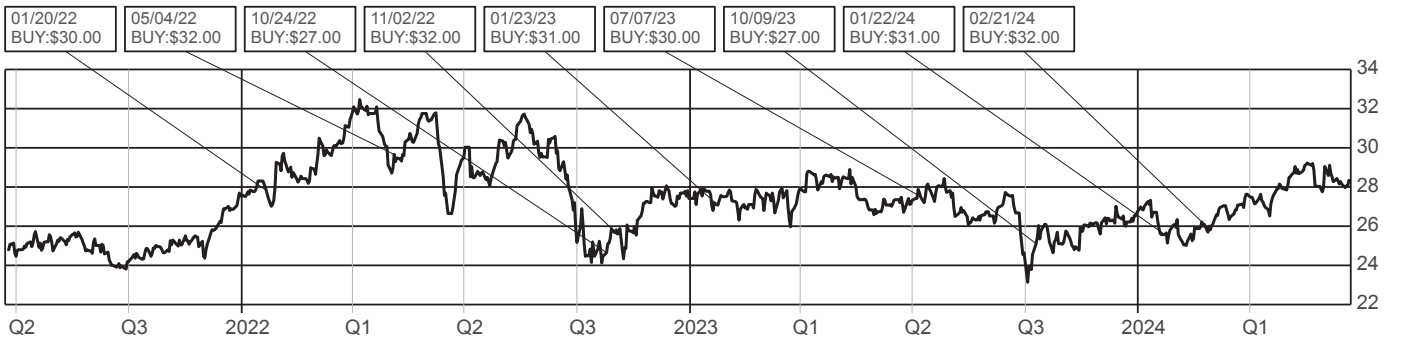
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Rating and Price Target History for: NiSource Inc. (NI) as of 06-21-2024



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NEUTRAL (N) - Describes stocks that we expect to provide a total return (price appreciation plus yield) of between plus 10% and minus 10% within a 12-month period.

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NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Guggenheim Securities, LLC policies.

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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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This report is intended for Sophroni Popovski at NiSource, Inc. (NI). Unauthorized distribution of this report is prohibited.

J.P.Morgan

NiSource Inc.

Landing Large Power: Data Center and IRP Topics Headline Capital Upside & Positive Investor Meetings

Overweight

NI, NI US
Price (25 Jun 24):$28.83

2024 *Institutional Investor*
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North American Utilities

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We recently hosted investor meetings in Boston and NYC with NI, including CFO Shawn Anderson and EVP of Strategy & Risk and Chief Commercial Officer Michael Luhrs. Upside capex opportunities saw the most airtime in discussions, particularly on the heels of MSFT's recent data center announcement in NIPSCO's service territory. Here, the company is witnessing significant large power interest seeking to leverage favorable IN qualities, which we expect will add to NI's $1.6bn near-term incremental investment potential. This week's latest IRP disclosures outline a sizeable potential, even risked, consistent with talking points from the meetings that highlighted monitoring the IRP process into the fall to gauge upside. Overall, we remain positive on NI's outlook given the utility's attractive 6-8% EPS growth plus beat and raise potential, with an emerging large power update through the IRP and fall plan refresh screening as compelling catalysts over the back half of the year.

- **Recent IN data center announcement illustrates large power opportunity...** Favorable IN qualities include economic incentives and a pro-business backdrop, high transmission capacity, existing fiber infrastructure, and available gas supply, all of which drive a compelling case for large power interest in the state and recently exhibited through MSFT's $1bn data center announcement. While much of the MSFT details remain to be seen across timing, service terms, and related capital needs, messaging was clear on large power demand requiring generation, transmission, and distribution investments to serve, with opportunities extending to NI's gas footprint as well ($50-100mm lines to data centers, based on NI's experience in VA to serve local data center additions). Keeping with past practice, we expect NI to add capital to its base plan as investments firm up, representing a steady cadence of capex additions that could materialize on 2Q or 3Q earnings.
- **...with the IRP process representing a key vehicle to monitor upside opportunity, now showcasing significant generation potential.** Amid this attention, NIPSCO's IRP stands out as crucial to unpacking this emerging large power opportunity. This week's latest IRP disclosures outline a sizeable potential, even risked, consistent with talking points from the meetings that highlighted monitoring the IRP process into the fall to gauge upside. The materials outline a +2,600MW and +8,600MW new generation need through 2035 under base and emerging load scenarios, representing outsized additions to NIPSCO's 2,300MW system and significant this-decade investment potential with a +1,600MW need through 2030 under the base scenario alone. While the base scenario carries a higher threshold for load inclusion, both

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utilize risked load numbers, showcasing management's point in meetings that large power inbounds are sizeable. Given none of this load is in NI's current financial outlook, we anticipate the next several quarters carry potential for a capex bump for generation to serve new load. NI's typical fall plan refresh appears in the sweet spot versus a November IRP filing, with both events screening as compelling catalysts over the back half of the year.

- **Other topics include 2024 rate cases, PHMSA regs, AMI, O&M, and more.** Rate case commentary remained positive across proceedings, with investors primarily focused on PA and the company's message of a business-as-usual process in this rate case towards a historical late summer settlement window. PHMSA regulations and AMI also stood out within discussion of NI's $1.6bn near-term upside capex opportunities, with related capex appearing primed for further refining over the next year for eventual base plan inclusion over time. O&M represents a clear long-term opportunity to manage customer bill impacts, with the company expanding its continuous improvement efforts (and also examining capital to drive customer benefits, receive timely recovery, and bring positive balance sheet impacts that all enable greater long-term capital deployment). Similarly, financing strategy touched on considerations that enabled NI to add $400mm of capex to its base plan without incremental equity on 1Q, with an attractive message pushing back on rote frameworks (such as every incremental capex dollar requires a fixed percentage of external equity) and instead highlighting recovery considerations that bias future equity funding needs to <50% of incremental capex plus more opportunities like the 1Q update.

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NiSource Inc. (NI, NI US) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Aug 23, 2011. All share prices are as of market close on the previous business day.

Date	Rating	Price ($)	Price Target ($)
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
11-May-22	OW	29.32	33
25-Jul-22	OW	28.44	31
05-Sep-22	OW	29.55	34
24-Oct-22	OW	24.49	30
09-Dec-22	OW	27.77	31
13-Mar-23	OW	26.71	30
24-Apr-23	OW	28.64	31
20-Jun-23	OW	27.38	30
20-Jul-23	OW	27.70	31
05-Sep-23	OW	26.56	30
16-Oct-23	OW	25.78	29
04-Dec-23	OW	26.20	30
23-Jan-24	OW	25.59	29
21-Mar-24	OW	26.86	30
07-Jun-24	OW	28.54	31

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period.
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J.P. Morgan Equity Research Ratings Distribution, as of April 06, 2024

	Overweight (buy)	Neutral (hold)	Underweight (sell)
J.P. Morgan Global Equity Research Coverage*	48%	39%	14%
IB clients**	49%	45%	35%
JPMS Equity Research Coverage*	46%	42%	12%
IB clients**	70%	66%	52%

***Please note that the percentages may not add to 100% because of rounding.**
****Percentage of subject companies within each of the "buy," "hold" and "sell" categories for which J.P. Morgan has provided investment banking services within the previous 12 months.**
For purposes of FINRA ratings distribution rules only, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category. Please note that stocks with an NR designation are not included in the table above. This information is current as of the end of the most recent calendar quarter.

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NiSource Inc NI ★★★★ 4 Jun 2024 21:19, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
29.11 USD 4 Jun 2024	34.00 USD 10 May 2024 13:24, UTC	0.86	12.83 USD Bil 3 Jun 2024	Narrow	Mid Value	Low	Standard	1 May 2024 05:00, UTC

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Analyst Note (5 Jun 2024)
Business Description
Financials
ESG Risk
Research Methodology for Valuing Companies

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

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

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NiSource: Microsoft Data Center Announcement Supports Long-Term Growth Outlook

Analyst Note Travis Miller, Strategist, 5 Jun 2024

NiSource is on its way to joining the group of utilities that will benefit the most from the US data center expansion after government officials announced Microsoft plans to build a $1 billion, 245,000 square-foot data center in La Porte, Indiana.

NiSource subsidiary Nipsco will deliver the facility's electricity and natural gas, likely resulting in a sizable uptick in the utility's commercial demand.

We reaffirm our $34 per share fair value estimate and narrow economic moat rating.

The announcement gives us more confidence that NiSource will invest at least $17 billion in its electric and gas networks during the next five years, supporting our base 7% annual earnings growth estimate. We think growth could hit 8% and extend into the next decade if management can minimize operating and financing costs while attracting commercial and industrial developments like the Microsoft facility. NiSource has not released possible investments tied to the Microsoft facility.

NiSource stock trades at a 16% discount to our fair value estimate, making it one of the cheapest US utilities. Even though NiSource's 17 P/E and 3.7% dividend yield align with the utilities sector median, we think NiSource deserves a premium valuation due to its industry-leading regulatory success and a long runway of growth opportunities.

NiSource already supplies electricity and gas to many large-load customers across its six-state service territory.

Financial Summary and Key Statistics

	Actual		Forecast	
	2022	2023	2024	2025
Revenue (USD Mil)	5,851	5,505	5,794	6,052
Revenue Growth %	19.4	-5.9	5.2	4.5
Operating Income (Mil)	2,007	1,607	1,756	1,883
Operating Margin %	34.3	29.2	30.3	31.1
Adjusted EBITDA (Mil)	2,152	2,240	2,472	2,696
Adjusted EBITDA Margin %	36.8	40.7	42.7	44.6
Earnings Per Share (Diluted) (USD)	1.69	1.50	1.72	1.85
Adjusted Earnings Per Share (Diluted) (USD)	1.47	1.60	1.72	1.85
Adjusted EPS Growth %	7.3	8.8	7.6	7.6
Price/Earnings	18.7	16.6	16.9	15.7
Price/Book	1.6	1.4	1.5	1.5
EV/EBITDA	10.9	11.3	10.5	9.6
Free Cash Flow Yield %	—	—	—	—

Source: Morningstar Valuation Model. Data as of 09 May 2024.

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Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
29.11 USD 4 Jun 2024	34.00 USD 10 May 2024 13:24, UTC	0.86	12.83 USD Bil 3 Jun 2024	Narrow	Mid Value	Low	Standard	1 May 2024 05:00, UTC

Sector
Utilities

Industry
Utilities - Regulated Gas

Business Description

NiSource is one of the nation's largest natural gas distribution companies with approximately 3.2 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, including coal, natural gas, and renewable energy.

We think it is well-positioned geographically to benefit from additional manufacturing and data center development because of its access to low-cost, readily available energy resources. Its Virginia utility delivers gas to many of that region's data centers for onsite power generation.

Investors should watch closely as NiSource works through a 20-year electric integrated resource plan in Indiana. This could provide more information about regulatory support for NiSource's investment plan.

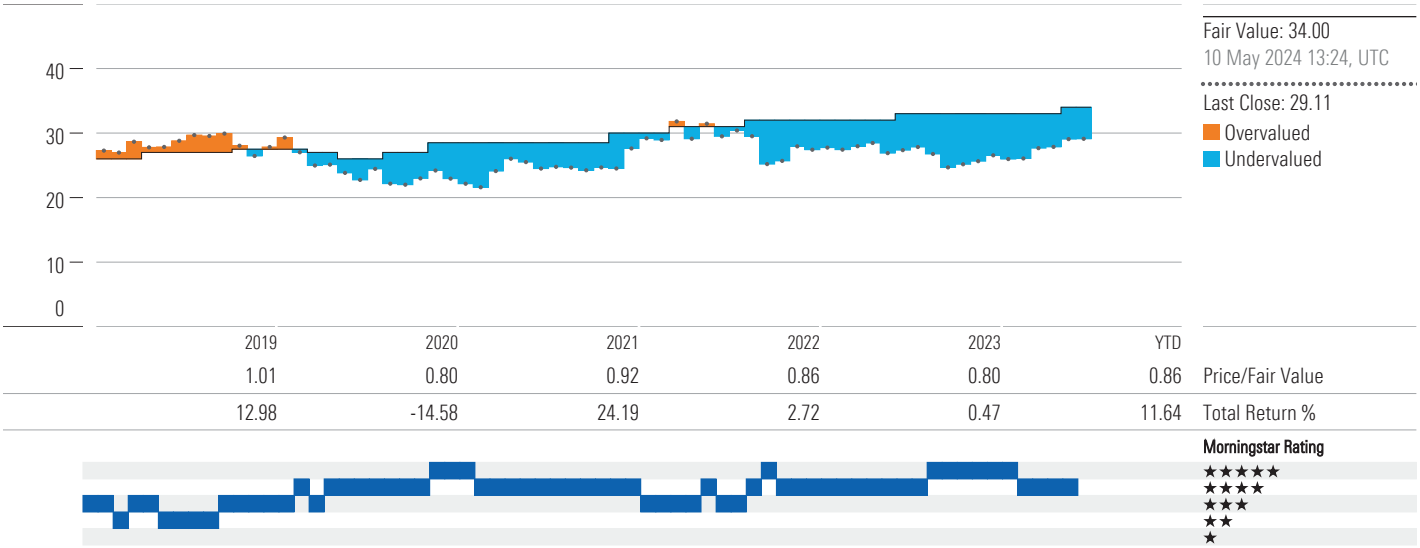
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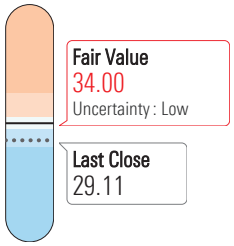
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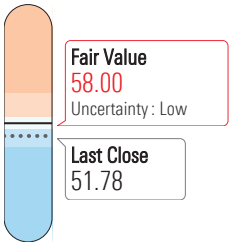
Price vs. Fair Value

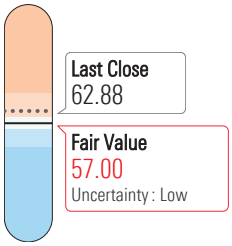


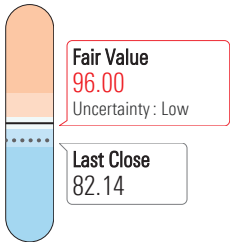
	2019	2020	2021	2022	2023	YTD	
	1.01	0.80	0.92	0.86	0.80	0.86	Price/Fair Value
	12.98	-14.58	24.19	2.72	0.47	11.64	Total Return %

Competitors









	NiSource Inc NI	Alliant Energy Corp LNT	CMS Energy Corp CMS	WEC Energy Group Inc WEC
Economic Moat	Narrow	Narrow	Narrow	Narrow
Currency	USD	USD	USD	USD
Fair Value	34.00 10 May 2024 13:24, UTC	58.00 8 Nov 2022 17:16, UTC	57.00 1 Feb 2024 20:21, UTC	96.00 5 Dec 2022 16:31, UTC
1-Star Price	42.50	72.50	71.25	120.00
5-Star Price	27.20	46.40	45.60	76.80
Assessment	Undervalued 4 Jun 2024	Undervalued 4 Jun 2024	Overvalued 4 Jun 2024	Undervalued 4 Jun 2024
Morningstar Rating	★★★★4 Jun 2024 21:19, UTC	★★★★4 Jun 2024 21:19, UTC	★★4 Jun 2024 21:19, UTC	★★★★4 Jun 2024 21:19, UTC
Analyst	Travis Miller, Strategist	Andrew Bischof, Strategist	Travis Miller, Strategist	Andrew Bischof, Strategist
Capital Allocation	Standard	Standard	Standard	Exemplary
Price/Fair Value	0.86	0.89	1.10	0.86
Price/Sales	2.49	3.31	2.51	2.99
Price/Book	1.65	1.95	2.43	2.14
Price/Earnings	18.90	18.83	19.17	17.93
Dividend Yield	3.54%	3.60%	3.19%	3.93%
Market Cap	12.83 Bil	13.10 Bil	18.71 Bil	25.64 Bil
52-Week Range	22.86—29.44	45.15—56.26	49.87—63.76	75.13—93.37
Investment Style	Mid Value	Mid Value	Mid Core	Mid Value

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Morningstar Valuation Model Summary

Financials as of 09 May 2024

Fiscal Year, ends 31 Dec	Actual 2021	2022	2023	Forecast 2024	2025	2026	2027	2028
Revenue (USD Mil)	4,900	5,851	5,505	5,794	6,052	6,345	6,686	7,007
Operating Income (USD Mil)	585	2,007	1,607	1,756	1,883	2,044	2,244	2,423
EBITDA (USD Mil)	1,799	2,152	2,240	2,512	2,736	2,995	3,302	3,589
Adjusted EBITDA (USD Mil)	1,799	2,152	2,240	2,472	2,696	2,955	3,262	3,549
Net Income (USD Mil)	530	749	672	843	932	1,024	1,127	1,235
Adjusted Net Income (USD Mil)	572	651	717	843	932	1,024	1,127	1,235
Free Cash Flow To The Firm (USD Mil)	-1,274	181	-961	-905	-1,207	-474	-351	-284
Weighted Average Diluted Shares Outstanding (Mil)	417	443	448	489	503	511	519	528
Earnings Per Share (Diluted) (USD)	1.27	1.69	1.50	1.72	1.85	2.00	2.17	2.34
Adjusted Earnings Per Share (Diluted) (USD)	1.37	1.47	1.60	1.72	1.85	2.00	2.17	2.34
Dividends Per Share (USD)	0.88	0.94	1.00	1.06	1.12	1.20	1.39	1.58

Margins & Returns as of 09 May 2024

	3 Year Avg	Actual 2021	2022	2023	Forecast 2024	2025	2026	2027	2028	5 Year Avg
Operating Margin %	22.8	11.9	34.3	29.2	30.3	31.1	32.2	33.6	34.6	28.4
EBITDA Margin %	—	36.7	36.8	40.7	43.4	45.2	47.2	49.4	51.2	—
Adjusted EBITDA Margin %	—	36.7	36.8	40.7	42.7	44.6	46.6	48.8	50.6	46.6
Net Margin %	11.9	10.8	12.8	12.2	14.5	15.4	16.1	16.9	17.6	16.1
Adjusted Net Margin %	11.9	11.7	11.1	13.0	14.5	15.4	16.1	16.9	17.6	16.1
Free Cash Flow To The Firm Margin %	-13.5	-26.0	3.1	-17.5	-15.6	-20.0	-7.5	-5.3	-4.1	-10.5

Growth & Ratios as of 09 May 2024

	3 Year CAGR	Actual 2021	2022	2023	Forecast 2024	2025	2026	2027	2028	5 Year CAGR
Revenue Growth %	5.6	4.7	19.4	-5.9	5.2	4.5	4.8	5.4	4.8	4.9
Operating Income Growth %	18.0	-40.2	243.3	-19.9	9.2	7.2	8.6	9.8	8.0	8.6
EBITDA Growth %	30.8	68.6	19.6	4.1	12.1	8.9	9.5	10.3	8.7	9.9
Adjusted EBITDA Growth %	28.0	68.6	19.6	4.1	10.4	9.1	9.6	10.4	8.8	9.6
Earnings Per Share Growth %	—	-771.1	33.3	-11.4	14.9	7.6	8.2	8.2	7.9	9.3
Adjusted Earnings Per Share Growth %	—	3.8	7.3	8.8	7.6	7.6	8.2	8.2	7.9	9.3

Valuation as of 09 May 2024

	Actual 2021	2022	2023	Forecast 2024	2025	2026	2027	2028
Price/Earnings	20.2	18.7	16.6	16.9	15.7	14.6	13.4	12.4
Price/Sales	2.3	1.9	2.0	2.3	2.2	2.1	2.0	1.9
Price/Book	1.7	1.6	1.4	1.5	1.5	1.4	1.4	1.3
Price/Cash Flow	—	—	—	—	—	—	—	—
EV/EBITDA	12.5	10.9	11.3	10.5	9.6	8.8	7.9	7.3
EV/EBIT	38.5	11.7	15.8	14.8	13.8	12.7	11.6	10.7
Dividend Yield %	3.2	3.4	3.8	3.6	3.9	4.1	4.8	5.4
Dividend Payout %	64.2	63.9	62.5	61.5	60.5	59.9	64.1	67.6
Free Cash Flow Yield %	—	—	—	—	—	—	—	—

Operating Performance / Profitability as of 09 May 2024

Fiscal Year, ends 31 Dec	Actual 2021	2022	2023	Forecast 2024	2025	2026	2027	2028
ROA %	2.2	2.8	2.2	2.6	2.7	2.8	2.9	3.1
ROE %	7.3	9.5	6.6	7.5	7.8	8.0	8.3	8.6
ROIC %	2.5	7.9	5.6	5.7	5.6	5.6	5.6	5.7

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MORNINGSTAR®

NiSource Inc NI ★★★★ 4 Jun 2024 21:19, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment[1]
29.11 USD 4 Jun 2024	34.00 USD 10 May 2024 13:24, UTC	0.86	12.83 USD Bil 3 Jun 2024	Narrow	Mid Value	Low	Standard	 1 May 2024 05:00, UTC

Financial Leverage (Reporting Currency)	Actual			Forecast				
Fiscal Year, ends 31 Dec	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Debt/Capital %	48.0	50.4	56.3	45.4	45.2	45.5	46.0	46.5
Assets/Equity	3.3	3.4	3.1	2.9	2.9	2.8	2.8	2.8
Net Debt/EBITDA	5.5	5.2	5.3	5.2	5.4	5.3	5.2	5.2
Total Debt/EBITDA	5.6	5.3	6.3	5.7	5.6	5.5	5.3	5.2
EBITDA/ Net Interest Expense	5.2	5.7	4.3	4.3	4.5	4.5	4.4	4.4

Forecast Revisions as of 10 May 2024	2024		2025		2026	
Prior data as of 8 Jan 2024	**Current**	**Prior**	**Current**	**Prior**	**Current**	**Prior**
Fair Value Estimate Change (Trading Currency)	34.00	32.75	—	—	—	—
Revenue (USD Mil)	5,794	6,385	6,052	6,621	6,345	6,937
Operating Income (USD Mil)	1,756	1,815	1,883	1,945	2,044	2,124
EBITDA (USD Mil)	2,472	2,459	2,696	2,656	2,955	2,932
Net Income (USD Mil)	843	776	932	840	1,024	926
Earnings Per Share (Diluted) (USD)	1.72	1.72	1.85	1.84	2.00	1.99
Adjusted Earnings Per Share (Diluted) (USD)	1.72	1.72	1.85	1.84	2.00	1.99
Dividends Per Share (USD)	1.06	1.06	1.12	1.12	1.20	1.20

Key Valuation Drivers as of 09 May 2024

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 %	6.0
Stage II Investment Rate %	75.0
Perpetuity Year	15

Additional estimates and scenarios available for download at https://pitchbook.com/.

Discounted Cash Flow Valuation as of 09 May 2024

	USD Mil
Present Value Stage I	-2,227
Present Value Stage II	3,570
Present Value Stage III	26,081
Total Firm Value	**27,424**
Cash and Equivalents	300
Debt	14,104
Other Adjustments	2,319
Equity Value	**15,939**
Projected Diluted Shares	479
Fair Value per Share (USD)	**34.00**

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NiSource Inc NI ★★★★ 4 Jun 2024 21:19, UTC

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Income Statement (USD)	Actual			Forecast				
Fiscal Year, ends 31 Dec	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Revenue (Mil)	**4,900**	**5,851**	**5,505**	**5,794**	**6,052**	**6,345**	**6,686**	**7,007**
Cost of Goods Sold (Mil)	2,111	1,533	1,495	1,511	1,526	1,541	1,557	1,572
Gross Profit (Mil)	**2,789**	**4,317**	**4,011**	**4,283**	**4,526**	**4,803**	**5,129**	**5,435**
Selling, General, Administrative & Other Expenses (Mil)	1,456	1,489	1,495	1,527	1,543	1,559	1,575	1,592
Advertising & Marketing Expenses (Mil)	0	0	0	0	0	0	0	0
Research & Development (Mil)	0	0	0	0	0	0	0	0
Depreciation & Amortization (if reported separately) (Mil)	748	821	908	1,000	1,100	1,200	1,310	1,420
Adjusted Operating Income (Mil)	**585**	**2,007**	**1,607**	**1,756**	**1,883**	**2,044**	**2,244**	**2,423**
Financial Non-Cash (Gains)/Losses (Mil)	-754	408	5	-40	-40	-40	-40	-40
Irregular Cash (Gains)/Losses (Mil)	288	268	271	284	287	289	292	295
Operating Income (Mil)	**1,051**	**1,331**	**1,331**	**1,512**	**1,636**	**1,795**	**1,992**	**2,169**
Net Interest Expense (Mil)	344	375	518	568	601	659	742	798
Income Tax Expense (Mil)	118	165	140	179	197	216	238	260
After-Tax Items (Mil)	-55	-55	-43	-20	-20	-20	-20	-20
(Minority Interest) (Mil)	-4	12	40	99	114	124	134	145
Net Income (Mil)	**530**	**749**	**672**	**843**	**932**	**1,024**	**1,127**	**1,235**
Adjusted Net Income (Mil)	**572**	**651**	**717**	**843**	**932**	**1,024**	**1,127**	**1,235**
Weighted Average Diluted Shares Outstanding (Mil)	417	443	448	489	503	511	519	528
Diluted Earnings Per Share	**1.27**	**1.69**	**1.50**	**1.72**	**1.85**	**2.00**	**2.17**	**2.34**
Diluted Adjusted Earnings Per Share	**1.37**	**1.47**	**1.60**	**1.72**	**1.85**	**2.00**	**2.17**	**2.34**
Dividends Per Common Share (USD)	0.88	0.94	1.00	1.06	1.12	1.20	1.39	1.58
EBITDA (Mil)	**1,799**	**2,152**	**2,240**	**2,512**	**2,736**	**2,995**	**3,302**	**3,589**
Adjusted EBITDA (Mil)	**1,799**	**2,152**	**2,240**	**2,472**	**2,696**	**2,955**	**3,262**	**3,549**

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NiSource Inc NI ★★★★ 4 Jun 2024 21:19, UTC

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Key Cash Flow Items (USD)	**Actual**			**Forecast** as of 9 May				
Fiscal Year, ends 31 Dec	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Cash from Working Capital (K)	-246,300	96,100	-329,000	231,907	113,611	208,390	151,126	54,138
(Capital Expenditures) (K)	-1,838,000	-2,203,100	-2,645,800	-3,400,000	-3,800,000	-3,400,000	-3,500,000	-3,600,000
Depreciation (K)	748,400	820,800	908,200	1,000,000	1,100,000	1,200,000	1,310,000	1,420,000
Amortization (K)	0	0	0	0	0	0	0	0
Net New (Investment), Organic (K)	**-1,335,900**	**-1,286,200**	**-2,066,600**	**-2,168,093**	**-2,586,389**	**-1,991,610**	**-2,038,874**	**-2,125,862**
(Purchases)/Sales of Companies & Assets (K)	0	0	0	0	0	0	0	0
Net New (Investment), Total (K)	**-1,335,900**	**-1,286,200**	**-2,066,600**	**-2,168,093**	**-2,586,389**	**-1,991,610**	**-2,038,874**	**-2,125,862**
Other Non-Cash Items, From Cash Flows (K)	0	0	0	0	0	0	0	0
Free Cash Flow to the Firm (K)	**-1,273,650**	**180,730**	**-960,898**	**-905,206**	**-1,207,341**	**-474,065**	**-351,444**	**-284,321**

Balance Sheet (USD)	**Actual**			**Forecast**				
Fiscal Year, ends 31 Dec	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Assets								
Cash and Equivalents (Mil)	95	75	2,281	1,157	219	128	134	99
Inventory (Mil)	499	752	503	497	502	507	512	517
Accounts Receivable (Mil)	826	1,042	862	873	912	956	1,007	1,056
Net Property, Plant and Equipment (Mil)	17,882	19,843	22,275	24,675	27,375	29,575	31,765	33,945
Goodwill (Mil)	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486
Other Intangibles (Mil)	0	0	0	0	0	0	0	0
Other Operating Assets (Mil)	2,788	3,063	3,099	2,950	2,950	2,850	2,750	2,750
Non-Operating Assets (Mil)	582	476	571	571	571	571	571	571
Total Assets (Mil)	**24,157**	**26,737**	**31,077**	**32,209**	**34,015**	**36,073**	**38,225**	**40,424**
Liabilities								
Accounts Payable (Mil)	698	900	749	745	753	760	768	775
Debt (Mil)	9,743	11,286	14,104	14,104	15,004	16,104	17,304	18,604
Other Operating Liabilities (Mil)	4,990	5,629	5,058	5,150	5,300	5,450	5,550	5,650
Non-Operating Liabilities (Mil)	1,452	1,020	1,029	1,029	1,029	1,029	1,029	1,029
Total Liabilities (Mil)	**16,884**	**18,835**	**20,941**	**21,028**	**22,086**	**23,343**	**24,651**	**26,059**
Equity								
Shareholders' Equity (Mil)	6,947	7,575	8,270	9,194	9,812	10,473	11,178	11,828
Minority Interest (Mil)	326	326	1,867	1,987	2,117	2,257	2,397	2,537
Total Equity (Mil)	**7,273**	**7,902**	**10,136**	**11,180**	**11,929**	**12,730**	**13,574**	**14,365**

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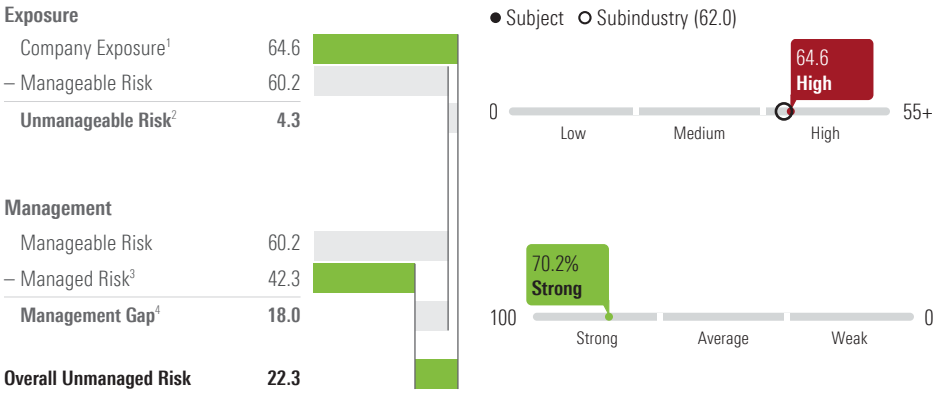
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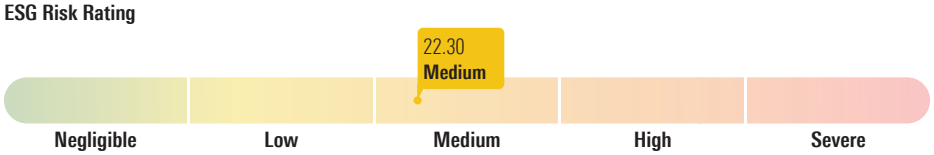
ESG Risk Rating Breakdown



- Exposure represents a company's vulnerability to ESG risks driven by their business model
- Exposure is assessed at the Subindustry level and then specified at the company level
- Scoring ranges from 0-55+ with categories of low, medium, and high-risk exposure

- Management measures a company's ability to manage ESG risks through its commitments and actions
- Management assesses a company's efficiency on ESG programs, practices, and policies
- Management score ranges from 0-100% showing how much manageable risk a company is managing

ESG Risk Rating



ESG Risk Ratings measure the degree to which a company's value is impacted by environmental, social, and governance risks, by evaluating the company's ability to manage the ESG risks it faces.

1. A company's Exposure to material ESG issues 2. Unmanageable Risk refers to risks that are inherent to a particular business model that cannot be managed by programs or initiatives 3. Managed Risk = Manageable Risk multiplied by a Management score of 70.2% 4. Management Gap assesses risks that are not managed, but are considered manageable 5. ESG Risk Rating Assessment = Overall Unmanaged Risk = Management Gap plus Unmanageable Risk

ESG Risk Rating Assessment[5]



ESG Risk Rating is of May 01, 2024. Highest Controversy Level is as of May 08, 2024. Sustainalytics Subindustry: Multi-Utilities. Sustainalytics provides Morningstar with company ESG ratings and metrics on a monthly basis and as such, the ratings in Morningstar may not necessarily reflect current Sustainalytics' scores for the company. For the most up to date rating and more information, please visit: sustainalytics.com/esg-ratings/.

Peer Analysis 01 May 2024

Peers are selected from the company's Sustainalytics-defined Subindustry and are displayed based on the closest market cap values

Company Name	Exposure			Management			ESG Risk Rating		
NiSource Inc	64.6 | High	0	55+	70.2 | Strong	100	0	22.3 | Medium	0	40+
Alliant Energy Corp	51.2 | Medium	0	55+	69.9 | Strong	100	0	17.7 | Low	0	40+
WEC Energy Group Inc	55.4 | High	0	55+	54.8 | Strong	100	0	27.0 | Medium	0	40+
Xcel Energy Inc	60.6 | High	0	55+	60.4 | Strong	100	0	26.5 | Medium	0	40+
CMS Energy Corp	59.4 | High	0	55+	68.6 | Strong	100	0	21.3 | Medium	0	40+

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Research Methodology for Valuing Companies

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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.

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.

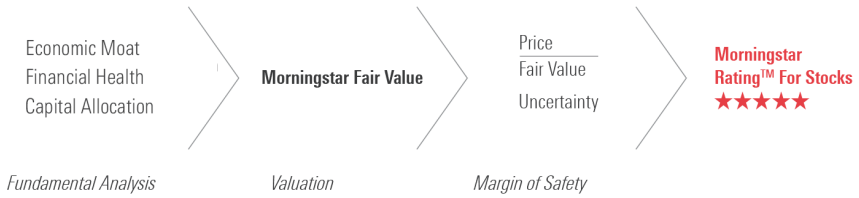
Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return 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 is designed to capture the range of potential outcomes for a company's intrinsic value. This rating is used to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating is aimed at identifying the confidence we should have in assigning a fair value estimate for a given stock.

Our Uncertainty Rating is meant to take into account anything that can increase the potential dispersion of future outcomes for the intrinsic value of a company, and any-

Morningstar Equity Research Star Rating Methodology



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UBS

Global Research and Evidence Lab
25 June 2024

First Read

NiSource Inc.

NIPSCO IRP Filed - Sales Outlook Revised Higher

Equities

Americas

Electric Utilities

12-month rating	**Buy**
12m price target	**US$32.00**
Price (25 Jun 2024)	**US$28.83**

RIC: NI.N **BBG:** NI US

Trading data and key metrics

52-wk range	US$29.23-23.18
Market cap.	US$12.9b
Shares o/s	448m (COM)
Free float	99%
Avg. daily volume ('000)	1,230
Avg. daily value (m)	US$34.7
Common s/h equity (12/24E)	US$7.33b
P/BV (12/24E)	1.7x
Net debt to EBITDA (12/24E)	5.6x

EPS (UBS, diluted) (US$)

	12/24E	
	UBS	**Cons.**
Q1E	0.81	0.85
Q2E	0.17	0.13
Q3E	0.34	0.20
Q4E	0.38	0.60
12/24E	1.71	1.72
12/25E	1.84	1.85
12/26E	1.98	1.98

What Happened?

On June 24, NI's subsidiary, NIPSCO, held a stakeholder meeting regarding their integrated resource plan. Topics discussed ranged from key drivers of load uncertainty to supply-demand positions and preliminary RFP review. The key takeaway is the company provided an update to its projected Peak load, with the new reference case showing a 26% increase in 2028 vs. the IRP that was provided in April 2023, with an "emerging load" scenario that could push that increase to 139%. The outlook for 2035 increased by 104% and 344% under these reference and emerging load scenarios. This is a material increase in the outlook and continues the broad theme we've seen for Nisource and across the sector. We believe investors should view this as solidifying the run way of growth the company has laid out to support the 6-8% EPS growth, with potential for enhancement longer term as the demand thesis plays out and likely requires additional investment. NiSource remains one of our top Buy ideas.

Large New Load

The IRP addresses two scenarios for increasing load growth in the NIPSCO service territory. The first being the new base peak load for 2028 at 2,900 MW in 2028 and 5,100 MW in 2035, up from the original base reference case of 2,300 MW and 2,500 MW, respectively. By 2035, data centers will contribute 2,800 MW of base load and 8,800 MW in emerging load. The second scenario is the total IRP peak load with emerging load sensitivity at 5,500 MW in 2028 and 11,100 MW in 2035. The base energy consumption is 11 TWh in 2024 increasing to ~36 TWh in 2035 with data centers making up ~22 TWhs of the consumption. The high large load sensitivity reaches ~89 TWh in 2035 with 72 TWh coming from data centers.

Request For Proposal on New Generation Decision Could be in Q4

In anticipation of the growing demand for generation, NIPSCO issued a series of RFPs on May 1st. The company received bids on 53 projects with 7,760 MW in Indiana, 575 MW in Kentucky, 70 MW in Pennsylvania, and 800 MW in LRZ4, PJM. In total, 9,205 MW of generation was bid on with 1,156 MW solar, 2,334 MW solar and storage, 3,892 MW standalone storage, 1,024 MW thermal/other, and 800 MW zonal resource credits. The bid process started on June 8 and the bid evaluation period tentatively scheduled to be completed in Q3'24 with definitive agreements signed with bidders tentatively slated for Q4'24. We await additional color from NiSource on how much of this could be self-build/self-owned options.

Valuation:

We maintain our PT of $32 and Buy rating.

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Highlights (US$m)	12/21	12/22	12/23	12/24E	12/25E	12/26E	12/27E	12/28E
Revenues	4,900	5,836	5,573	6,463	6,771	7,006	7,281	7,542
EBIT (UBS)	1,046	1,149	1,366	1,581	1,791	1,937	2,124	2,297
Net earnings (UBS)	573	650	716	790	878	964	1,052	1,156
EPS (UBS, diluted) (US$)	1.37	1.47	1.60	1.71	1.84	1.98	2.11	2.28
DPS (net) (US$)	0.90	0.94	1.00	1.06	1.12	1.19	1.26	1.34
Net (debt) / cash	(11,253)	(13,028)	(12,914)	(14,484)	(16,015)	(17,075)	(18,000)	(18,757)

Profitability/valuation	12/21	12/22	12/23	12/24E	12/25E	12/26E	12/27E	12/28E
EBIT (UBS) margin %	21.3	19.7	24.5	24.5	26.5	27.7	29.2	30.5
ROIC (EBIT) %	7.4	7.3	7.5	7.6	7.8	7.8	8.0	8.2
EV/EBITDA (UBS core) x	10.4	11.4	10.1	9.5	9.0	8.8	8.3	8.0
P/E (UBS, diluted) x	17.9	19.6	16.9	16.9	15.7	14.6	13.6	12.6
Equity FCF (UBS) yield %	(6.2)	(6.5)	(14.3)	(13.0)	(9.6)	(5.6)	(4.2)	(2.5)
Dividend yield (net) %	3.6	3.3	3.7	3.7	3.9	4.1	4.4	4.6

Source: Company accounts, LSEG Eikon, 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$ 28.83 on 25-Jun-2024 17:10:28 EDT

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Forecast returns

Forecast price appreciation	11.0%
Forecast dividend yield	3.7%
Forecast stock return	14.7%
Market return assumption	9.7%
Forecast excess return	5.0%

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 $32 price target is a 12% premium to the Regulated Utility average P/E or 17.4x our $1.84 EPS in 2025E. The valuation includes +5% for the group undervaluation vs. the market, +3% for second quartile regulation, and +4% for first-quartile EPS growth. 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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Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at https://neo.ubs.com/quantitative, or contact your UBS sales representative for access to the report or the Quantitative Research Team on qa@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

NiSource Inc.

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	4
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view)	3
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	4
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	3
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	3
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	
11. What is the catalyst?	

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Required Disclosures

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UBS Global Research: Global Equity Rating Definitions

12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	51%	36%
Neutral	FSR is between -6% and 6% of the MRA.	40%	38%
Sell	FSR is > 6% below the MRA.	8%	33%
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 March 2024.
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.

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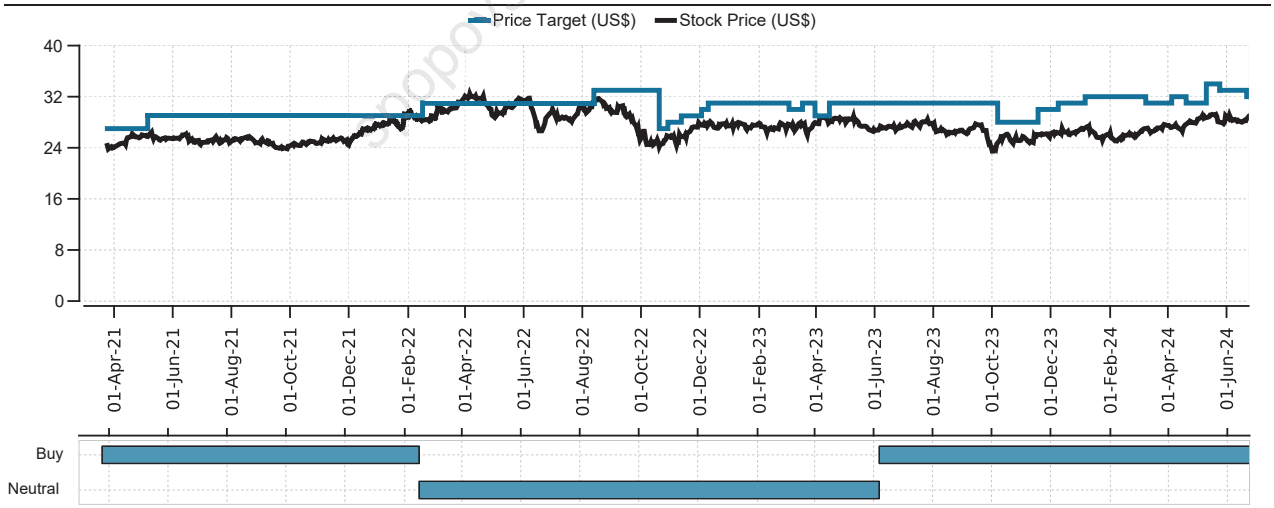
Company Disclosures

Company Name	Reuters	12-month rating	Price	Price date
NiSource Inc.[16]	NI.N	Buy	US$28.88	24 Jun 2024

Source: UBS Global Research; LSEG Eikon. 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.
16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.

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NiSource Inc. (US$)



Date	Stock Price (US$)	Price Target (US$)	Rating
2021-03-24	23.88	27.00	Buy
2021-05-05	25.78	29.00	Buy
2022-02-15	28.26	31.00	Neutral
2022-08-12	31.14	33.00	Neutral
2022-10-19	24.88	27.00	Neutral
2022-10-28	25.89	28.00	Neutral

Date	Stock Price (US$)	Price Target (US$)	Rating
2022-11-11	25.81	29.00	Neutral
2022-12-02	27.57	30.00	Neutral
2022-12-09	27.39	31.00	Neutral
2023-03-03	27.70	30.00	Neutral
2023-03-17	27.47	31.00	Neutral
2023-03-30	27.84	29.00	Neutral
2023-04-14	27.85	31.00	Neutral
2023-06-06	26.96	31.00	Buy
2023-10-06	24.59	28.00	Buy
2023-11-17	26.08	30.00	Buy
2023-12-08	26.30	31.00	Buy
2024-01-05	27.04	32.00	Buy
2024-03-08	27.01	31.00	Buy
2024-04-04	27.17	32.00	Buy
2024-04-19	27.58	31.00	Buy
2024-05-10	28.68	34.00	Buy
2024-05-24	28.04	33.00	Buy
2024-06-21	28.32	32.00	Buy

Source: UBS Global Research; LSEG Eikon as of 24-Jun-2024. All prices as of local market close. Ratings as of date shown.

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Equity Research

WELLS FARGO

Industry Update — June 5, 2024

Utilities

Utility and Infrastructure Daily

Comments on NI and WTRG

Our Call

Quick thoughts from Wells Fargo Securities, LLC Utility & Infrastructure Team:

Utilities

NI (OW/Akers) - Shares of NI outperformed by ~160 bps yesterday (6/4) after the Governor announced plans for Microsoft to invest $1B in a data center in NI's northern Indiana service territory. While it is our understanding that details on electric (and potentially gas) service still need to be formalized, we view the announcement as providing (1) incremental capex upside and (2) evidence of mgmt's comments regarding the attractiveness of the service territory.

At the recent AGA conference, NI noted ample transmission capacity, IN's business-friendly policies and the potential to utilize retired coal sites for new generation.

A timeline for the project is not yet known, but design, planning and permitting are expected to commence this year.

WTRG (OW/Reeder) – As a follow up to our 5/31 comments, the Joint Petition for Approval of Non-Unanimous Settlement has been posted to the Peoples rate case docket. Overall, we believe the settlement's details would represent a constructive outcome to the pending case, assuming it is approved by the PaPUC. Key aspects include the following.

- A $93M revenue increase (60% of Peoples' $156M request), which does not include the roll-in of existing surcharge revenues (i.e. DSIC).
- It is a black box settlement with regards to the capital structure. That said, the ROE for gas utilities included in the PaPUC's most recent Quarterly Report on the Earnings of Jurisdictional Utilities, most recently 10.15%, will be used for future DSIC purposes (once plant additions exceed the level projected at 10/31/25).
- Approves the use of a weather-normalization clause (WNA) with a 3% deadband based on 5,341 heating degree days.
- The combination of the PNGD & PGD divisions is approved.
- A revised Tax Repair Surcharge Rider that includes a $10M collar around $390M of net repairs deductions.

We continue to believe PaPUC approval of the settlement is likely as all parties, except for OCA, are signed onto or do not oppose the agreement. Further, OCA's primary objection seems to relate to cost of capital. OCA's 5/31 brief recommends a $13M increase based on an 8.02% ROE and 50% equity ratio (reduces People's requested revenue increase by $136M). OCA also opposes the WNA.

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This document is for spopovski@nisource.com and should not be distributed further.

NISOURCE (NI)

NI in Bondi surfing a wave of capex; mgmt. meetings

April 7, 2024

Rating:
Outperform
Price:
$27.19
Price Target:
$29
% Upside:
6.7%

View NI Model
View Comp Table

The Wolfe Byte

We hosted NI management for Aussie investor meetings. NI continues to meet or beat 6-8% growth targets with $2B of incremental capex in the wings that has increasing line of sight. Reiterate Outperform and $29 PT.

Aussie investor meetings. Sydney's infra investors match up well with NI's long-dated capex program. NI is a bit unique as the only gas LDC with a large electric business, or as the only electric that's majority gas. Either way, the co's 6-8% EPS growth is attractive and they keep rebasing it slightly higher each year. NI's 8-10% ratebase growth is also well above most in the sector and they see $2B of incremental capex above the current $16B capex plan. Regulatory relations remain strong in their three key states (IN, PA, OH) and the B/S has improved with the recent NIPSCO sell-down. NI still trades in-line with the avg. electric and slightly below the gas LDC avg. – we think it deserves a premium to both. Reiterate OP and $29PT.

Capex upsides coming into view. The $2B capex upside opportunity is coming into better view. NIPSCO recently filed to use transferability for the Gibson and Fairbanks solar projects (2025) which would add $400M to capex. MISO Tranche 2 transmission could be over $1B opportunity starting near the end of the capex plan; IN's ROFR ensures NI should be the one to build it. New PHMSA rules on gas pipeline safety could require more gas investments as well. NI is very aware of customer bills with respect to adding incremental capex – the continued decline in nat gas prices is a good backdrop.

Blackstone NIPSCO sell-down good for funding, could also help on data centers. NI sold a 20% stake in NIPSCO to BX's infra fund last year for 1.85x ratebase. This sale accelerated B/S improvement into the 14-16% target FFO/D range. NI still needs ATM equity to fund its large capex, including $600M in 2024, and we think mgmt. has made solid progress on it (Q1 update). The partnership with BX is not just about the money though. They have helped NIPSCO with a data center strategy given the attractive location near Chicago and a lot of potential sites. We expect to hear more on data center related growth possibly when NIPSCO files their next IRP later in 2024.

ESTIMATES				DECEMBER FYE
($)	2024E	2025E	2026E	2027E
EPS FY	1.72 E	1.85 E	1.98 E	2.11 E
Cons.	1.72 E	1.85 E	1.97 E	2.10 E
P/E	15.8x	14.7x	13.7x	12.9x
Dividend per Share FY	1.06 E	1.12 E	1.19 E	1.26 E
Dividend Yield	3.9%	4.1%	4.4%	4.6%

Source: Company Documents, Wolfe Research, FactSet
Numbers may not add up due to rounding; Fiscal Year Ends December

Company Information

52-Week Range	$23 - $29
Market Cap. (MM)	$12,168
Enterprise Value (MM)	$26,412
Shares Out. (MM)	447.5
Avg. Value Traded (MM)	$107.97
Adj. Debt to Cap	59.6%
SI% of Float	1.3%

Price Performance

	YTD	LTM
NI	2%	(5)%
UTY Index	4%	(7)%
S&P 500	9%	27%



Source: FactSet

Priced as of 04/05/24



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April 7, 2024

Investment Conclusion

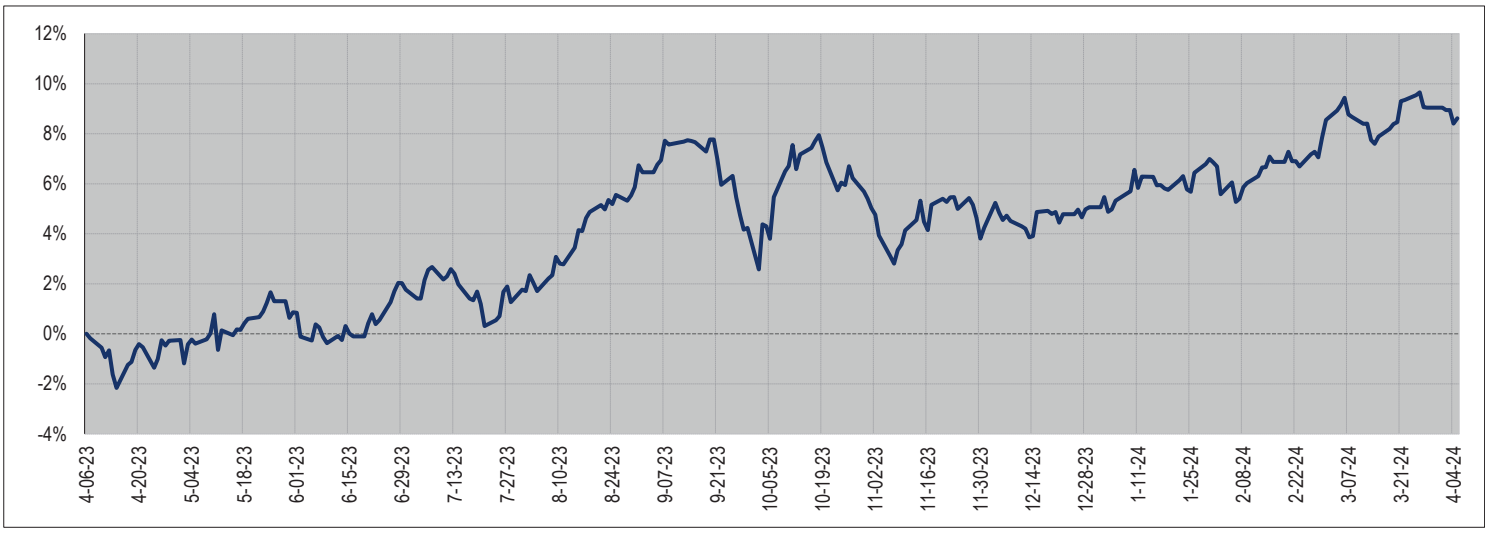
We are Outperform rated on NI. NI's rate base growth of 8-10% and targeted annual EPS growth of 6-8% through 2028 places it amongst the better growth stories in the sector. The majority (~75%) of NI's capex runs through trackers/riders, so it gets real time recovery of its investments which results in less regulatory lag. The company's expansive renewables build out at NIPSCO electric and fact that it will be coal-free by the end of 2028 is also helpful from an ESG standpoint. Execution on the regulatory front has also generally been pretty good at the company in its core states, evidenced by recent settlements in key OH, PA, and NIPSCO electric rate cases. Finally, following the NIPSCO stake sale, NI's balance sheet will be in a position of strength for the first time ever with FFO/D projected at 14-16%. NI trades at a ~0-0.5x discount vs. gas and electric peers; we think over time that gap should narrow given that the company has laid out a sustainable, lower-risk growth plan with ~$2B of further capex upside over 2025-28. We see NI re-rating to a premium with strong EPS growth, regulatory execution, and now a strengthened balance sheet too.

Exhibit 1: Gas LDC Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E Multiple 2024E	2025E	2026E	2027E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
Atmos Energy	ATO	$116.23	151	$17,532	17.6x	16.5x	15.4x	14.4x	2.8%	8.8%	49%	1.6x	60%
ONE Gas	OGS	63.72	57	3,603	16.5x	15.4x	13.9x	13.4x	4.1%	1.5%	68%	1.3x	47%
NiSource	NI	27.19	448	12,168	15.8x	14.7x	13.7x	12.9x	3.9%	6.0%	62%	1.6x	40%
Northwest Natural Gas	NWN	36.41	38	1,372	15.2x	12.4x	12.3x	11.4x	5.4%	0.6%	81%	1.1x	42%
Pure-play Average					**16.3x**	**14.7x**	**13.8x**	**13.0x**	**4.0%**	**4.2%**	**65%**	**1.4x**	**48%**
New Jersey Resources	NJR	42.78	98	4,205	14.8x	14.9x	14.0x	12.8x	3.9%	7.2%	58%	2.1x	38%
South Jersey Industries	SJI	N/A	N/A	N/A	NA	NA	NA	NA	N/A	N/A	NA	NA	36%
Southwest Gas	SWX	74.54	72	5,340	23.4x	19.6x	16.8x	NA	3.3%	1.0%	78%	1.6x	38%
Spire Inc.	SR	59.34	55	3,263	13.6x	13.0x	12.2x	11.8x	5.1%	4.9%	69%	1.2x	38%
Diversified Average					**17.3x**	**15.8x**	**14.3x**	**12.3x**	**4.1%**	**4.4%**	**68%**	**1.6x**	**37%**
Average - electric utilities (ex AES)					**15.7x**	**14.6x**	**13.7x**	**12.8x**	**4.1%**	**5.5%**	**65%**	**1.7x**	**39%**

Source: Wolfe Utilities & Power Research, FactSet

Exhibit 2: NI vs the Regulated Average



Source: Wolfe Utilities & Power Research, FactSet

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April 7, 2024

Exhibit 3: Financial Summary

Financial Summary	2023A	2024E	2025E	2026E	2027E
EPS	$1.60	$1.72	$1.85	$1.98	$2.11
Diluted Shares Outstanding	448	462	479	489	499
Dividends Per Share	$1.00	$1.06	$1.12	$1.19	$1.26
Dividend Yield	3.7%	3.9%	4.1%	4.4%	4.6%
Dividend Payout Ratio	63%	62%	61%	60%	60%
Equity Ratio	40%	40%	39%	40%	40%
FFO/Net Debt	14%	15%	15%	15%	15%
Valuation Metrics					
P/E	17.0x	15.8x	14.7x	13.7x	12.9x
Price/Book	1.6x	1.4x	1.4x	1.3x	1.2x
EV/rate base	1.5x	1.4x	1.3x	1.3x	1.2x
Segment EPS					
Gas Distribution	$1.33	$1.29	$1.36	$1.45	$1.56
NIPSCO Electric	$0.50	$0.55	$0.60	$0.65	$0.67
Parent & Other	($0.23)	($0.12)	($0.11)	($0.12)	($0.12)
Total EPS	**$1.60**	**$1.72**	**$1.85**	**$1.98**	**$2.11**

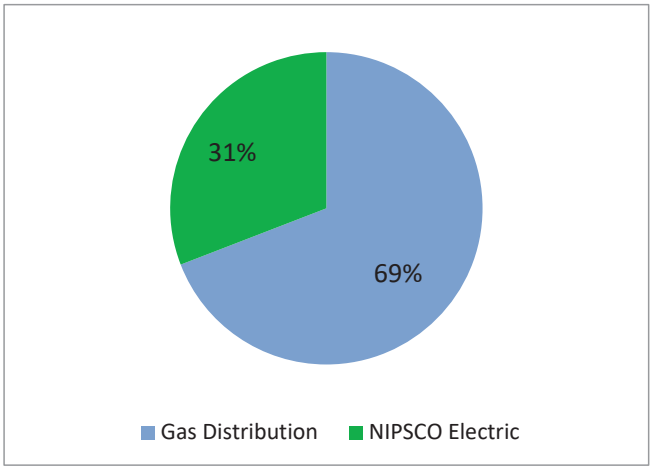
Source: Wolfe Utilities & Power Research

Exhibit 4: Model Assumptions

Model Assumptions	2023A	2024E	2025E	2026E	2027E
Capital Spending by Segment ($M)					
Gas Distribution	$2,002	$1,900	$1,800	$2,000	$2,300
Electric	1,448	1,500	1,500	1,050	800
Parent	0	0	0	0	0
Total Capex	**$3,450**	**$3,400**	**$3,300**	**$3,050**	**$3,100**
Financings ($M)					
Total Equity Issued/(Repurchased)	$13	$640	$290	$290	$290
Total Hybrids Issued/(Repurchased)	$1,545	($486)	$0	$0	$0
Total Debt Issued/(Repurchased)	$1,456	$1,055	$1,245	$890	$895

Source: Wolfe Utilities & Power Research

Exhibit 5: 2026E EPS by Segment



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 ~486,000 customers in northern Indiana and owns 2,315 MW of generation. The gas LDC serves ~3.3 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 $30B backlog of capital investment with recovery largely (~75%) 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 the end of 2028 is also helpful from an ESG perspective.

Valuation:

Our $29 price target is derived by applying P/E multiples on NI's electric and gas LDC earnings in 2026. We target a 5-10% premium to our target regulated average of ~13.5x for NIPSCO Electric. For the gas LDCs, we use a modest premium to the group average of ~13.5x, which tracks towards the valuation of premium gas LDC peer ATO. 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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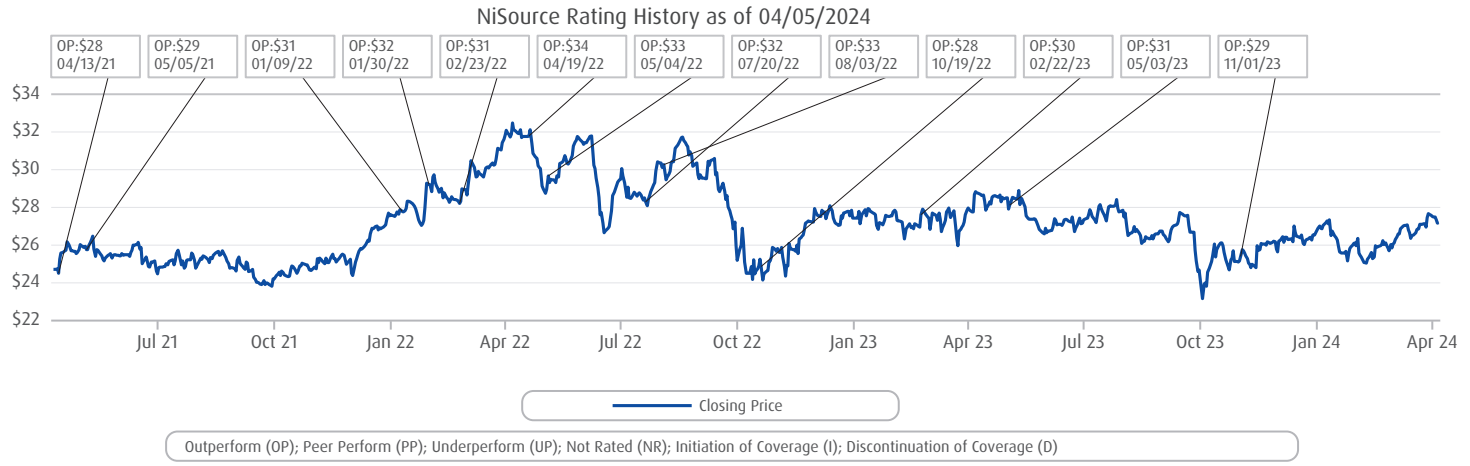
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Important Disclosures:

Price Chart(s) with Ratings and Target Price History



Wolfe Research, LLC Fundamental Valuation Methodology:

Company:	Fundamental Valuation Methodology:
NiSource	Forward P/E

Wolfe Research, LLC Fundamental Recommendation, Rating and Target Price Risks:

Company:	Risks That May Impede Achievement of the Recommendation, Rating or Target Price:
NiSource	Weak economy/sales, negative regulatory outcomes, pipeline safety accidents

Wolfe Research, LLC Research Disclosures:

Company:	Research Disclosures:
NiSource	None

Other Disclosures:

Wolfe Research, LLC Fundamental Stock Ratings Key:

Outperform (OP):	The security is projected to outperform analyst's industry coverage universe over the next 12 months.

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April 7, 2024

Peer Perform (PP):	The security is projected to perform approximately in line with analyst's industry coverage universe over the next 12 months.
Underperform (UP):	The security is projected to underperform analyst's industry coverage universe over the next 12 months.

Wolfe Research, LLC does not assign target prices for Peer Perform rated companies.

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Wolfe Research, LLC Industry Weighting System:

Market Overweight (MO):	Expect the industry to outperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.
Market Weight (MW):	Expect the industry to perform approximately in line with the primary market index for the region (S&P 500 in the U.S.) over the next 12 months.
Market Underweight (MU):	Expect the industry to underperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.

Wolfe Research, LLC Distribution of Fundamental Stock Ratings (As of April 7, 2024):

Outperform:	47%	4% Investment Banking Clients within the previous 12 months
Peer Perform:	45%	2% Investment Banking Clients within the previous 12 months
Underperform:	8%	0% Investment Banking Clients within the previous 12 months

Other Disclosures:

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April 7, 2024

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NISOURCE (NI)

NI: IN contention for the data center trade

May 8, 2024

Rating:
Outperform
Price:
$28.72
Price Target:
$31
Prior: $29
% Upside:
7.9%

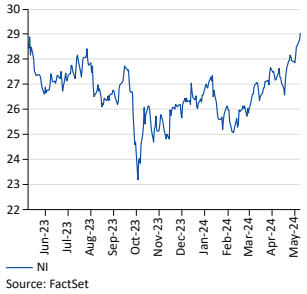
View NI Model
View Comp Table

Company Information

52-Week Range	$23 - $29
Market Cap. (MM)	$12,853
Enterprise Value (MM)	$27,097
Shares Out. (MM)	447.5
Avg. Value Traded (MM)	$159.57
Adj. Debt to Cap	59.6%
SI% of Float	1.7%

Price Performance

	YTD	LTM
NI	8%	1%
UTY Index	12%	1%
S&P 500	9%	25%



Source: FactSet

Priced as of 05/08/24

The Wolfe Byte

NI posted an in-line Q1, reiterating 2024 guidance and L-T financial commitments. Base capex was raised by $400M without additional equity need. NI is gaining more visibility into its strong pipeline of ~$1.6B upside opportunities, while regulatory execution remains strong.

Q1 in-line; FY24 guide & L-T outlook reaffirmed. NI reported 1Q24 EPS of $0.85, in-line with us/cons. at $0.84/$0.83. NI reiterated 2024 guidance of $1.70-1.74 and its L-T 6-8% annual EPS growth rate through 2028 off 2024A.

Base capex plan raised by $400M w/o incremental equity need. This $400M addition in 2025 is driven by CPCNs filed for full ownership of Fairbanks & Gibson Solar, and we raise our 2027E by $0.01 to reflect this. $200-300M of annual ATM equity from 2025-28 was maintained due to FFO treatment of transferability; NI executed a ~$200M forward sale in Q1 and is on-track to issue the remainder of FY24's $600M need. NI reaffirmed its 14-16% annual FFO/D target. The increased $16.4B base capital plan supports 8-10% annual rate base growth over 2023-28, but excludes ~$1.6B of N-T upside opportunities.

Increasing line of sight to incremental capex. Mgmt. is optimistic about the opportunity for substantial load growth from data centers in Northern IN and reshoring of manufacturing. NI is in discussions with several developers and could layer in additional capital faster than the IRP process. NI will file its 2024 IRP with the IURC this fall, which will provide a view into incremental generation needs beyond NI's last coal retirement by 2028. A final PHMSA rulemaking is expected by YE24, suggesting that NI could fold in capex upside by the middle of its plan (2026), which could potentially extend into the early-2030s. NI also has a backlog of L-T (2028+) plan enhancements, including MISO Tranche 1/2 transmission. NI sees the need for only modest increases to ATM equity to access these upsides.

Regulatory execution remains strong. IURC's order on NIPSCO's constructive gas settlement is expected in Q3. While it's still early, the PA rate case is progressing well.

Raise PT to $31; reiterate OP. NI has outperformed regulated peers YTD (see Ex. 2 on pg. 2), but we see continued momentum from more visibility into N-T capex upsides and the data center opportunity.

ESTIMATES				DECEMBER FYE
($)	**2024E**	**2025E**	**2026E**	**2027E**
EPS FY	1.72 E	1.85 E	1.98 E	2.12 E
Prior	-	-	-	2.11 E
Cons.	1.72 E	1.85 E	1.97 E	2.10 E
P/E	16.7x	15.5x	14.5x	13.5x
Dividend per Share FY	1.06 E	1.12 E	1.19 E	1.26 E

Source: Company Documents, Wolfe Research, FactSet
Numbers may not add up due to rounding; Fiscal Year Ends December



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May 8, 2024

Investment Conclusion

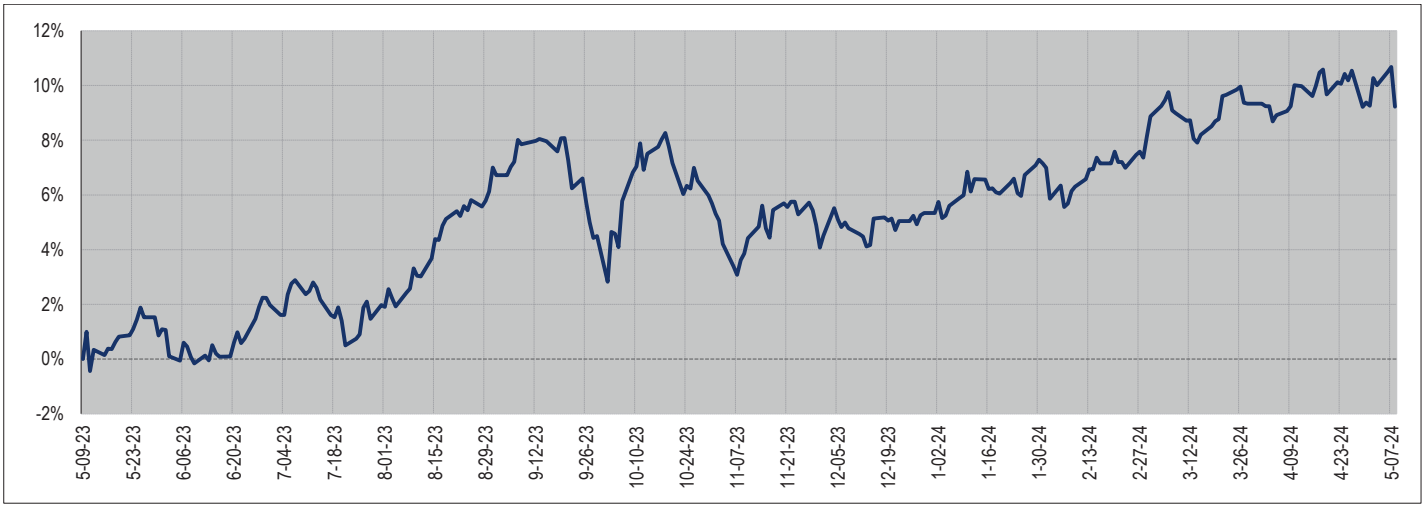
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Southwest Gas	SWX	75.79	72	5,429	23.4x	20.7x	17.1x	NA	3.3%	1.0%	77%	1.6x	38%
Spire Inc.	SR	61.58	58	3,556	14.2x	13.4x	12.6x	12.1x	4.9%	4.8%	70%	1.2x	38%
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Source: Wolfe Utilities & Power Research, FactSet

Exhibit 2: NI vs the Regulated Average



Source: Wolfe Utilities & Power Research, FactSet

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May 8, 2024

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Dividends Per Share	$1.00	$1.06	$1.12	$1.19	$1.26
Dividend Yield	3.5%	3.7%	3.9%	4.1%	4.4%
Dividend Payout Ratio	63%	62%	61%	60%	60%
Equity Ratio	40%	39%	39%	39%	40%
FFO/Net Debt	14%	15%	15%	15%	15%
Valuation Metrics					
P/E	18.0x	16.7x	15.5x	14.5x	13.5x
Price/Book	1.7x	1.5x	1.4x	1.4x	1.3x
EV/rate base	1.5x	1.4x	1.4x	1.3x	1.2x
Segment EPS					
Gas Distribution	$1.33	$1.30	$1.37	$1.46	$1.56
NIPSCO Electric	$0.50	$0.55	$0.62	$0.68	$0.69
Parent & Other	($0.23)	($0.13)	($0.14)	($0.15)	($0.14)
Total EPS	**$1.60**	**$1.72**	**$1.85**	**$1.98**	**$2.12**

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 ~0.5M customers in northern Indiana and owns 2,780 MW of generation. The gas LDC serves ~3.3M customers in Indiana, Ohio, Pennsylvania, Kentucky, Virginia, and Maryland.

Investment Thesis:

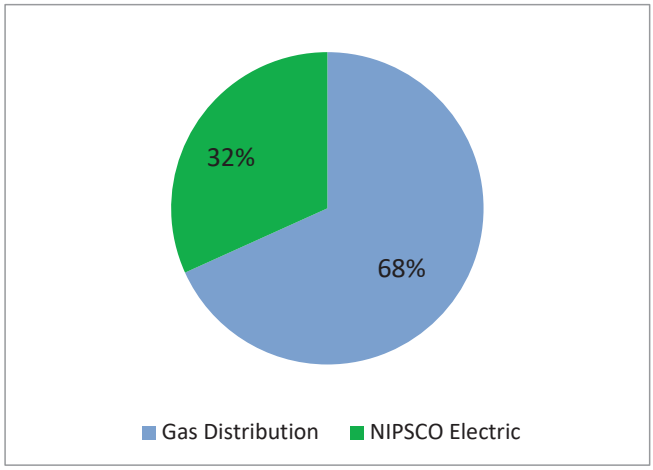
We see above-average rate base and earnings growth potential for NiSource relative to other electric and natural gas distribution utilities. NI has a $30B backlog of capital investment with recovery largely (~75%) through trackers in mostly constructive regulatory environments. The dramatic shift toward renewables at NI's Indiana electric utility and fact that it will be coal-free by the end of 2028 is also helpful from an ESG perspective.

Exhibit 4: Model Assumptions

Model Assumptions	2023A	2024E	2025E	2026E	2027E
Capital Spending by Segment ($M)					
Gas Distribution	$2,002	$1,950	$1,800	$1,950	$2,300
Electric	1,448	1,500	1,900	1,050	800
Parent	0	0	0	0	0
Total Capex	**$3,450**	**$3,450**	**$3,700**	**$3,000**	**$3,100**
Financings ($M)					
Total Equity Issued/(Repurchased)	$13	$640	$290	$290	$290
Total Hybrids Issued/(Repurchased)	$1,545	($486)	$0	$0	$0
Total Debt Issued/(Repurchased)	$1,456	$1,119	$1,644	$829	$881

Source: Wolfe Utilities & Power Research

Exhibit 5: 2026E EPS by Segment



Source: Wolfe Utilities & Power Research

Valuation:

Our $31 price target is derived by applying P/E multiples on NI's electric and gas LDC earnings in 2026. We target a 5-10% premium to our target regulated average of ~14.5x for NIPSCO Electric. For the gas LDCs, we use a modest premium to the group average of ~14.5x, which tracks towards the valuation of premium gas LDC peer ATO. 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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May 8, 2024

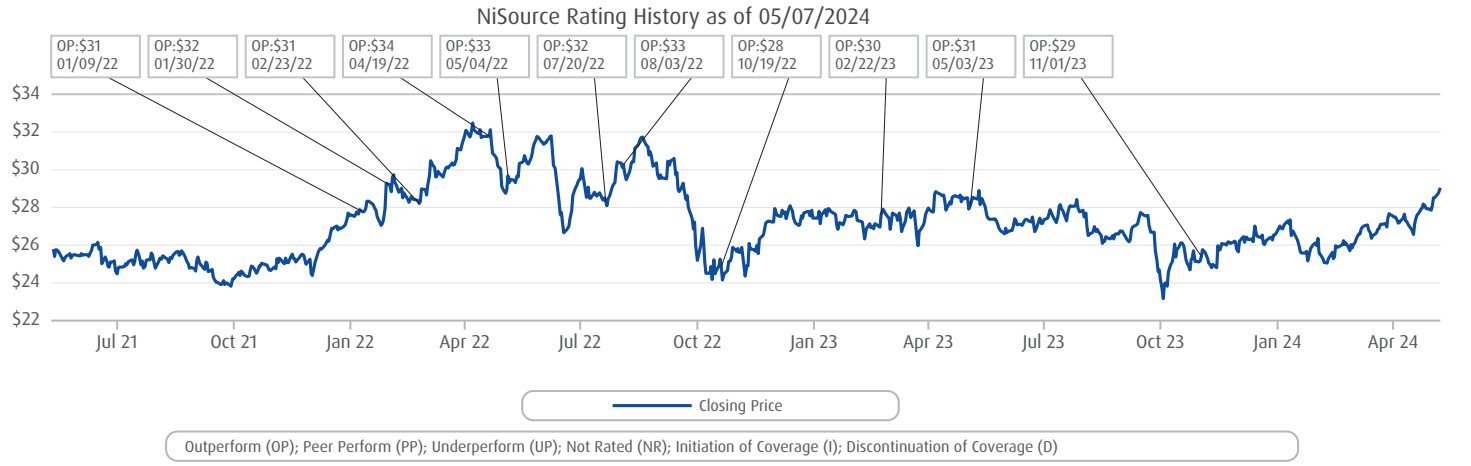
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Important Disclosures:

Price Chart(s) with Ratings and Target Price History



Wolfe Research, LLC Fundamental Valuation Methodology:

Company:	Fundamental Valuation Methodology:
NiSource	Forward P/E

Wolfe Research, LLC Fundamental Recommendation, Rating and Target Price Risks:

Company:	Risks That May Impede Achievement of the Recommendation, Rating or Target Price:
NiSource	Weak economy/sales, negative regulatory outcomes, pipeline safety accidents

Wolfe Research, LLC Research Disclosures:

Company:	Research Disclosures:
NiSource	Other

Wolfe Research, LLC, has received non-securities services compensation from NiSource and NiSource has been a non-securities services client of the Firm in the last 12 months. Specifically, this company has paid Wolfe Research, LLC for access to its research reports.

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