

Utilities – U.S.

Mid-Year 2023 Update

*Defensive Growth with a Clean Energy IRA Boost
-The FOMC and FOMO-*



Source: thirdway.org



US Utilities- Mid-Year Outlook 2023-The FOMC and FOMO

Through the first half of 2023, the S&P Utility Index returned a negative -5.7% and underperformed the rebounding S&P 500 utility index, which returned 16.9%. (See Table 1) Ten consecutive Fed rate hikes (current overnight target of 5.0-5.25%) since March of 2022 have yet to spoil the labor market and inflation remains well-above the Fed's long-term 2.0% target. The S&P Utility and S&P 500 performance over the past six months, twelve-months and eighteen months highlight the indecisive and "see-saw" nature of investor's economic outlook. In 2022, the 20% utility out-performance (+1.6% vs. -18.1%) reflected expectations for a recession-driven decline in interest rates, which has yet to materialize. Despite a pause at its June 14, 2023 meeting, the FOMC indicates the potential for two more rate increases by year-end 2023. The expectation for higher rates for longer and ongoing economic strength led to Fear of Missing Out (FOMO) and investors shifted funds into growth, technology and cyclical sectors to the detriment of defensive sectors.

Table 1

As of June 30, 2023

Utilities Over the Past Several Periods

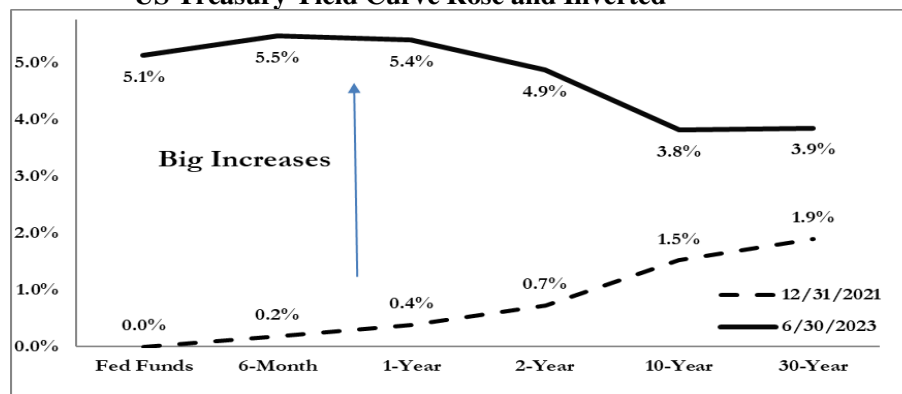
	2023 YTD	2022A	18-Month	2021A	3-Year	5-Year
	Total	Total	Total	Total	Total	Total
	<u>Return</u>	<u>Return</u>	<u>Return</u>	<u>Return</u>	<u>Return</u>	<u>Return</u>
S&P 500 Utilities	-5.7	1.6%	-4.2	17.7%	27.5%	48.8%
S&P 500 Index	16.9	-18.1	-4.3	28.7	50.5	78.9
10-Year Treasury Yield (Beginning of Period)	3.88	1.52	0.92	0.92	0.66	2.85
10-Year Treasury Yield (End of Period)	3.81	3.88	3.81	1.52	3.81	3.81

Source: Thomson One

In the face of dramatic increases in short-term yields (0% to 5.5%) and the entire yield curve, utility stocks (-4.2%) slightly outperformed the S&P 500 (-4.3%) over the past eighteen months. The US treasury yield curve inversion (Exhibit 1) continues to indicate an impending recession, which would likely lead to lower inflation and lower interest rates. Under either a recessionary or strong growth economy, utilities would expect to deliver positive earnings and dividend growth. Further, we believe that utilities are "winners" in the long-term energy transition and the late 2022 Inflation Reduction Act (IRA) provides tax incentives for accelerated clean energy investment for decades to come.

Exhibit 1

US Treasury Yield Curve Rose and Inverted



Source: US Department of Treasury

The "Top Ten Reasons to Consider Utility Stocks" are Outlined below:

- 1) Defensive profile including fuel and inflation cost-recovery
- 2) Reasonable valuation of 16x 2023 P/E multiple, down from 23x (Table 3 & Appendix on page 19-20)
- 3) Competitive current return of 3.7% compared to the 10-year treasury yield of 3.8%.
- 4) Above historical average earnings and dividend growth potential
- 5) Electrification to enhance electric demand (Electric vehicle charging stations, heat pumps)
- 6) Renewable and net-zero carbon standards create long runway of rate base investment
- 7) Improving ESG profiles (great power transformation)
- 8) Financial engineering, including ongoing consolidation and simplification
- 9) Possibility interest rates have peaked and US is in recessionary environment
- 10) Inflation Reduction Act to drive clean energy investment for decades

Reversal: Performance See Saw



Year-to-date 2023, the best-performing S&P industry sectors were technology, telecommunications and consumer discretionary, which are growth and economically cyclical sectors. Each of these sectors was among the worst performing sectors in 2022. On the other hand, defensive sectors (utilities, healthcare and consumer staples) were among the worst performing sectors in the first six-months of 2023, but were the better performing sectors in 2022. The S&P 500 Energy sector outperformed in 2022 and over the past eighteen months due to high oil and gas prices.

Table 2 S&P 500 Sector Performance

6/30/23		Total Return (%)		
S&P 500 Sector	2023 YTD	2022A	Since 12/31/2021	
Info Tech	42.8	-28.2	2.0	
Communications	39.7	-39.9	-0.2	
Consumer Discretionary	33.1	-37.0	-16.5	
Industrials	21.1	-19.4	-2.4	
S&P 500	16.9	-18.1	-4.3	
Materials	7.7	-11.7	-5.0	
Real Estate	3.8	-26.8	-23.1	
Consumer Staples	1.3	-0.6	0.7	
Financials	-0.5	-10.5	-11.0	
Healthcare	-1.5	-2.0	-3.4	
Energy	-5.5	65.7	56.6	
Telecommunications	-5.7	-6.9	-12.2	
Utilities	-5.7	1.6	-4.2	

Source: Thomson One

Please see Table 3 for Utility Subgroup Metrics and appendix on pages 19-20 for more utility stock financials.

- Electric utility valuation multiples have declined from 23x forward earnings in early 2020 to 17x 2023 and 16x 2024 earnings estimates. Over the past twenty-five years, utility forward multiples have ranged between 10x and 23x earnings with a median of 17.1x.
- The gas utility performance reflects recovered investor sentiment partially offset by greater challenges to maintain earnings outlooks. Gas utilities currently trade at 17x 2023 and 16x 2024 earnings estimates. The median multiples had declined to as low as 15x forward earnings during the period from September 2019 through September 2021 when natural gas fell from favor given its carbon emissions.
- The water utility under-performance reflects the impact of higher interest rates on higher multiples stocks. Water utilities trade at the highest multiples due to their scarcity, small size, takeover premium, ESG value, and long-term growth potential through consolidation and privatization.
- The six Canadian electric and gas utilities have outperformed in 2023, after underperforming in 2022. Canadian provincial regulatory environments are more challenging (lower allowed ROEs and equity ratios) than many US utility jurisdictions.

Table 3 Utility Subgroup Statistics

Utility Subgroup	Total	Total	Price/Earnings			EPS Growth			CAGR	Current	One-Year	EV/EBITDA
	Return	Return								Return	Dividend	
	2023 YTD	2022A	2023E	2024P	2025P	2023E	2024P	2025P	2022-2025		Growth	Multiple
US Large Electric	-6%	3%	17.0X	16.3X	15.2X	4.4%	6.9%	7.0%	6.2%	3.6%	5.1%	11.5X
US SMID Electric	-3	2	17.4	16.0	15.3	5.0	9.0	7.0	5.5	4.0	5.3	10.5
Power Developers	-1	-8	20.0	16.5	14.7	8.0	9.0	9.0	10.0	4.0	6.0	10.0
Canadian Electric	5	-11	15.8	14.1	13.5	-2.5	10.2	6.6	5.6	4.9	4.5	11.8
US Gas Utilities	-3	3	17.4	16.2	14.8	0.7	5.1	13.8	6.2	3.9	5.6	10.9
Water Utilities	-7	-7	28.4	26.0	25.6	14.6	5.9	4.4	8.0	2.0	5.0	15.4

Source: Thomson, First Call, Gabelli Funds Estimates

Top Performers

In the first half of 2023, the top performing utility/power stocks were non-regulated independent power producers, including NRG Energy (NRG), Vistra Energy (VST), and Constellation Energy (CEG). CEG, NRG and VST have lower capital budgets than utilities and are beneficiaries of higher power prices. CEG, the sector's only pure-play merchant nuclear generators (spun-off from Exelon in February of 2022) agreed to acquire NRG Energy's 44% ownership in the South Texas Nuclear Plant. In May of 2023, activist Elliott disclosed a 13% position in NRG and a desire to replace management as well as restructure the company. In addition, VST announced an agreement to buy Energy Harbor's 4 GW nuclear portfolio in March of 2023. Other top performers include small-cap takeover candidates, Otter Tail Power Corp (OTTR) and MGE Energy (MGEE), and rebounding California utilities, Edison International (EIX) and PG&E (PCG). See Table 4.

Table 4 **Best and Worst Performers**

Best Utility Stock Performers in 2023 YTD						
<u>Electric & Gas Utility</u>	<u>Symbol</u>	<u>Price</u>	2023YTD	2022A	12-Months (mos)	
			<u>Return (%)</u>	<u>Return (%)</u>	<u>High</u>	<u>Low</u>
Otter Tail Power	OTTR	78.89	36	-14	176	130
NRG Energy	NRG	37.62	20	-24	\$36	\$23
MGE Energy	MGEE	79.67	14	-12	30	19
Edison International	EIX	69.09	10	-3	51	38
Constellation Energy	CEG	91.60	7	NA	98	38
PG&E	PCG	17.28	6	34	16	10

Worst Utility Stock Performers in 2023 YTD						
<u>Electric & Gas Utility</u>	<u>Symbol</u>	<u>Price</u>	YTD	2022A	12-Months (mos)	
			<u>Return (%)</u>	<u>Return (%)</u>	<u>High</u>	<u>Low</u>
AES Corp	AES	21.07	-27	21	\$16	\$6
UGI Corp	UGI	27.26	-26	-16	37	24
National Fuel Gas	NFG	51.47	-17	2	48	31
NextEra Energy Partners	NEP	57.83	-14	-14	146	106
Dominion Energy	D	52.61	-13	-19	89	57

Source: Thomson One

Utilities Target Above-Historical Average Earnings Growth

Based on Thomson One consensus estimates, our universe of 70 electric, gas and water utility stocks are forecast to grow EPS 4.4% in 2023 and another 5.8% over 2022-2025. The outlook follows 6.0% growth in 2022 and 3.7% annual EPS growth over the past three years (2018-2022). In Table 5, we outline recent growth track records and management published forecasted EPS growth targets.

Managements of 17 utilities target "5-7%" EPS CAGR, 12 utilities target "6-8%", and 2 utilities target 7-9%, one (PCG) targets 10% growth (Table 5). a national scale, January and February 2023 were among the warmer on record but nearly all utilities affirmed expectations of 5-7% (some 4-6% and some 6-8%) growth. Guidance and outlooks were encouraging given mild first quarter and the challenging impacts of higher interest rates and higher inflation.

Utility management optimism underlies increasing capital investment opportunities. The August 2022 Inflation Reduction Act (IRA) provides significant incentives for accelerated clean energy investment for decades to come. The IRA established significant financial incentives (\$272 billion) for clean energy investment through the extension and expansion of investment and production tax credits. Most utilities consider the IRA to offer "game-changing" incentives and plan to accelerate already ambitious infrastructure plans. The tax credits allow the utilities to lower the development, construction and operating costs of renewable energy generation, which means lower future customer bill increases. The increased rate base investment will help achieve ambitious carbon-reduction plans and aid earnings growth.

Table 5

Carbon Targets and EPS Growth Rates For Selected Utilities



Company	Symbol	2021A	2022A	2022A	2023E	2023E	2024P	2025P	2018A-2022A	Consensus	Management	S&P
		EPS	EPS	Growth	EPS	Growth	EPS	EPS	CAGR	2022A-2025E	Target	Credit
		\$	\$	%	\$	%	\$	\$	%	%	%	Rating
PG&E Corporation	PCG	1.08	1.10	1.9	1.21	10.0	1.35	1.46	-27.6	9.9	10.0%	BB
MDU Resources	MDU	1.87	1.81	-3.2	1.59	-12.2	1.56	1.76	7.0	-0.9	5-8%	BBB+
PPL Corporation	PPL	1.05	1.41	34.3	1.59	12.8	1.71	1.82	-12.5	8.9	6-8%	A-
ALLETE, Inc.	ALE	3.23	3.38	4.6	3.74	10.7	4.08	4.39	0.3	9.1	5-7%	BBB
NextEra Energy, Inc.	NEE	2.55	2.90	13.7	3.11	7.2	3.41	3.69	10.7	8.4	6-8%	A-
American Water Works	AWK	3.98	4.43	11.3	4.77	7.7	5.12	5.58	7.6	8.0	7-9%	BBB+
AES Corp	AES	1.52	1.67	9.9	1.72	3.0	1.92	2.10	7.7	7.9	7-9%	BBB-
MGE Energy, Inc.	MGEE	2.92	3.07	5.1	3.37	9.8	3.60	3.85	8.1	7.8	4.6%	A-
CenterPoint Energy, Inc.	CNP	1.64	1.38	-15.9	1.49	8.0	1.61	1.73	-3.6	7.8	6-8%	BBB+
CMS Energy Corporation	CMS	2.65	2.89	9.1	3.11	7.6	3.35	3.63	5.5	7.9	6-8%	BBB+
Atmos Energy	ATO	5.12	5.60	9.4	6.04	7.9	6.42	6.90	8.8	7.2		
Eversource Utilities	ES	3.86	4.09	6.0	4.37	6.8	4.66	4.98	5.9	6.8	5-7%	A-
Essential Utilities	WTRG	1.67	1.77	6.0	1.86	5.1	2.02	2.17	5.8	7.0	5-7%	
NiSource	NI	1.37	1.47	7.3	1.57	6.8	1.67	1.80	3.1	7.0	6-8%	BBB+
Avista Corporation	AVA	2.10	2.12	1.0	2.32	9.4	2.46	2.59	0.6	6.9	5%	BBB
Ameren Corporation	AEE	3.84	4.14	7.8	4.37	5.6	4.68	5.02	5.3	6.6	6-8%	BBB+
Xcel Energy, Inc.	XEL	2.96	3.17	7.1	3.37	6.3	3.60	3.83	6.4	6.5	5-7%	A-
Edison International	EIX	4.59	4.63	0.9	4.73	2.2	5.10	5.49	2.8	5.8	5-7%	BBB
Entergy Corporation	ETR	6.02	6.42	6.6	6.70	4.4	7.19	7.70	-3.2	6.2	5-7%	BBB+
Exelon Corporation	EXC	2.82	2.27	-19.5	2.37	4.4	2.51	2.72	-7.6	6.2	6-8%	BBB+
Consolidated Edison, Inc.	ED	4.39	4.57	4.1	4.86	6.3	5.24	5.53	1.4	6.6	5-7%	A-
Duke Energy Corporation	DUK	5.24	5.27	0.6	5.64	7.0	5.98	6.34	2.8	6.3	5-7%	BBB+
Southern Company	SO	3.41	3.60	5.6	3.60	0.0	4.03	4.31	4.1	6.2	5-7%	BBB+
Unitil Corp.	UTL	2.35	2.59	10.2	2.77	6.9	2.88	3.05	3.8	5.6	5-7%	BBB+
Spire	SR	4.86	3.86	-20.6	4.24	9.8	4.31	4.62	0.9	6.2	5-7%	
FirstEnergy Corp.	FE	2.60	2.41	-7.3	2.54	5.4	2.67	2.85	-1.8	5.7	6-8%	BBB-
WEC Energy Group, Inc.	WEC	4.11	4.45	8.3	4.61	3.6	4.91	5.26	7.4	5.7	6.5-7.0%	A-
Hawaiian Electric Industries	HE	2.25	2.20	-2.2	2.22	0.9	2.36	2.58	4.4	5.4	4-5%	BBB-
OGE Energy Corp.	OGE	1.77	1.92	8.5	2.00	4.2	2.12	2.26	-2.4	5.6	5-7%	BBB+
American Electric Power	AEP	4.74	5.09	7.4	5.27	3.5	5.62	5.98	6.5	5.5	6-7%	A-
Alliant Energy Corporation	LNT	2.63	2.80	6.5	2.89	3.2	3.09	3.27	6.6	5.3	5-7%	A-
DTE Energy Company	DTE	5.99	6.10	1.8	6.23	2.1	6.68	7.14	-0.8	5.4	6-8%	BBB+
Northwestern Corporation	NWE	3.51	3.18	-9.4	3.44	8.2	3.60	3.77	-1.6	5.8	3-6%	BBB
Public Service Enterprise Group	PEG	3.65	3.47	-4.9	3.44	-0.9	3.68	4.04	2.7	5.2	5-7%	BBB+
Portland General Electric	POR	2.72	2.74	0.7	2.67	-2.6	3.04	3.20	3.7	5.3	5-7%	BBB+
Pinnacle West Capital	PNW	5.47	4.26	-22.1	4.10	-3.8	4.76	4.93	-1.6	5.0	5-7%	BBB+
IDACORP, Inc.	IDA	4.85	5.11	5.4	5.09	-0.4	5.40	5.77	3.3	4.1	NA	BBB
Evergy	EVRG	3.54	3.71	4.8	3.64	-1.9	3.96	4.24	10.4	4.5	6-8%	A-
One Gas	OGS	3.85	4.08	6.0	4.13	1.2	4.30	4.58	5.9	3.9	4-6%	A-
Sempra Energy	SRE	8.43	9.21	9.3	9.05	-1.7	9.60	10.24	13.4	3.6	6-8%	BBB+
PNM Resources, Inc.	PNM	2.45	2.69	9.8	2.73	1.5	2.82	2.95	7.7	3.1	5%	BBB
Black Hills Corporation	BKH	3.74	3.97	6.1	3.75	-5.5	3.88	4.11	2.9	1.2	4-6%	BBB+
Avangrid Inc.	AGR	2.18	2.33	6.9	2.18	-6.4	2.32	2.46	1.3	1.8	6-7%	BBB+
Dominion Energy	D	3.86	4.11	6.5	3.83	-6.8	3.74	3.96	0.4	-1.2	NA	BBB+
Otter Tail Corporation	OTTR	4.23	6.78	60.3	4.75	-29.9	3.49	3.69	34.7	-18.3	5-7%	BBB

Source: Company documents, Thomson One, and Gabelli FUNds.

Capital Investment (Rate Base) Continues to Rise and Drive Earnings Growth

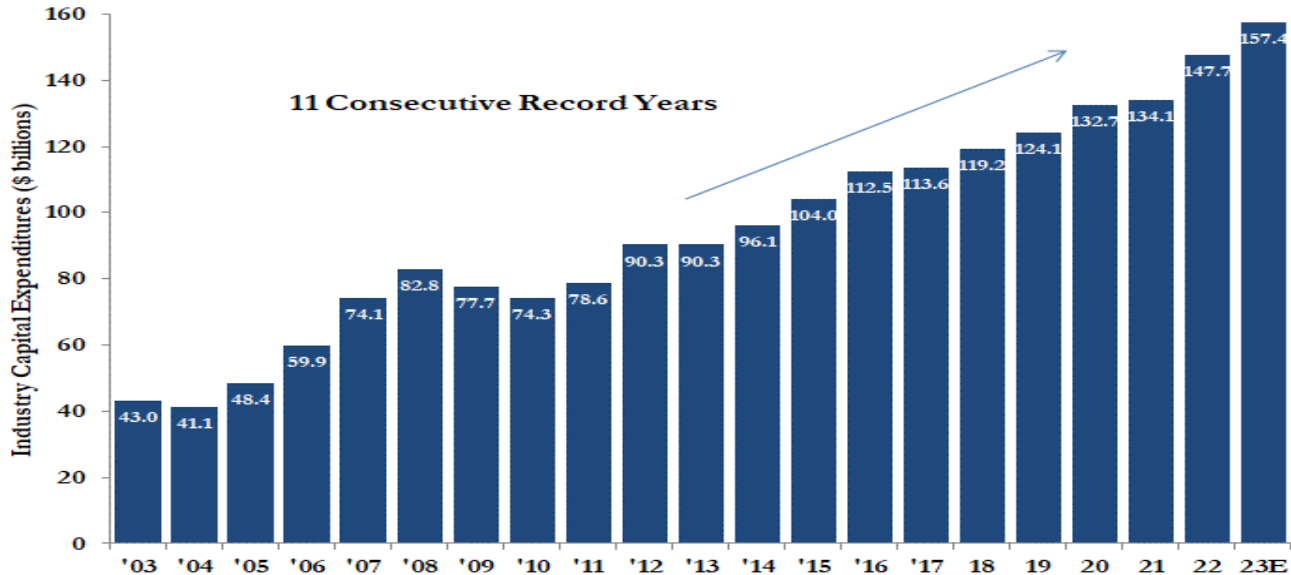
In 2023, EEI member electric utilities forecast capital investment of nearly \$160 billion, which would mark the eleventh consecutive year of record investment. This compares to an estimated 2022 record investment of \$148 billion (\$134 billion in 2021) in utility infrastructure, including distribution (\$51 billion, or 33%), generation (\$37 billion, or 24%), transmission (\$32 billion, or 20%), gas-related (\$22 billion, or 14%) and other (\$13 billion, or 8%). We expect increasing utility capital needs for the following:

- Clean energy transformation (coal retirements, on/off-shore wind, solar, and storage)
- Electric transmission and distribution (grid modernization, hardening, undergrounding)

- Electrification, EV charging, efficiency, etc
- Natural gas infrastructure (pipeline expansion and replacement, green hydrogen, and carbon capture)

Exhibit 2

Record Capital Investment



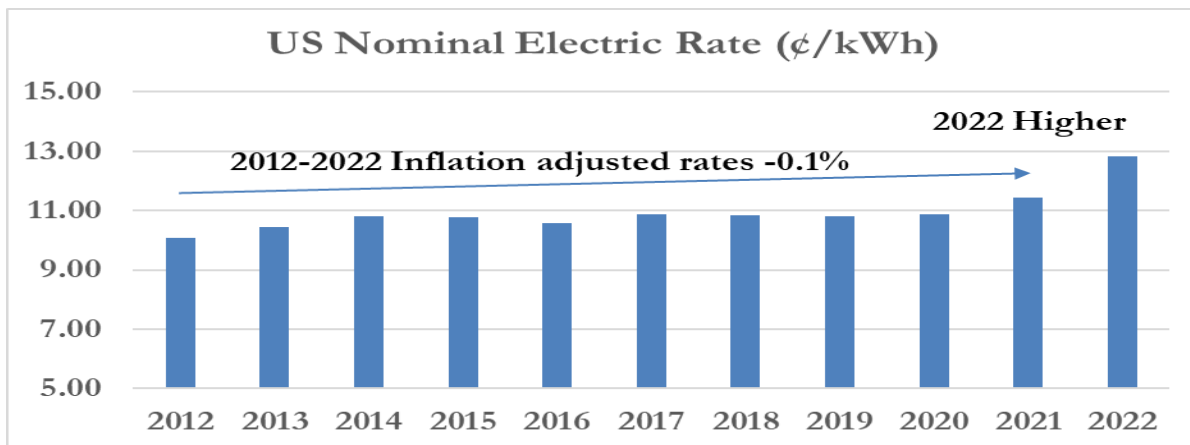
Source: Edison Electric Institute

The utility sector remains well-positioned to finance record capital programs given strong balance sheets, reasonable payout ratios, healthy valuations over book value, and the industry's high investment grade credit-rating (BBB+). The industry has maintained an S&P Credit rating of BBB+ average (25%-A- or higher; 70%-BBB-, BBB, or BBB+) since increasing from a BBB average in 2014.

After Decade of Real Customer Rate Declines, Customer Bills Rise

In 2021 and 2022, the average US retail price of electricity per kWh rose 5.1% and 12.1%, respectively, on a nominal basis to 11.4 cents/kwh and 12.8 cents/kwh, respectively. (Table 6). Electric rates remained relatively flat over the 2010-2020 period. Higher utility bills were due to rate adjustments to recognize inflation, higher fuel, and higher interest rates. Rate adjustments benefit earnings, but rising customer bills can be a concern to the utility investment thesis because state PUCs feel political and public pressure to keep rate increases to a minimum. Fuel clause and inflation-related increases reduce the "head-room" available for rate base and earnings growth.

Table 6 Highest and Lowest Cost Electric Utilities (2022 Ultimate/Retail Rate)



Source: Public Data

We believe electric utilities with more affordable electric rates could face less regulatory challenges. Electricity prices paid by ultimate customers vary widely on a geographic basis, with customers in Hawaii paying the highest prices, at a whopping 40 cents/kWh in 2022. Customer bills are also relatively high in California and the Northeast, including New York, Connecticut and Massachusetts. The lowest prices at the state level were in the Pacific Northwest (hydro capacity) and Midwest/Upper Midwest. (Exhibit 3 and a full list in appendix).

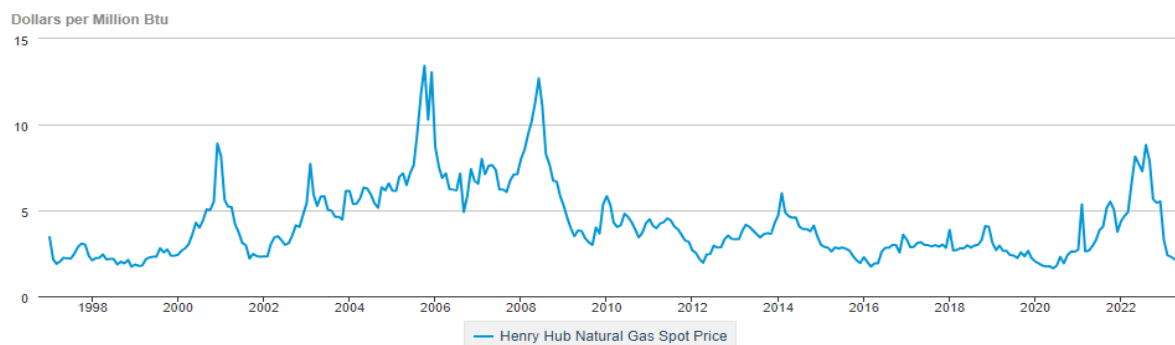
Exhibit 3 High and Low Cost Electric Utilities

		Rate (Cents/KWh)					Rate (Cents/KWh)		
<u>Lowest Cost</u>		<u>2022</u>	<u>2021</u>	<u>% Change</u>	<u>Highest Cost</u>		<u>2022</u>	<u>2021</u>	<u>% Change</u>
Otter Tail Corp.	OTTR	8.42	8.66	-3	Hawaiian Electric Industries	HE	40.30	30.35	33
Idacorp	IDA	8.77	8.22	7	Sempra Energy	SRE	32.25	27.15	19
Avista Corp.	AVA	9.35	9.26	1	PG&E Corp.	PCG	28.36	23.64	20
Entergy Corp.	ETR	9.73	8.44	15	Consolidated Edison	ED	26.43	24.56	8
MDU Resources	MDU	9.74	9.23	6	Eversource	ES	25.19	20.49	23
Allete	ALE	10.06	8.97	12	Edison Intl	EIX	22.16	18.86	17
OGE Energy	OGE	10.26	8.25	24	Unitil Corp.	UTL	20.72	15.72	32
Duke Energy	DUK	10.44	9.53	10	Avangrid	AGR	18.18	14.86	22
Ameren	AEE	10.94	9.49	15	UGI Utilities	UGI	16.46	11.17	47
Eversource	EVERG	10.97	10.19	8	Public Svc Enterprise Gp	PEG	15.36	15.09	2
American Electric Pwr	AEP	11.01	10.16	8	Exelon Corp.	EXC	15.05	12.93	16
PNM Resources	PNM	11.12	11.46	-3	CMS Energy	CMS	14.14	14.41	-2
Portland General Elec	POR	11.17	10.89	3	MGE Energy	MGEE	13.91	12.56	11
Dominion Energy	DUK	11.17	9.65	16	DTE Energy	DTE	13.67	13.31	3
Xcel Energy	XEL	11.24	10.03	12	Vectren Corp.	VVC	12.76	12.02	6

Source: S&P Global

Fuel prices, particularly natural gas, are a major component of customer bills. The Henry Hub Natural Gas Spot Price is at a current level of \$2.68, which is down from \$6.09 one year ago. Spot natural gas prices have retreated from 2022 highs. Natural gas price futures (December 2023-December 2030) range between \$3.80-\$4.50/MMBtu. As regulated energy conduits, electric and gas utilities pass-through higher fuel costs through automatic adjustments on customer bills (margin neutral). On a positive note, the gas price retreat means fuel adjustments will offset rate base and other utility bill increases.

Exhibit 4 Natural Gas Prices Spot



State Public Utility Commissions As Important As Ever For EPS Growth

State political and regulatory environments are as important as ever in determining the performance of individual utility stocks. Utility regulation generally remains supportive of investment, but some PUCs are more constructive than others. (See Exhibit 5) Many jurisdictions have adopted changes to rate design, such as forward test years, rate mechanisms and adjustment clauses to allow timely recovery and return on costs associated with various capital investment programs (environmental, pipe replacement) and weather normalization. The allowed returns on equity (ROE) set by PUCs play a major role in utility earnings growth.

Exhibit 5

State PUC Regulatory Rankings



RRA State Regulatory Evaluations — Energy*

(By category, jurisdictions to watch highlighted)

Above Average/1	Above Average/2	Above Average/3	Average/1	Average/2	Average/3	Below Average/1	Below Average/2	Below Average/3
Alabama	Florida	Iowa	Arkansas	Hawaii	Delaware	Alaska	Dist. of Columbia	Arizona
	Georgia	Michigan	California	Idaho	Louisiana — NOCC	Connecticut	New Mexico	
	Pennsylvania	Mississippi	Colorado	Illinois	Maine	Kansas		
		North Carolina	Indiana	Kentucky	Missouri	Maryland		
		Tennessee	Nebraska	Louisiana — PSC	Ohio	Montana		
		Wisconsin	North Dakota	Massachusetts	South Carolina	New Jersey		
			Texas — RRC	Minnesota	Texas — PUC	West Virginia		
				New Hampshire	Vermont			
				New York	Washington			
				Oklahoma				
				Oregon				
				Rhode Island				
				South Dakota				
				Utah				
				Virginia				
				Wyoming				

Data compiled May 19, 2023.

NOCC = New Orleans City Council; PSC = Public Service Commission; PUC = Public Utility Commission; RRC = Railroad Commission.

*Within a given subcategory, states are listed in alphabetical order, not by relative ranking.

Source: Regulatory Research Associates, a group within S&P Global Commodity Insights.

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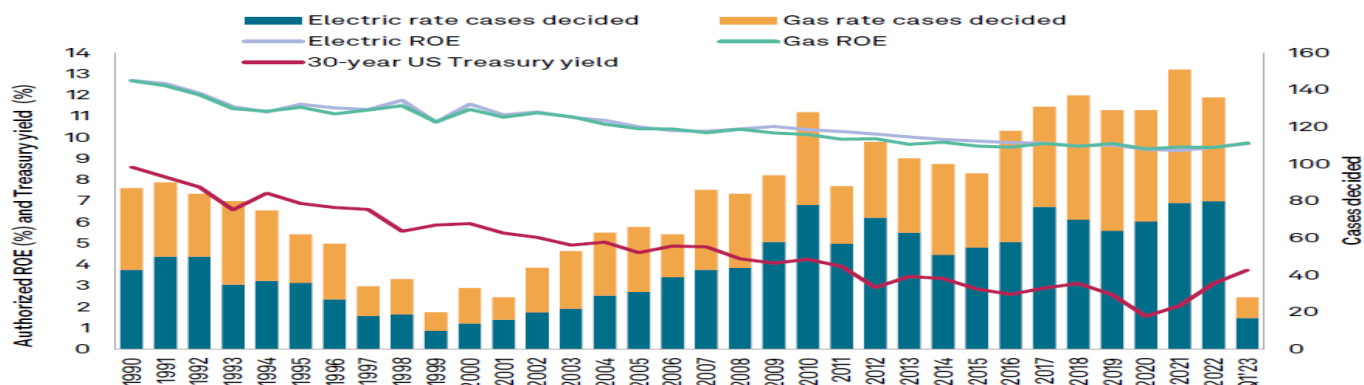
Source: Regulatory Research Associates (Part of S&P Global Market Intelligence SPGMI)

ROEs Constructive (Higher Equity Ratios) Relative to Interest Rates

In the first quarter of 2023, the median ROE authorized in all electric utility rate cases was 9.68%, versus 9.50% in full year 2022; for gas utilities, the metric was 9.60% in both the first quarter of 2023 and full year 2022. In recent quarters, utility allowed ROEs have begun to rise (albeit modestly), after declining over the past 30-years as U.S. Treasury yields declined. The spread between the allowed-ROE and the 10-year U.S. Treasury yield is currently 600-basis points, and it has ranged between 600-900 basis points over the past few years. During the 1990s, the utility sector averaged a roughly 400-600 basis points spread. Given the dramatic rise in interest rates, we expect allowed ROEs to rise, but note that PUCs historically have taken a gradual and measured approach to changes in authorized ROE levels.

Exhibit 6

Average electric, gas authorized ROEs; number of rate cases decided



Data compiled April 20, 2023.

Sources: Regulatory Research Associates, a group within S&P Global Commodity Insights; US Department of the Treasury.

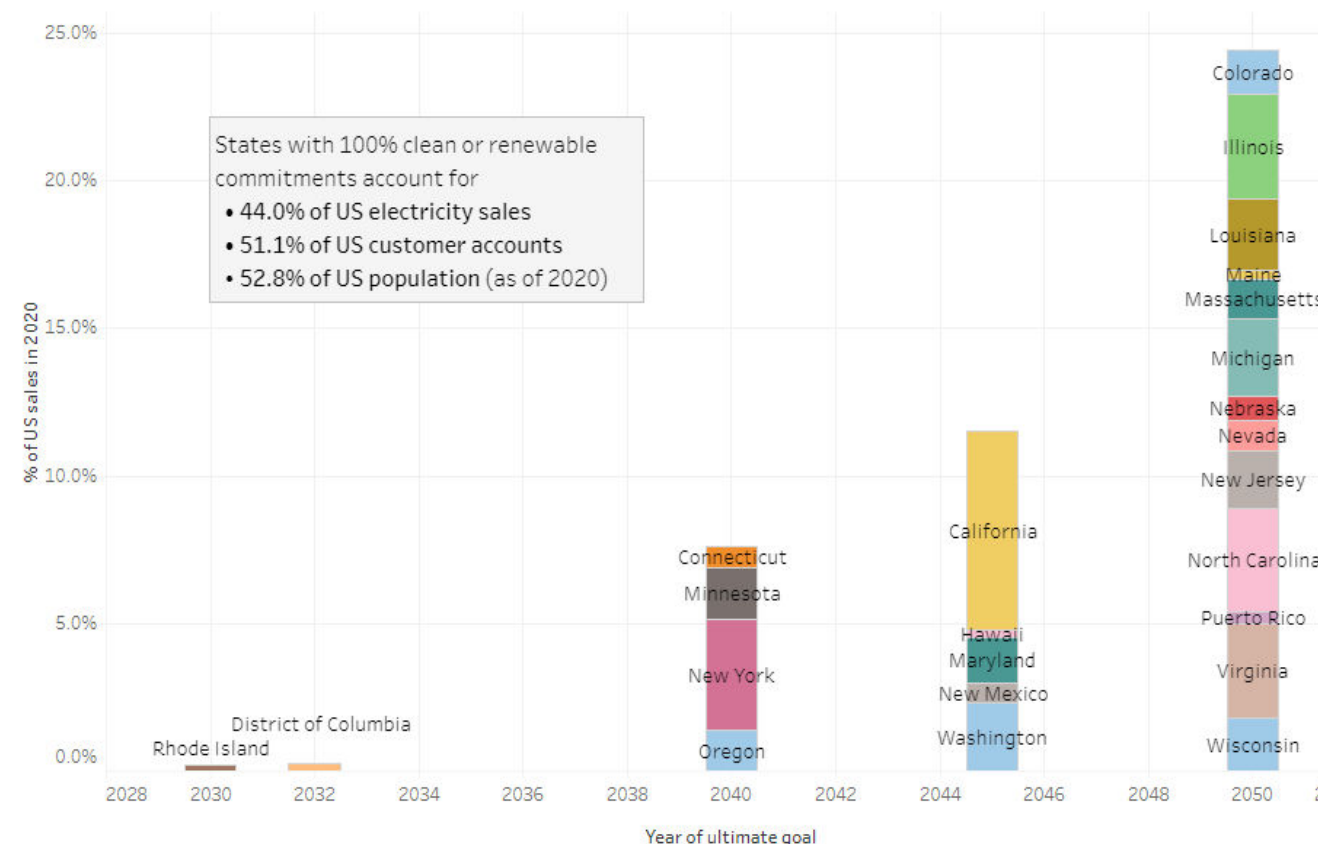
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Political Support for Clean Energy (AKA, Rate Base Growth)

The global and US economy is in the early stages of a long-term power transformation. Many US states (29) have set renewable energy standards, including 22 with 100% clean energy targets. The more aggressive include Rhode Island (2030), D.C. (2032), Connecticut (2040), Minnesota (2040), New York (2040), Oregon (2040), California (2045), Hawaii (2045), New Mexico (2045), and Washington (2045). Please see Exhibit 7.

Exhibit 7 States With 100% Renewable Commitments

Percent of US Electricity Sales in 100% States

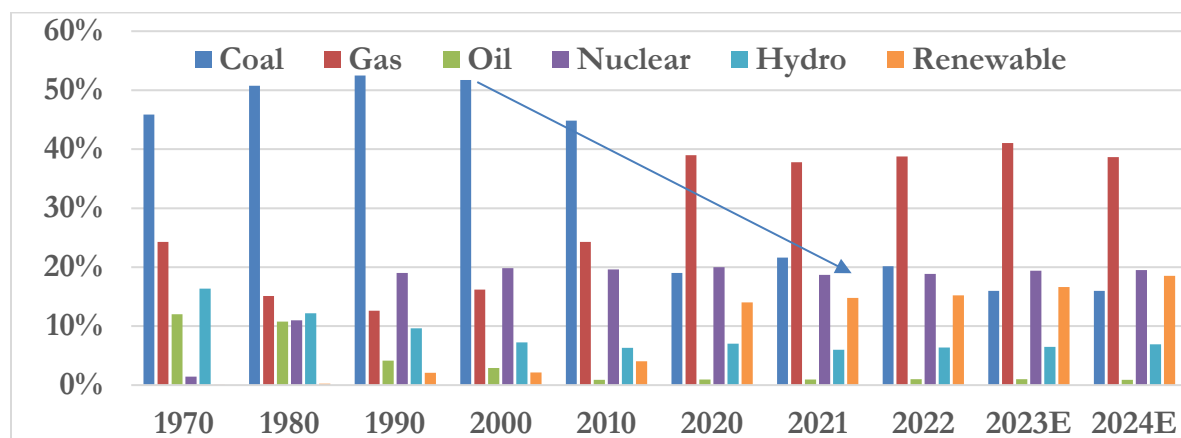


Source: EIA, Census Data, Clean Energy States Alliance

All of the US electric and gas utilities target ambitious carbon reductions and renewable energy standards, and publish sustainability reports. Many call for carbon neutrality by 2050, and 100% renewable energy by 2035-2040. Further, many major investors, activists, lending institutions, political groups, and corporations are calling on all of society to make the environmental pledge.

The Great Power Transformation

In 2022, the US electric fuel mix was 40% gas, 20% coal, 18% nuclear, 20% renewable (10% wind, and 6% hydro) and 2% other, which means 60% fossil-fuel fired and 40% zero carbon. In the mid-1980s, US power generation was nearly 60% coal-fired. Over the past decade, less-efficient nuclear and gas power plants have been retired and replaced with highly efficient natural gas plants and renewable. In 2021, the two-decade-long declining trend for coal generation (and carbon emissions) experienced a “hiccup” driven by high natural gas prices and renewable intermittency. (Exhibit 8).



Source: EIA

However, we expect coal's rapid decline to continue. All new capacity will be renewable, battery-storage and/or natural gas-fired (excluding the 2.2 GWs Vogtle nuclear expansion scheduled for 2023-24). EIA's June 2023 *Energy Outlook* forecasts that the 2023 fuel mix will be 23% renewable energy (wind, solar, hydro, and battery storage) and 24% in 2024, while coal declines to 16% in 2023 and 2024. U.S. natural gas generation will average 41% in 2023 and 39% in 2024. In 2023, wind, solar and battery storage account for 82% of the new, utility-scale generating capacity. (EIA June Update).

Table 7 Proposed New Power Capacity Additions

Stage of Announced Capacity Additions (MW) 2023–2027								
U.S. ELECTRIC UTILITY AND NON-UTILITY								
Fuel	Proposed	Feasibility	Application			Under	Testing	Total
			Pending	Permitted	Site Prep	Construction		
Natural Gas	13,699	497	5,129	7,484	175	6,564	3,978	37,525
Nuclear	1,753	-	-	-	-	-	2,200	3,953
Solar	105,689	200	41,616	43,734	100	31,101	5,197	227,638
Wind	63,858	2,212	13,239	11,256	352	10,772	1,963	103,652
Energy Storage	41,368	8,971	27,634	13,537	-	8,657	953	101,121
Other	1,340	1,943	66	316	-	233	2	3,900
Grand Total	227,707	13,823	87,684	76,327	627	57,328	14,292	477,789

Notes: Other includes biomass, diesel/fuel oil, fuel cells, geothermal, landfill gas, pet coke, waste heat, hydroelectric turbines, and wood. Totals may reflect rounding. Data includes new plants and expansions of existing plants, including nuclear uprates. Data includes projects with an expected online date up to 2027.

Source: The Velocity Suite, Hitachi Energy, EEI Energy Supply and Finance Department, April 2023

As of January 2023, the US currently had ~1,200 GWs of power capacity, including 215 GWs of renewables (74 GWs of utility-scale solar and 141 GW of wind capacity (12%). According to EEI (April 2023), developers plan to add 478 GWs of capacity over 2023-2027, including 228 GWs of solar, 104 GWs of wind and 101 GWs of storage. Over the same period, EEI projects 102 GWs of capacity retirements (42 GWs of coal, 40 GWs of gas, and 16 GWs of oil).

De-carbonization of the US Economy Requires \$4 Trillion of Capital Investment

To achieve the ambitious goals of 100% renewable power and a net-zero carbon economy requires massive investment and significant technological advancements. A Wood Mackenzie study estimated that the cost of transforming the U.S. to renewable energy in the next 10-20 years would be \$4.5 trillion (translates to \$300 billion annually over 15 years) given current technology. In addition, the 100% renewable target requires the building of 1,600 GW of new wind and solar generation and a nearly doubling of high voltage transmission (HVT). NextEra Energy (NEE) forecasts that de-carbonization of US economy by 2050 would require \$4 trillion of investment in clean energy infrastructure.

- According to NEE, de-carbonization of the US power sector requires the addition of 3,550 GWs of wind, solar and storage at a cost of \$2 trillion.



- Over 2022-2025, NEE forecasts the demand for 160-GWs of US renewables, which includes 30-50 GWs per year. Over 2026-2030, the US requires 70-100 GWs per annum and 100-140 GWs per annum over 2031-2035.
- Full de-carbonization of the US economy requires another \$2 trillion investment including in the transportation, industrial and agricultural sectors through electrification and low-carbon fuels largely being powered by renewables.

Renewable development challenges include higher interest costs, inflation, tariff and supply chain issues as well as integrating into the existing transmission system. The transmission system was not designed to accommodate the massive renewable additions, particularly given wind/solar intermittency. Developers face clogged interconnection queues, permitting delays and a congested power grid. Regulated utilities Consolidated Edison, Eversource, Duke Energy and American Electric Power have strategically chosen to divest non-regulated renewable development businesses to focus on the regulated business.

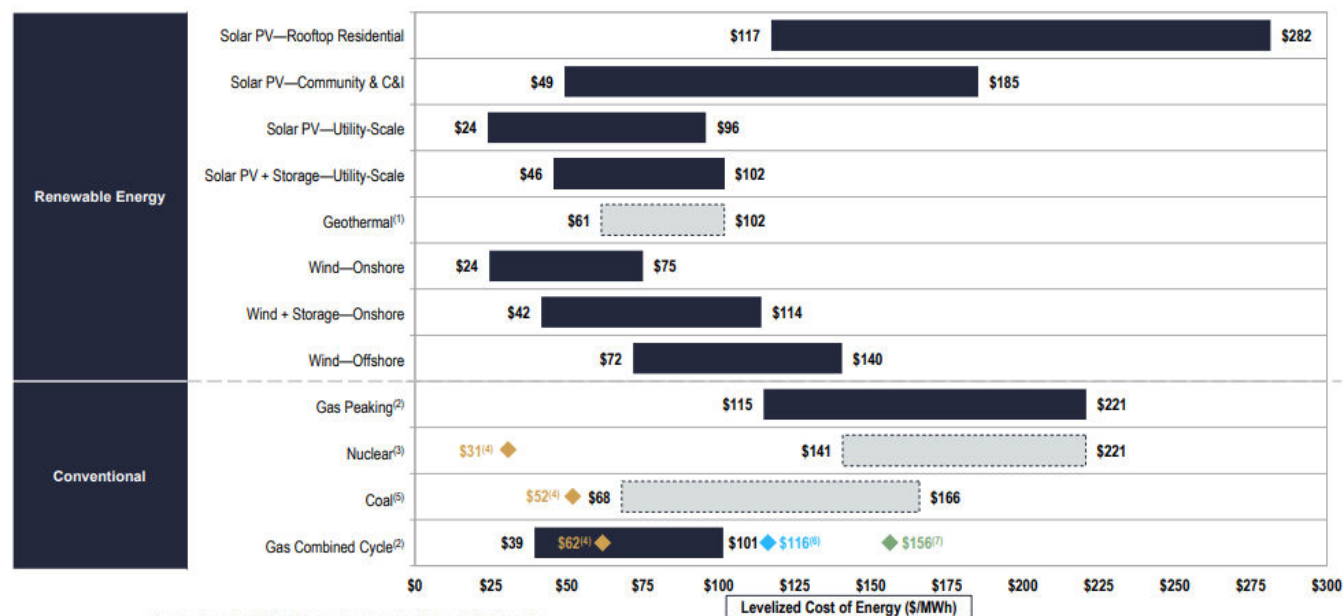
Renewable Development Costs Are Now Economical and Represent Rate Base Growth

Regardless of policy incentives, utilities benefit from adding renewable generation due to cost declines that have made new wind and solar generation more economical than older fossil-fired and nuclear generation. We highlight Lazard's April 2023) Levelized Cost of Energy Study (LCOE), which reinforces previous conclusions that renewables are cost competitive and fossil fuel generation should continue to be replaced by renewables. The Lazard study does note that diversity of fuel mix improves reliability and the recent increases in inflation, interest rates and supply chain resulted in negative impacts to renewable development costs. The Lazard LCOE for unsubsidized and subsidized (IRA tax credits are highlighted in Exhibits 9 and 10).

Exhibit 9 Declining Renewable Costs Relative to Other Fuel Types

Levelized Cost of Energy Comparison—Unsubsidized Analysis

Selected renewable energy generation technologies are cost-competitive with conventional generation technologies under certain circumstances

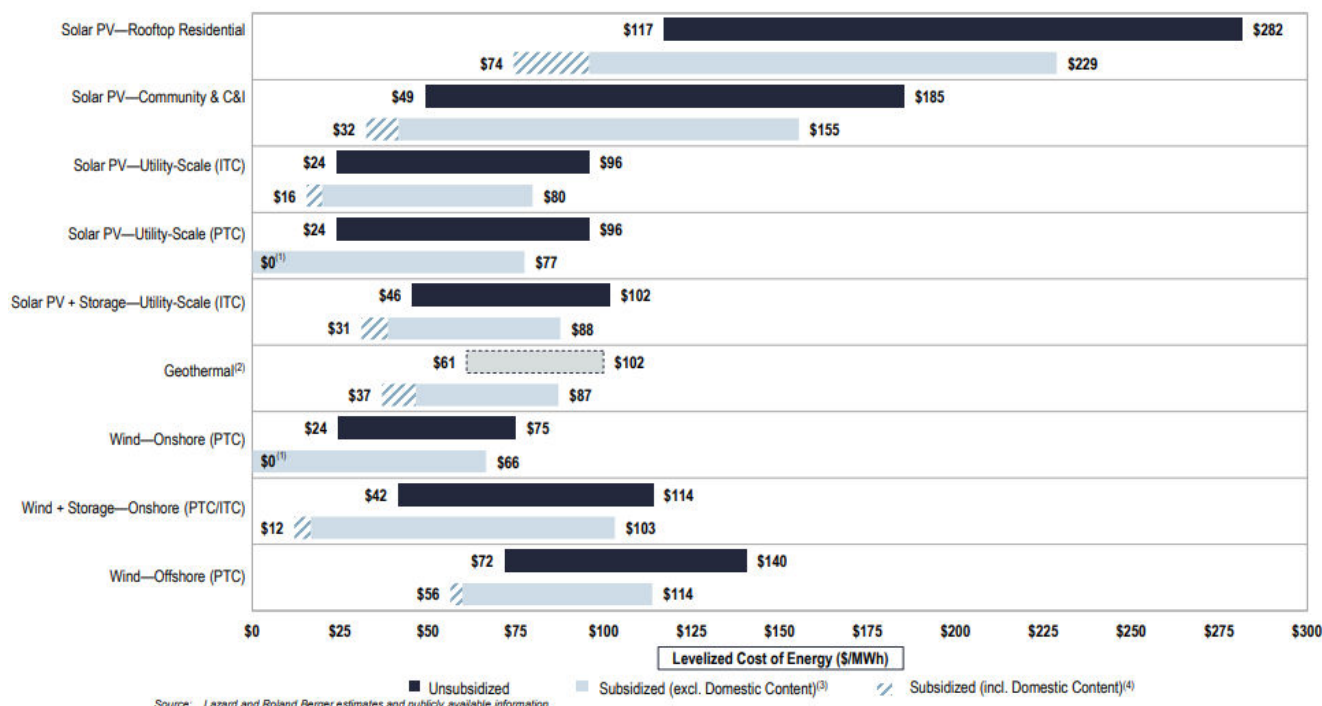


IRA's investment tax credits (ITCs) and production tax credits (PTCs) make renewable generation even more competitive. IRA solidified, expanded and extended 30%- ITCs and 2.6 cent PTCs for existing wind (on-shore and offshore) and solar generation and established new credits for nuclear, geothermal, storage, carbon capture, hydrogen as well as others. The ITCs can be increased to 40% based on domestic content and certain other conditions. The credits are in place for at least ten years and phase out in 2032 but only if electric sector emissions fall by 75% compared to 2022 levels. Further, the credits are marketable and can be bought and sold, which simplifies the previous complex tax-equity structures.

Exhibit 10

Levelized Cost of Energy Comparison—Sensitivity to U.S. Federal Tax Subsidies

The Investment Tax Credit (“ITC”), Production Tax Credit (“PTC”) and domestic content adder, among other provisions in the IRA, are important components of the levelized cost of renewable energy generation technologies



In addition, NEE estimates of the economics of power generation by fuel type. At \$4.50/MMBtu gas, wind is the most economical at \$25-32/MWh; followed by solar (\$30-37/MWh), existing gas (\$35-47 MWh), existing nuclear (\$34-49/MWh), existing coal (443-74/MWh), and new gas combined cycle (\$56-69 MWh).

US Wind Capacity to Accelerate With Offshore Development

Offshore wind is becoming an increasingly important form of renewable generation primarily due to geography and NIMBY limitations as well as improved economics. Offshore wind is a key element to many European and Asian nations clean energy strategies and expected to play a major role in the US Northeast. The US has laid out plans to achieve 30 GWs of operating offshore wind capacity by 2030. More aggressive state offshore wind targets are New York at 9 GWs by 2035, North Carolina at 8 GWs by 2040, and New Jersey at 7.5 GWs by 2035. Other states with requirements include Connecticut (2 GWs), Massachusetts (4 GWs), Maryland, and Virginia. The California Coast has deeper water and targets 3 GWs of floating offshore wind by 2030.

There are currently numerous proposed projects along the Northeast Coast in advanced stages of development, totaling over 16 GWs, and another 16 GW's in early development. The largest is the 2.4-GW Beacon Offshore Wind Project (Equinor and BP PLC) off the coast of MA. There are two major projects (Vineyard Wind and South Fork) under construction. In September 2022, AGR and Copenhagen Infrastructure Partners (CIP) began construction of Vineyard Wind I (VW1; 800 MWs) with COD expected in 2024 (Table 11).

However, the business of offshore wind development appears more appropriate for large oil and gas companies and faces the challenges of long development and approval processes. The 2022-23 interest rates and inflation have hampered expected returns. AGR is attempting to restructure a contract with the state of Massachusetts for its 1,200-MW Commonwealth project given rising costs associated with inflation and interest rates. ES expects to complete the strategic review (announced May 4, 2022) of its offshore wind program, which includes the potential sale of all or part of its 50% interest in JV with Orsted, by year-end 2022. The JV includes three contracted projects totaling 1,758 MWs, and 175,000 acres available for development. The projects are located on the same 250-square mile tract: 30-miles east of Long Island's Montauk Point.

Table 8 Offshore Wind Project Development (Major Global Players and Oil Co's)

Project	Size (MW's)	Date	Buyer	Owners	Turbines
Block Island Wind	30	2016	Rhode Island/Connecticut	Deepwater Wind	GE Haliade 6-MW
South Fork Wind	131	2023	New York	EverSource/Orsted	SG 8-MW
Revolution Wind	704	2025	Rhode Island/Connecticut	EverSource/Orsted	SG 8-MW
Sunrise Wind	924	2025	New York	EverSource/Orsted	G 8-MW
Beacon Wind	1,230	2028	New York	Equinor/BP	
Empire Wind	816	2026	New York	Equinor	
Empire Wind 2	1,260	2027	New York	Equinor	
Vineyard Wind	800	2024	Massachusetts	Avangrid	GE Haliade 13-MW
Commonwealth Wir	1,232	2028	Massachusetts	Avangrid	Avangrid/Copenhagen I.P.
SouthCoast Wind	1,200	2028	Massachusetts	Shell/EDP Renewables	
Atlantic Shores	1,510	2028	New Jersey	Shell/EDF	
Ocean Wind	1,100	2025	New Jersey	Orsted/PSEG	GE Halidae 13-MW
Ocean Wind 2	1,148	2029	New Jersey	Orsted	
Garden State Wind	1,000	2026	New Jersey	Orsted/PSEG	
Skipjack Wind	120	2026	Maryland	Orsted	GE Halidae 12-MW
MarWin Wind	270	2026	Maryland	Toto Holding (Renexia)	
Park City Wind	804	2027	Connecticut	Avangrid	
Constitution Wind	400	2025	Connecticut	EverSource/Orsted	
Bay State Wind	2,000	2028	TBD	EverSource/Orsted	
Kitty Hawk	2,500	2030	North Carolina	Avangrid/Iberdrola	
Virginia Beach	2,600	2026	Virginia	Dominion Energy	SGR 14-222
21,779					

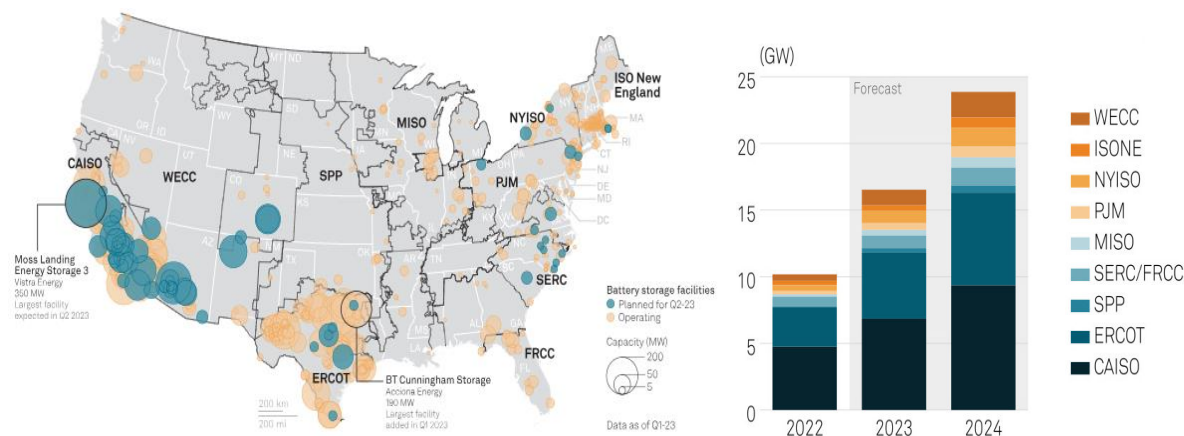
Adding Wind and Solar is Not Enough; Battery Storage is the Key to Aggressive Renewable Goals.

Carbon reduction targets will require not only significant investment, but technological breakthroughs in batteries, green hydrogen, carbon sequestration and fuel cells. We see the potential for the US natural gas industry to reinvent itself using green hydrogen, renewable natural gas, and carbon capture. Existing infrastructure can be upgraded to blend hydrogen and RNG with natural gas in increasingly higher levels.

- Battery Storage:** According to EEI, 74 GWs of storage capacity is expected to come online from 2023-2027 (previous forecast was 56 GWs over 2022-2026). In 2023 US utility-scale battery storage totaled just over 9 GWs (near-zero in 2019). Over the long-term, we expect widespread utility scale battery usage and growing efficiencies as larger batteries piggyback the auto industry. The IRA now offers stand-alone storage credits and existing wind and solar projects can be retrofitted to include new utility scale batteries.

Exhibit 11

Rapid Utility Scale Battery Storage Growth



- Renewable Natural Gas (RNG)** is a pipeline quality gas captured from dairies, animal/food waste, wastewater treatment plants, and landfills. Most natural gas utilities are investing in RNG and requesting PUC permission to blend with existing natural gas supply to serve customers. In addition, many are

investing in non-regulated RNG production. According to the American Gas Association (AGA), the US currently operates 189 RNG production facilities, and there are 146 under current construction, along with 96 planned for future construction. RNG can be compressed (CNG) for truck and bus vehicle fleets and for liquefied natural gas (LNG).



- **Green Hydrogen:** Hydrogen can be used as a zero-carbon fuel in hydrogen-compatible turbines to produce electricity, power fuel cells to drive passenger vehicles, heavy-duty trucks, ships and even airplanes, and to heat and light buildings. Importantly, hydrogen can be blended with natural gas and transported through existing gas infrastructure. Hydrogen technology appears to be a promising pathway to enabling longer-term storage of renewable power and decarbonizing industry and transportation. The November 2021 Infrastructure Investment and Jobs Act allocates \$8 billion over five years for the DOE to develop clean hydrogen hubs, a network of regional suppliers and consumers, and the infrastructure necessary to connect them. IRA provides a \$3/kg hydrogen credit and the 2021 bill allocates \$1 billion for a program to improve and reduce the costs of electrolysis.
- **Carbon Capture Utilization and Storage (CCUS)** directly reduces emissions and removes CO₂. CCUS technologies will play an important role in meeting net zero targets, including natural gas pipelines, midstream and power generation, as well as heavy industry. Major oil companies like Exxon, Chevron, Marathon, Dow, and Phillips 66 among others are investing heavily, which could make technologies economically viable.

Electrification Means Strong Electric Demand Growth

Ambitious de-carbonization plans mean society “electrifies everything” or converts residential, industrial, commercial and transportation energy use to electric because electricity is the only quickly decarbonizing, widely-available and scalable fuel option. In 2022, US electric output rose 2.8% to 4.1 million GWhs, which is a record annual high. Electric vehicle (EV) adoption represents the first major catalyst to power demand since air conditioning. There are 3 million EVs on the road today and EEI projects that there will be nearly 26 million in 2030. EEI forecasts the need for 140,000 EV fast charging ports, which would boost load by 1% annually. Further, new large load data centers are sprouting up all over the country to support the growing use of data/content/technology and artificial intelligence will further enhance growth. Other electrification opportunities include replacing natural gas heating and appliances.

FERC-Regulated Transmission

The net-zero goals also mean “power-grid” investment opportunities. Massive renewable development plans require an expanded transmission and distribution system. In 2022, EEI member utilities invested \$31.7 billion in electric transmission compared with \$29.7 billion in 2021. Over the next few years, we expect FERC to solidify numerous policy directives and incentives, including ROE methodology, transmission planning and the interconnect process, as well as the need to alleviate the clean energy logjam, and gas pipelines. In mid-2022, the Midwest Independent System Operator (MISO) approved Tranche 1 of its \$100 billion long-term planning projects, which included 18 transmission projects, totaling \$10.3 billion and spanning IA, IL, IN, MI, MN, MO and WI. Winning bidders, included:

- Ameren (AEE) (\$1.7-1.8 billion)
- Fortis (FTS) \$1.0-1.5 billion
- WEC Energy Group (\$800 million)
- XEL (\$1-2 billion)

The projects are expected to be in-service in 2028 - 2030. LRTP projects are significant because they will help accommodate the influx of renewables needed to meet state and utility clean energy goals.

Corporate Strategies Simplifying, Transforming, and “Greening”

Since 1995, the US electric utility sector has experienced over 145 acquisition announcements and over 120 completed deals. From 2016-2020, 23 deals were announced. Merger activity declined during the pandemic-impaired 2020-21 COVID-19 era. In 2022, five “whole” company mergers closed, including Hawaii Gas (Argo Infrastructure), Centerpoint’s Arkansas and Oklahoma gas utility subsidiaries (sold to Summit Utilities), Narragansett Electric (PPL Corp), Corning Gas (Argo Infrastructure), and Dominion’s WV gas utility (Ullico). On February 1, 2023, by Infrastructure Investment closed on the acquisition of South Jersey Industries (SJI) was acquired for \$8.1 billion in enterprise value, or \$36.00 per share. The price represented a 53% premium and a 21.7X P/E multiple on consensus 2022 earnings and ~15X EV/EBITDA multiple.

One deal was terminated. On April 17, 2023, AEP and Algonquin (AQN) announced a mutual agreement to terminate the Kentucky Power transaction. AEP had initially announced the sale of its Kentucky assets in October 2021 and revised the agreement in September 2022 to total \$2.646 billion in enterprise value (estimated \$1.2 billion debt). In December of 2022, FERC denied the sale.



The pending Avangrid acquisition of PNM Resources (PNM) continues to drag on. On June 20, 2023, the extended the merger agreement with through December 31, 2023 with a six-month option. The extension comes after the New Mexico Supreme Court rejected the parties' request to remand the merger case back to the PRC for reconsideration. On October 21, 2020, AGR agreed to buy PNM for an enterprise value of \$8.3 billion, or \$50.30 per share.

The electric and gas utility sector remains fragmented and we expect ongoing consolidation.

Table 9 **Recent Utilities Transactions**

<u>Date</u> <u>Announced</u>	<u>Target Entity</u>	<u>Acquirer</u>	<u>Value</u> <u>(\$ Millions)</u>	<u>Premium</u> <u>Paid (%)</u>	<u>Date</u> <u>Closed</u>
2/24/2022	South Jersey Industries	Infrastructure Inv't Fund	8,100	53%	2/2/2023
11/7/2021	First Energy Transmission (20%)	Brookfield Infra. Ptrs.	2,375	NA	5/31/2022
10/26/2021	AEP's Kentucky subsg	Algonquin Power	2,846	NA	Terminated
6/14/2021	Hawaii Gas	Argo Infrastructure	514	NA	7/21/2022
4/29/2021	Centerpoint's Arkansas & OK Gas	Summit Utilities	2,050	NA	1/10/2022
3/18/2021	Narragansett Electric	PPL Corp	5,270	NA	5/25/2022
1/28/2021	Duke Energy-Indiana (20%)	GIC Partners	2,050	NA	Pending
1/13/2021	Corning Gas	Argo Infrastructure	130	44	7/6/2022
10/21/2020	PNM Resources	Avangrid	8,300	10	Pending
11/4/2019	Pattern Energy	Canadian Pension	6,100	15	3/16/2020
6/3/2019	Bermuda Electric	Algonquin Pwr & Utilities	366	NA	11/9/2020
6/3/2019	El Paso Electric	JP Morgan	4,300	17	7/29/2020
10/23/2018	Peoples Gas	Essential Utilities (AquaAmeric	4,250	NA	2/3/2020
10/18/2018	Infrareit	Sempra Energy	1,275	18	5/16/2019
5/21/2018	Gulf Power	NextEra Energy	5,800	NA	12/31/2018
4/23/2018	Vectren	Centerpoint Energy	8,100	17	2/1/2019
1/3/2018	SCANA	Dominion Energy	14,600	42	12/31/2018
10/30/2017	Dynegy, Inc.	Vistra Energy	11,100	12	4/9/2018
8/18/2017	Calpine	Energy Capital Partners	5,600	23	3/12/2018
8/21/2017	Oncor	Sempra Energy	18,800	NA	03/09/18
7/19/2017	Avista	Hydro One	5,300	24	Terminated
7/6/2017	Oncor	Berkshire Energy	18,500	NA	Terminated
2/21/2017	Delta Gas	Steel River	258	17	09/20/17
1/25/2017	WGL Holdings	AltaGas	6,400	12	07/06/18
10/10/16	Gas Natural	First Reserve	196	39	08/04/17
07/29/16	Oncor	NextEra Energy	18,400	NA	Terminated
06/03/16	Talen Energy	Riverstone Partners	5,200	56	12/06/16
05/31/16	Westar Energy	Great Plains Energy	12,200	13	06/04/18
04/26/16	Energy South	Spire	344	NA	09/12/16
02/08/16	Empire Distric Electric	Algonquin Power & Utilities	2,370	21	01/03/17
02/08/16	ITC Holdings	Fortis Inc.	11,300	14	10/14/16
01/29/16	Questar Corp.	Dominion Resources Inc.	6,000	22	09/16/16
10/26/15	Piedmont Natural Gas Company	Duke Energy Group	6,700	42	10/03/16
09/04/15	TECO Energy	Emera Inc.	10,400	31	07/01/16
08/24/15	AGL Resources	Southern Company	12,000	38	07/01/16
07/12/15	SourceGas Holdings	Black Hills Corp	1,890	NA	02/12/16
02/25/15	UIL Holdings Corp.	Iberdrola S.A.	4,700	25	12/17/15
12/03/14	Hawaiian Electric Industries	NextEra Energy	4,300	21	Terminated
10/20/14	CLECO Corp	Macquarie	4,700	15	04/13/16
06/23/14	Integrus Energy Group	Wisconsin Energy	9,100	17	06/29/15
05/01/14	AltaLink L.P.	Berkshire Hathaway	5,900	NA	12/01/14
04/30/14	PEPCO Holdings, Inc.	Exelon	11,900	20	03/23/16
04/07/14	Alabama Gas Corporation	Laclede Group	1,600	NA	08/26/14
03/03/14	Philadelphia Gas Works	UIL Holdings Corp	1,860	NA	Terminated
12/11/13	UNS Energy	Fortis	4,300	31	08/15/14
05/29/13	NVE Energy	Mid-American	5,600	23	12/19/13
05/28/13	New Mexico Gas	TECO Energy	950	NA	09/03/14
02/11/13	New England Gas Company	Algonquin Power	74	NA	12/20/13
12/20/12	EQT Distribution Assets	Peoples Natural Gas	1,080	NA	12/17/13
12/17/12	Missouri Gas & New England Gas	Laclede Group	1,020	NA	09/01/13
07/22/12	GenON	NRG Energy Inc	3,400	21	12/14/12
02/21/12	CH Energy Group	Fortis	1,267	10.5	06/27/13

Source: Public Data



Another ongoing theme is simplification and focus on the core business. Over the past few years, many utilities have restructured, including sales of fossil generation assets, natural gas midstream operations, international operations, and non-utility subsidiaries, and the spin-off of competitive generation. Some have been the subject of activists including Jeff Ubben through Value Act and Inclusive Capital, Elliott Management (EVRG and NRG), Bluescape (EVRG), and Carl Icahn (First Energy and Southwest Gas). More recently, private infrastructure funds and investors, have taken advantage of the opportunity by buying gas utilities and gas infrastructure.

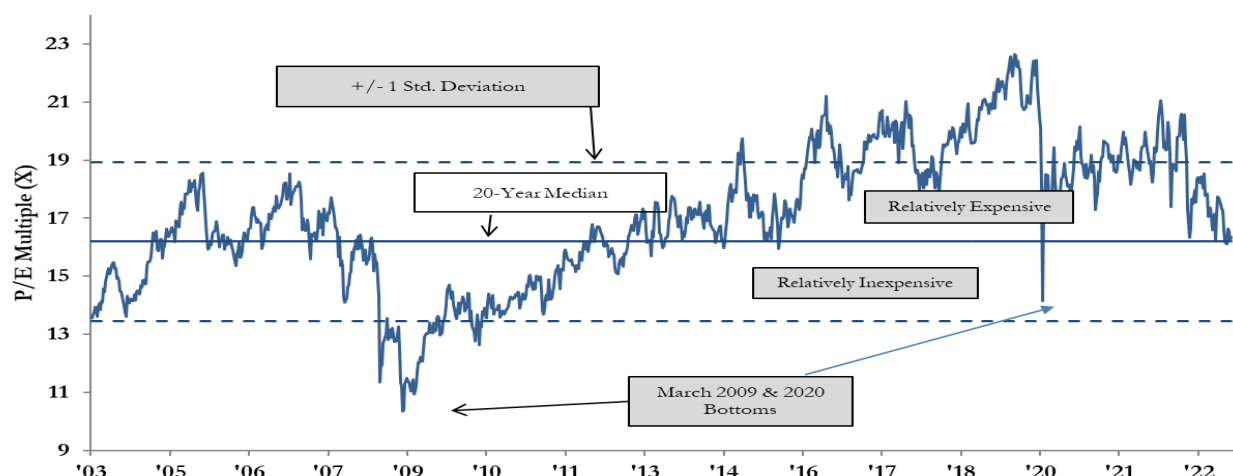
- On June 20, 2023, NiSource (NI-27.38) reached agreement with Blackstone’s dedicated Infrastructure group to sell a 19.9% equity interest in NIPSCO for \$2.150 billion. NIPSCO is Indiana’s largest vertically integrated electric and gas distribution company with 1.3 million customers. The transaction implies an equity value of \$10.8 billion and enterprise value of \$14.3 billion for 100% of NIPSCO. Other NI highlighted multiples: 32.5x LTM P/E and 1.85 x rate base (\$4.9 billion electric and \$2.0 billion gas). Close by the end of 2023. NI to sell 19.9% of NIPSCO.
- On June 12, 2023, Duke reached an agreement Renewables business (3,400 MWs) to Brookfield Renewable for \$2.8 billion, with net proceeds of \$1.1 billion to strengthen its balance sheet and avoid additional holding company debt issuances.
- On June 1, 2023, NRG agreed to sell its 44% stake in the 2,645 MW nuclear plant to Constellation Energy for \$1.75 billion. The price implies 11.7x EV/EBITDA. Transaction to close by end of 2023 subject to NRC and PUCT. Proceeds to be used to buy back shares. Authorized an additional \$650 million bringing total to \$1 billion.
- On May 15, 2023, Elliott announced that it sent a letter and presentation to NRG’s Board outlining a clear path to shareholder value after meaningful under-performance. Elliott claims to own 13% of shares. Elliott seeks (1) to add new independent board members, (2) push for \$500M of cost reductions, (3) conduct a strategic review of the home services strategy including Vivint, and shift to returning at least 80% of FCF to shareholders vs. NRG’s target of 50%
- On May 30, 2023, US debt ceiling agreement cleared a path to complete \$6.6 billion Mountain Valley Pipeline (MVP). MVP is a FERC-regulated 300-mile gas pipeline system running from northwestern West Virginia to southern Virginia designed to bring Marcellus and Utica gas to the Mid- and South Atlantic regions. MVP received its FERC CPCN in October 13, 2017 and began construction began in 2018 after with an estimated cost of \$3.5 billion. By spring 2021, total project work for MVP was roughly 92% complete. The project has faced challenges, starts and stops as opponents litigate previously authorized and issued permits. The project is 94% COMPLETE. Equitrans (ETRN-6.09) 48.5% NextEra Energy (NEE-73.92) 31% Consolidated Edison (ED-92.69) 12.5% AltaGas (ALA-23.68-TSE) 7% RGC Resources (RGC-18.91)1%
- On May 25, 2023, EverSource (ES) agreed to sell its offshore land lease and expects winning bids for its 50% interest in three offshore wind projects (South Fork Wind, Revolution Wind, and Sunrise Wind) totaling 1,758 MW by the end of June 2023. The \$625 million (\$7,100/acre) price tag was lower than we had anticipated, but removes construction/inflation risk of the large capital projects. ES announced that it expects to complete the strategic review (announced May 4, 2022) of its offshore wind program, which includes the potential sale of all or part of its 50% interest in JV with Orsted, by year-end 2022. The JV includes three contracted projects totaling 1,758 MWs, and 175,000 acres available for development. The projects are located on the same 250-square mile tract; 30-miles east of Long Island’s Montauk Point.
- On March 6, 2023, Vistra Energy (VST) announced a transaction to buy Energy Harbor’s nuclear (4.0 GW’s, including Beaver Valley 1 and 2, Perry, and Davis Besse) and retail businesses for \$3.4 billion and combine to form “Vistra Vision” (VV). Vistra will own a controlling 85% ownership interest in Vistra Vision; Nuveen and Avenue Capital will own the remaining 15%. VV will include 6.4 GW of nuclear generation, ~5 million retail customers, and ~2.4 GW of online and near-term pipeline of renewable and storage assets. The transaction is expected to close in the second half of 2023.
- On March 1, 2023, Consolidated Edison sold its Clean Energy Businesses (4 GWs of renewables) to RWE Renewables Americas for \$6.8 billion.

- On February 22, American Electric Power (AEP) agreed to sell its 1,365-megawatt (MW) unregulated, portfolio to IRG Acquisition Holdings, a partnership owned by Invenergy, CDPQ and funds managed by Blackstone Infrastructure, at an enterprise value of \$1.5 billion including project debt.
- On December 15, 2022, Southwest Gas (SWX) announced plans to sell 100% of its Mountainwest Pipeline (MW) to Williams (WMB) for \$1.5 billion in total enterprise value (8x EV to \$188 million 2023 EBITDA) and spin-off non-regulated Centuri to existing shareholders. Upon completion of both transactions, SWX would be a fully regulated gas utility operating in AZ, CA and NV. The transaction is expected to close in 2023. Icahn was influential in getting four (of 11) new board members and lobbying for the sale of MW.

Utility Valuations Reasonable Relative to Interest Rates Valuation Multiples

Over the past twenty years, electric utility multiples climbed from roughly 10x forward earnings to over 23x, driven by improving fundamentals and higher growth rates (Exhibit 12). Electric utilities trade at 16.5x consensus 2023 earnings estimates which is modestly above the historical median. We consider the multiple reasonable considering higher utility earning growth rates and strong fundamentals.

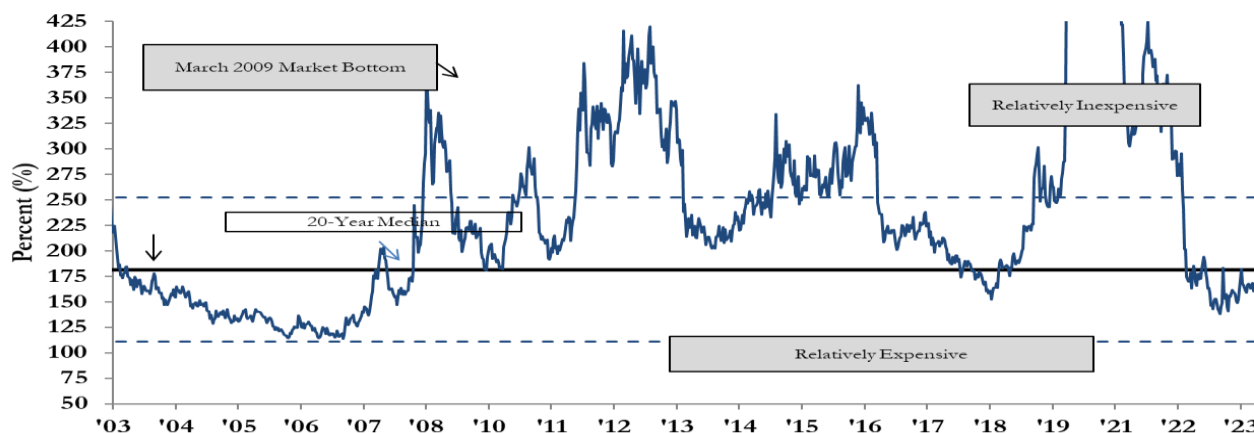
Exhibit 12 Absolute P/E Multiple Range



Source: Thomson One, Company documents, Gabelli Funds estimates

Given that long-term interest rates (specifically the 10-year and 30-year Treasury yields) have risen dramatically to nearly 4.0% following a long-term secular decline since the late 1980's, we measure the earnings yield (1/P/E) as a percent of the 10-Year T-Bond Yield to gauge interest rate adjusted valuations. As can be seen in Exhibit 13, the current ratio of 176% indicates the sector P/E is in line with its historical relationship with the 10-Year T-Bond Yield.

Exhibit 13 Utility Earnings Yield as a Percent of 10-Year T-Bond Yield



Source: Thomson One, Company documents, Gabelli Funds estimates

Interest Rates and the Fed

While utility stocks are not bond proxies, and share prices are a function of earnings and dividend growth rates, higher (lower) rates negatively (positively) impact equities, given that future cash flows are impacted by the assumed discount rate. In addition, current utility dividend returns become less compelling when returns on other investments increase, including Treasury yields. The current 6-month Treasuries yield over 5.4% and US Treasuries hold even greater defensive appeal than utilities. The factors below mitigate the negative impact of higher rates.

- Annual dividend hikes: Utilities target annual dividend increases, which serve to mitigate the negative impact of higher rates. In 2022, electric utilities increased the annual dividend by a median of 5.1%.
- ROE is set based on interest rates: A utility's cost-of-capital, including equity returns (ROEs), is set by state PUCs and increases (decreases) as interest rates rise (fall).
- Annual riders minimize inflation risk: State PUCs and FERC regulatory principles have improved to include more frequent rate adjustments, which mitigate inflation risk.
- Utility stocks pay higher dividends than other sectors: The present value of a higher near term dividend stream is less impacted by changes in interest rates than a lower near term dividend stream.

While utility dividend yields and 10-year U.S. Treasury yields are highly correlated and will likely remain so in the future, utility dividends have risen over time (most on annual basis) while the Treasury yield remains fixed. Utility stock prices, unlike Treasury bond prices, are likely to rise should earnings and dividends grow over time.

Conclusion

The utility sector offers a 3.7% current return and many utility managements target 5-7% annual earnings and dividend growth. The utility business model represents a safe-haven in the face of recession and/or inflation fears. In addition, the transformation of the utility sector from fossil fuel-fired to renewables provides the environment for strong annual earnings and dividend growth. We believe that the combination of strong utility fundamentals, and the potential for escalating geopolitical volatility and/or domestic economic slow-down bode well for the relative performance of utilities.

Table 10 **Ranking of 2022 Average Price To Ultimate Customers (c/kWh)**

State	Average price (cents/kWh)						2022		
	Ultimate			Residential	Commercial	Industrial	% Revenue to customers		
	2022	2021	2020	2022	2022	2022	R	C	I
Otter Tail Corp.	8.42	8.66	8.09	10.99	8.21	6.05	31	55	15
Idacorp	8.77	8.22	7.96	10.69	8.11	7.15	47	25	28
Avista Corp.	9.35	9.26	9.17	10.08	10.75	5.86	47	39	14
Entergy Corp.	9.73	8.44	7.40	12.53	10.99	7.06	39	29	32
MDU Resources	9.74	9.23	9.22	10.97	9.81	7.17	41	46	14
Allete	10.06	8.97	8.01	14.48	13.12	8.68	18	19	63
OGE Energy	10.26	8.25	7.01	12.61	10.34	7.33	43	37	21
Duke Energy	10.44	9.53	9.50	12.84	9.60	7.31	51	33	16
Ameren	10.94	9.49	8.84	12.57	9.97	7.46	55	37	8
Eversource	10.97	10.19	10.33	13.18	10.49	7.79	45	40	14
American Electric Power	11.01	10.16	9.25	14.20	10.98	7.62	49	27	24
PNM Resources	11.12	11.46	11.23	14.39	11.59	5.60	46	42	12
Portland General Electric	11.17	10.89	10.33	13.64	10.85	6.99	52	34	14
Dominion Energy	11.17	9.65	9.44	13.94	9.88	8.37	45	47	8
Xcel Energy	11.24	10.03	9.24	14.50	11.76	7.62	37	41	21
NiSource	11.41	10.34	9.84	16.92	15.47	7.06	34	34	32
El Paso Electric	11.44	10.90	9.76	12.40	10.82	8.50	49	47	3
Northwestern Corp.	11.66	11.46	11.45	12.30	11.90	8.05	45	48	7
AES Corp.	11.86	10.05	9.98	12.84	12.72	10.24	51	17	32
FirstEnergy	11.93	10.97	10.83	13.12	12.42	7.47	68	20	12
Alliant	11.93	10.94	10.85	16.49	12.93	8.39	41	28	32
NextEra Energy Inc.	12.20	10.29	9.55	13.46	10.87	8.59	60	37	3
Southern Co.	12.29	10.36	9.71	15.24	12.96	8.69	42	35	24
PPL Corp.	12.30	10.64	10.33	14.43	12.26	7.65	56	31	13
WEC Energy Group	12.36	11.46	11.27	16.43	11.92	8.64	43	36	21
Pinnacle West Capital	12.50	11.98	11.72	13.87	11.52	9.22	54	41	5
Black Hills Corp.	12.71	12.73	11.39	16.30	13.28	8.90	35	43	22
Vectren Corp.	12.76	12.02	11.62	16.74	14.66	8.70	41	30	29
DTE Energy	13.67	13.31	12.84	18.37	12.24	7.71	52	36	12
MGE Energy	13.91	12.56	12.67	18.20	12.52	8.68	36	61	3
CMS Energy	14.14	14.41	13.09	18.11	13.67	8.70	50	34	16
Exelon Corp.	15.05	12.93	12.59	15.36	14.58	10.90	74	25	2
Public Service Enterprise Group	15.36	15.09	14.90	17.43	13.37	9.32	61	35	3
UGI Utilities	16.46	11.17	10.63	17.14	14.99	12.36	75	22	2
Avangrid	18.18	14.86	14.05	18.49	17.26	16.50	77	22	1
Unitil Corp.	20.72	15.72	14.99	21.28	19.93	17.36	72	23	5
Edison International	22.16	18.86	16.15	26.65	19.64	17.25	46	48	6
Eversource	25.19	20.49	19.83	26.24	22.19	25.50	76	22	2
Consolidated Edison	26.43	24.56	22.56	27.60	25.17	15.10	57	43	0
PG&E Corp.	28.36	23.64	23.05	30.98	31.28	23.87	42	26	32
Sempra Energy	32.25	27.15	24.04	37.83	30.11	20.74	57	33	10
Hawaiian Electric Industries	40.30	30.35	27.58	44.30	41.07	36.75	32	32	36
Industry average/Total	12.96	11.56	10.99	15.56	12.56	8.72	51	34	15

Data compiled March 31, 2023.

Source: Regulatory Research Associates, a group within S&P Global Commodity Insights.

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Source: S&P Global Market Intelligence

Appendix 1: Large, Small/Mid Cap & Canadian Utilities Select Statistics



			2023	Equity	Enterprise	Annual	Current	Payout	EPS	EPS	EPS	EPS	EPS 3-Year	2023	2024	2024	EV/
Company Name	SYM	Price	YTD	Cap	Value	Dividend	Return	2023E	2022A	2023E	2024P	2025P	CAGR	P/E	P/E	P/E	EBITDA
		\$	%	\$	\$	\$	%	%	\$	\$	\$	\$	%	X	X	X	X
AES Corp	AES	20.73	-27	13,875	40,209	0.66	3.2%	35%	1.67	1.72	1.92	2.10	7.9%	12.1	10.8	9.9	8.7
Alliant Energy	LNT	52.48	-5	13,019	21,912	1.81	3.4%	60%	2.80	2.89	3.02	3.27	5.3%	18.2	17.4	16.0	12.9
Ameren Energy	AEE	81.67	-7	21,447	37,082	2.52	3.1%	54%	4.14	4.37	4.68	5.02	6.6%	18.7	17.5	16.3	11.9
American Electric Po	AEP	84.20	-10	43,345	85,753	3.32	3.9%	59%	5.09	5.27	5.62	5.98	5.5%	16.0	15.0	14.1	11.4
Avangrid	AGR	37.68	-10	14,573	25,388	1.76	4.7%	77%	2.33	2.13	2.29	2.44	1.5%	17.7	16.5	15.4	10.9
CMS Energy	CMS	58.75	-6	17,135	31,817	1.95	3.3%	58%	2.89	3.11	3.35	3.63	7.9%	18.9	17.5	16.2	11.9
Consolidated Edison	ED	90.40	-4	31,040	53,739	3.24	3.6%	62%	4.57	4.86	5.24	5.53	6.6%	18.6	17.3	16.3	10.5
Constellation Energy	CEG	91.55	7	29,700	34,399	1.13	1.2%	21%	-0.49	3.90	5.34	5.63	-	23.5	17.1	16.3	10.6
Dominion Energy	D	51.79	-13	43,293	91,076	2.67	5.2%	71%	4.11	3.83	3.74	3.96	-1.2%	13.5	13.8	13.1	11.5
DTE Energy	DTE	110.02	-5	22,517	41,693	3.81	3.5%	57%	6.10	6.23	6.68	7.14	5.4%	17.7	16.5	15.4	11.5
Duke Energy	DUK	89.74	-12	68,496	148,824	4.02	4.5%	67%	5.27	5.63	5.98	6.34	6.3%	15.9	15.0	14.2	11.5
Edison Internatioanl	EIX	69.45	9	26,261	62,603	2.95	4.2%	64%	4.63	4.50	4.60	4.80	1.2%	15.4	15.1	14.5	9.8
Entergy	ETR	97.37	-13	20,242	46,188	4.28	4.4%	60%	6.42	6.70	7.19	7.70	6.2%	14.5	13.5	12.6	10.1
EverSource	ES	70.92	-15	24,321	48,247	2.70	3.8%	58%	4.09	4.37	4.66	4.98	6.8%	16.2	15.2	14.2	11.8
Exelon	EXC	40.74	-6	39,892	80,773	1.44	3.5%	57%	2.27	2.37	2.51	2.72	6.2%	17.2	16.2	15.0	10.7
First Energy	FE	38.88	-6	22,117	45,115	1.56	4.0%	58%	2.41	2.54	2.67	2.85	5.7%	15.3	14.6	13.6	11.6
Iberdrola	IBE-MC	11.95	10	84,044	126,562	0.01	0.0%	1%	0.50	0.71	0.60	0.65	9.1%	16.7	19.9	18.4	8.8
National Grid	NGG	67.33	14	48,668	98,098	3.38	5.0%	79%	4.19	12.33	4.30	4.75	5.3%	5.5	15.7	14.2	13.1
Nextera Energy	NEE	74.20	-12	147,325	224,092	1.87	2.5%	55%	2.90	3.11	3.41	3.69	8.4%	23.9	21.8	20.1	16.1
PG&E	PCG	17.28	5	42,223	94,589	0.00	0.0%	0%	1.10	1.21	1.35	1.46	9.9%	14.3	12.8	11.8	10.7
PPL Corp	PPL	26.46	-9	19,296	33,423	0.96	3.6%	56%	1.41	1.59	1.71	1.82	8.9%	16.6	15.5	14.5	10.2
PS E&G	PEG	62.61	3	30,856	49,774	2.28	3.6%	62%	3.47	3.44	3.68	4.04	5.2%	18.2	17.0	15.5	12.6
Sempra Energy	SRE	145.59	-5	45,590	77,441	4.76	3.3%	50%	9.21	9.05	9.60	10.24	3.6%	16.1	15.2	14.2	12.8
Southern Company	SO	70.25	-1	75,390	137,295	2.80	4.0%	69%	3.60	3.60	4.03	4.31	6.2%	19.5	17.4	16.3	13.5
WEC Energy Group	WEC	88.24	-5	27,522	45,695	3.12	3.5%	64%	4.45	4.61	4.91	5.26	5.7%	19.1	18.0	16.8	13.6
Xcel Energy	XEL	62.17	-11	33,731	58,383	2.08	3.3%	58%	3.17	3.37	3.60	3.84	6.6%	18.4	17.3	16.2	11.1
Group Median			-6				3.6%	58%	6.7%	4.4%	6.9%	7.0%	6.2%	17.0	16.3	15.2	11.5

			2023	Equity	Enterprise	Annual	Current	Payout	EPS	EPS	EPS	EPS	EPS 3-Year	2023	2024	2024	EV/
Company Name	SYM	Price	YTD	Cap	Value	Dividend	Return	2023E	2022A	2023E	2024P	2025P	CAGR	P/E	P/E	P/E	EBITDA
		\$	%	\$	\$	\$			\$	\$	\$	\$		X	X	X	X
Allete	ALE	57.97	-8	3,323	5,859	2.71	4.7%	66%	3.38	3.72	4.08	4.36	8.8%	15.6	14.2	13.3	12.4
Avista	AVA	39.27	-9	2,975	5,797	1.84	4.7%	75%	2.12	1.50	2.46	2.60	7.0%	26.2	16.0	15.1	10.1
Black Hills Corp	BKH	60.26	-13	4,033	8,561	2.50	4.1%	67%	3.97	3.97	3.75	3.95	-0.2%	15.2	16.1	15.3	10.1
Centerpoint Energy	CNP	29.15	-2	18,394	35,033	0.76	2.6%	47%	1.38	1.49	1.61	1.71	7.4%	19.6	18.1	17.0	10.9
Eversgy	EVRG	58.42	-7	13,215	25,549	2.45	4.2%	62%	3.71	3.64	3.96	4.24	4.5%	16.0	14.8	13.8	10.8
Hawaiian Electric	HE	36.20	-12	3,961	7,074	1.44	4.0%	61%	2.20	2.22	2.36	2.30	1.5%	16.3	15.3	15.7	11.1
IdaCorp	IDA	102.60	-4	5,184	7,441	3.16	3.1%	59%	5.11	5.09	5.40	5.77	4.1%	20.2	19.0	17.8	14.4
MDU Resources	MDU	20.94	3	4,278	7,534	0.89	4.3%	57%	1.81	1.59	1.56	2.50	11.4%	13.2	13.4	8.4	8.6
MG&E	MGEE	79.11	13	2,843	3,566	1.63	2.1%	46%	2.60	3.37	3.54	3.72	12.6%	23.5	22.4	21.3	14.9
NiSource	NI	27.35	1	11,223	24,527	1.00	3.7%	60%	1.47	1.57	1.68	1.79	6.8%	17.4	16.3	15.3	11.2
Northwestern	NWE	56.76	-2	3,396	5,965	2.48	4.4%	67%	3.21	3.50	3.70	3.90	3.7%	16.2	15.3	14.6	10.7
NRG Energy	NRG	37.39	19	8,558	16,672	1.51	4.0%	23%	5.17	5.38	6.62	6.49	7.9%	6.9	5.6	5.8	5.9
OGE Energy	OGE	35.91	-8	7,122	11,809	1.66	4.6%	78%	3.32	2.00	2.12	2.26	-12.0%	18.0	16.9	15.9	9.9
Otter Tail Power	OTTR	78.96	34	3,247	4,027	1.75	2.2%	50%	6.78	4.75	3.49	3.69	-18.3%	16.6	22.6	21.4	10.4
Pinnacle West	PNW	81.46	8	9,143	17,727	3.46	4.2%	72%	4.26	4.15	4.82	5.01	5.5%	19.6	16.9	16.3	11.0
PNM Resources	PNM	45.10	-6	3,877	8,450	1.47	3.3%	52%	2.69	2.72	2.82	2.95	3.1%	16.6	16.0	15.3	10.5
Portland Gneral	POR	46.83	-4	4,477	8,301	1.90	4.1%	62%	2.74	2.67	3.05	3.21	5.4%	17.5	15.4	14.6	9.3
Unitil	UTL	50.71	0	816	1,445	1.62	3.2%	56%	2.59	2.77	2.88	3.05	5.6%	18.3	17.6	16.6	9.3
Vistra Energy	VST	26.25	14	9,714	17,483	0.82	3.1%	28%	-3.26	1.50	2.93	3.74	-	17.5	9.0	7.0	4.8
SMID Cap Median			-3				4.0%	60%		5.0%	9.0%	7.0%	5.5%	17.4	16.0	15.3	10.5
Electric Universe Median			-5				3.6%	59%		3.6%	6.6%	7.0%	5.7%	17.2	16.1	15.3	10.9

			2023	Equity	Enterprise	Annual	Current	Payout	EPS	EPS	EPS	EPS	EPS 3-Year	2023	2024	2024	EV/
Canadian Utilities	SYM	Price	YTD	Cap	Value	Dividend	Return	2023E	2022A	2023E	2024P	2025P	CAGR	P/E	P/E	P/E	EBITDA
		\$	%	\$	\$	\$	%	%	\$	\$	\$	\$		X	X	X	X
Emera	EMA-T	54.56	6	11,045	34,874	2.76	5.1%	83%	3.20	3.18	3.31	3.46	2.6%	17.2	16.5	15.8	11.5
Fortis	FTS	43.09	9	20,571	45,022	1.71	4.0%	55%	2.78	2.55	3.13	3.30	5.9%	16.9	13.8	13.1	12.1
Algonquin	AQN	8.26	30	5,688	15,761	0.43	5.3%	54%	0.66	0.58	0.80	0.90	10.9%	14.2	10.3	9.2	12.5
Alta-Gas	ALA-T	23.80	3	5,044	15,749	1.12	4.7%	53%	1.87	1.96	2.12	2.36	8.1%	12.1	11.2	10.1	10.0
Canadian Utilities	CU-T	34.31	-4	7,009	20,618	1.79	5.2%	76%	2.43	2.32	2.37	2.47	0.5%	14.8	14.5	13.9	10.2
Hydro-One	H-T	37.85	4	16,839	37,365	1.19	3.1%	62%	1.75	1.78	1.90	2.04	5.2%	21.3	19.9	18.6	13.1
			5				4.9%	58%	-2.5%	10.2%	6.6%	5.6%		15.8	14.1	13.5	11.8

Source: Public data, Gabelli Funds estimates

Appendix 2: Clean, Independent Power, Gas & Water Selected Statistics



Clean Power IPP's	<u>SYM</u>	<u>Price</u>	<u>2023 YTD</u>	<u>Equity Cap</u>	<u>Enterprise Value</u>	<u>Annual Dividend</u>	<u>Current Return</u>	<u>Payout</u>	<u>EPS</u>	<u>EPS</u>	<u>EPS</u>	<u>EPS</u>	<u>EPS 3-Year</u>	<u>2023 P/E</u>	<u>2024 P/E</u>	<u>2024 P/E</u>	<u>EV/EBITDA</u>
		\$	%	\$	\$	\$			\$	\$	\$	\$		X	X	X	X
Ormat	ORA	80.46	-7	4,763	6,249	0.48	0.6%	19%	1.63	1.93	2.52	3.09	23.7%	41.7	31.9	26.0	12.8
NextEra Energy Part	NEP	58.64	-16	5,094	21,311	3.37	5.7%	182%	5.62	1.40	1.85	1.69	-	41.9	31.7	34.7	11.0
Brookfield Renewable	BEP	29.49	19	8,516	54,925	1.35	4.6%	-643%	-0.60	-0.28	-0.21	-0.23	-	-105.3	-140.4	-128.2	24.1
Constellation Energy	CEG	91.55	7	29,700	34,399	1.13	1.2%	21%	-0.49	3.90	5.34	5.63	-	23.5	17.1	16.3	10.6
Atlantica Sustainable	AY	23.44	-6	2,723	7,790	1.78	7.6%	371%	-0.05	0.47	0.48	0.60	-	49.9	48.8	39.1	9.3
Boralex	BLX-T	36.07	-9	2,792	7,172	0.66	1.8%	60%	0.30	1.04	1.10	1.71	78.5%	34.7	32.8	21.1	11.2
Canadian Solar	CSIQ	38.69	25	2,501	5,296	0.00	0.0%	0%	3.44	5.57	5.99	7.17	27.7%	6.9	6.5	5.4	5.0
Clearway Energy	CWEN	28.56	-8	5,585	13,695	1.53	5.3%	5%	1.00	1.72	1.75	2.00	26.0%	16.6	16.3	14.3	
NRG Energy	NRG	37.39	19	8,558	16,672	1.51	4.0%	23%	5.17	5.38	6.62	6.49	7.9%	6.9	5.6	5.8	5.9
Innervex Renewable	INE-T	12.34	-23	1,879	8,556	0.72	5.8%	218%	-0.17	0.21	0.33	0.23	-	58.8	37.4	53.7	11.4
Vistra Energy	VST	26.25	14	9,714	17,483	0.82	3.1%	28%	-3.26	2.93	2.93	3.74		9.0	9.0	7.0	4.8
TransAlta Renewables	RNW-T	11.38	3	2,246	3,726	0.94	8.3%	131%	0.28	0.69	0.72	0.87	45.9%	16.5	15.8	13.1	7.4
Group Median			-1				4.0%	22.8%						16.6	16.3	14.3	10.0

Midstream Gas Co's	<u>SYM</u>	<u>Price</u>	<u>2023 YTD</u>	<u>Cap</u>	<u>Enterprise Value</u>	<u>Annual Dividend</u>	<u>Current Return</u>	<u>Payout</u>	<u>EPS</u>	<u>EPS</u>	<u>EPS</u>	<u>EPS</u>	<u>EPS 3-Year</u>	<u>2023 P/E</u>	<u>2024 P/E</u>	<u>2024 P/E</u>	<u>EV/EBITDA</u>
		\$	%	\$	\$	\$			\$	\$	\$	\$		X	X	X	X
TransAlta	TAC	9.36	4	2,425	5,841	0.17	1.8%	83%	0.01	1.13	0.20	0.08		8.3	46.8	117.0	5.0
Williams	WMB	32.63	2	39,628	65,893	1.79	5.5%	98%	1.67	1.87	1.82	2.06	7.2%	17.4	17.9	15.8	10.0
Enbridge	ENB	37.15	-1	74,922	142,750	2.68	7.2%	90%	2.81	2.20	2.99	3.24	4.9%	16.9	12.4	11.5	11.7
TC Energy Corp	TRP	40.41	5	40,598	86,822	2.81	6.9%	66%	4.30	3.24	4.26	4.34	0.3%	12.5	9.5	9.3	11.0
ONEOK	OKE	61.72	-4	27,513	40,061	3.82	6.2%	79%	3.84	5.47	4.84	5.28	11.2%	11.3	12.8	11.7	8.5
Kinder Morgan	KMI	17.22	-2	38,549	70,810	1.13	6.6%	94%	1.16	1.11	1.20	1.22	1.7%	15.5	14.4	14.1	9.2
Group Median			0				6.0%	86%					6.0%	16.5	15.8	14.1	9.6

Gas Utilities	<u>SYM</u>	<u>Price</u>	<u>2023 YTD</u>	<u>Cap</u>	<u>Enterprise Value</u>	<u>Annual Dividend</u>	<u>Current Return</u>	<u>Payout</u>	<u>EPS</u>	<u>EPS</u>	<u>EPS</u>	<u>EPS</u>	<u>EPS 3-Year</u>	<u>2023 P/E</u>	<u>2024 P/E</u>	<u>2024 P/E</u>	<u>EV/EBITDA</u>
		\$	%	\$	\$	\$			\$	\$	\$	\$		X	X	X	X
Atmos Energy	ATO	116.34	5	16,810	23,269	2.96	2.5%	46%	5.60	6.04	6.43	6.90	7.2%	19.3	18.1	16.9	13.5
Black Hills Corp	BKH	60.26	-13	4,033	8,561	2.50	4.1%	67%	3.97	3.60	3.75	3.95	-0.2%	16.7	16.1	15.3	10.1
Chesapeake Utilities	CPK	119.00	2	2,117	2,886	2.36	2.0%	41%	5.04	5.37	5.80	6.24	7.4%	22.2	20.5	19.1	12.7
MDU Resources	MDU	20.94	3	4,278	7,534	0.89	4.3%	57%	1.81	1.59	1.56	1.76	-0.9%	13.2	13.4	11.9	8.6
National Fuel Gas	NFG	51.36	-18	4,703	7,190	1.98	3.9%	35%	5.88	5.12	5.58	7.82	10.0%	10.0	9.2	6.6	6.3
NiSource	NI	27.35	1	11,223	24,527	1.00	3.7%	60%	1.47	1.57	1.68	1.79	6.8%	17.4	16.3	15.3	11.2
Northwest Natural G	NWN	43.05	-8	1,541	2,984	1.94	4.5%	70%	2.54	2.67	2.79	2.96	5.2%	16.1	15.4	14.5	9.3
NJ Resources	NJR	47.20	-3	4,578	7,455	1.56	3.3%	56%	2.50	2.67	2.77	2.55	0.7%	17.7	17.0	18.5	13.3
OneGas	OGS	76.81	4	4,282	7,218	2.60	3.4%	63%	4.08	4.13	4.15	4.35	2.2%	18.6	18.5	17.7	11.6
RGC Resources	RGCO	20.03	-7	200	330	0.79	3.9%	68%	1.01	0.91	1.17	1.35	10.1%	22.0	17.1	14.8	
Southwest Gas	SWX	63.65	4	4,521	9,653	2.48	3.9%	84%	2.99	3.21	2.96	4.85	17.5%	19.8	21.5	13.1	10.6
Spire	SR	63.44	-6	3,425	8,199	2.88	4.5%	67%	3.86	4.25	4.32	4.62	6.2%	14.9	14.7	13.7	11.6
UGI	UGI	26.97	-26	5,620	12,500	1.50	5.6%	47%	2.90	2.81	3.21	3.41	5.5%	9.6	8.4	7.9	9.1
Group Median			-3				3.9%	60%		0.7%	5.1%	13.8%	6.2%	17.4	16.3	14.8	10.9

Water Utilities	<u>SYM</u>	<u>Price</u>	<u>2022 YTD</u>	<u>Equity Cap</u>	<u>Enterprise Value</u>	<u>Annual Dividend</u>	<u>Current Return</u>	<u>Payout</u>	<u>EPS</u>	<u>EPS</u>	<u>EPS</u>	<u>EPS</u>	<u>EPS 3-Year</u>	<u>2023 P/E</u>	<u>2024 P/E</u>	<u>2024 P/E</u>	<u>EV/EBITDA</u>
		\$	%	\$	\$	\$	%	%	\$	\$	\$	\$	%	X	X	X	X
American States Wate	AWR	87.00	-5	3,217	3,985	1.59	1.8%	53%	2.11	2.86	2.98	3.27	15.7%	30.4	29.2	26.6	18.9
American Water Worl	AWK	142.75	-5	27,785	38,757	2.83	2.0%	55%	4.43	4.77	5.12	5.58	8.0%	29.9	27.9	25.6	17.3
AquaAmerica	WTRG	39.91	-16	10,435	17,121	1.15	2.9%	57%	1.77	1.86	2.02	2.17	7.0%	21.5	19.8	18.4	15.4
Artesian Water	ARTNA	47.22	-18	493	693	1.14	2.4%	71%	1.45	1.74	1.60	1.70	5.4%	27.1	29.5	27.8	15.1
California Water Servi	CWT	51.63	-14	2,891	3,995	1.04	2.0%	49%	1.77	1.81	2.11	2.26	8.5%	28.5	24.5	22.8	14.1
Consolidated Water	CWCO	24.23	65	381	335	0.34	1.4%	35%	0.38	0.98	0.98	0.70	22.6%	24.7	24.7	34.6	14.1
Global Water Resourc	GWRS	12.68	-3	304	415	0.30	2.4%	103%	0.24	0.31	0.29	0.20	24.0%	40.9	43.7	-	18.2
SJW Corp	SJW	70.11	-13	2,200	3,814	1.52	2.2%	56%	2.43	2.47	2.70	2.91	6.2%	28.4	26.0	24.1	15.0
York Water	YORW	41.27	-7	589	739	0.81	2.0%	51%	1.40	1.51	1.59	1.45	1.2%	27.3	26.0	28.5	15.8
Group Median			-7				2.0%	55%		14.6%	5.9%	4.4%	8.0%	28.4	26.0	26.1	15.4

Source: Public data, Gabelli Funds estimates



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