

Utilities – U.S.

10-Year Treasury Highest Since 2007 The Good, the Bad & the Ugly



Source: thirdway.org



US Utilities -10-Year Treasury Highest Since 2007

Year-to-date (October 6, 2023), the utility sector has been among the worst performing of the S&P 500 sectors. The S&P Utility Index returned a negative -16.9%, which compared to the +13.7% return of the S&P 500 Composite. (See Table 1). The decline included an -11.9% drop in the two-week aftermath of the Federal Reserve's September 20th meeting. The Fed held the overnight rate at 5.25-5.50% and outlined its expectations for the rate to be 5.6% at end of 2023; 5.1% by end of 2024; and 3.9% end of 2025. Previous expectations for a "near-term recession" gave way and finally capitulated into the harsh reality that interest rates could remain elevated rates for an extended period. The proverbial frog had boiled. The 10-Year US Treasury Yield climbed to nearly 4.9%, the highest level since 2007, from 3.9% at year-end (1.5% at year-end 2022; at year-end 2021).

Table 1 Utilities Over the Past Several Periods

As of October 6, 2023

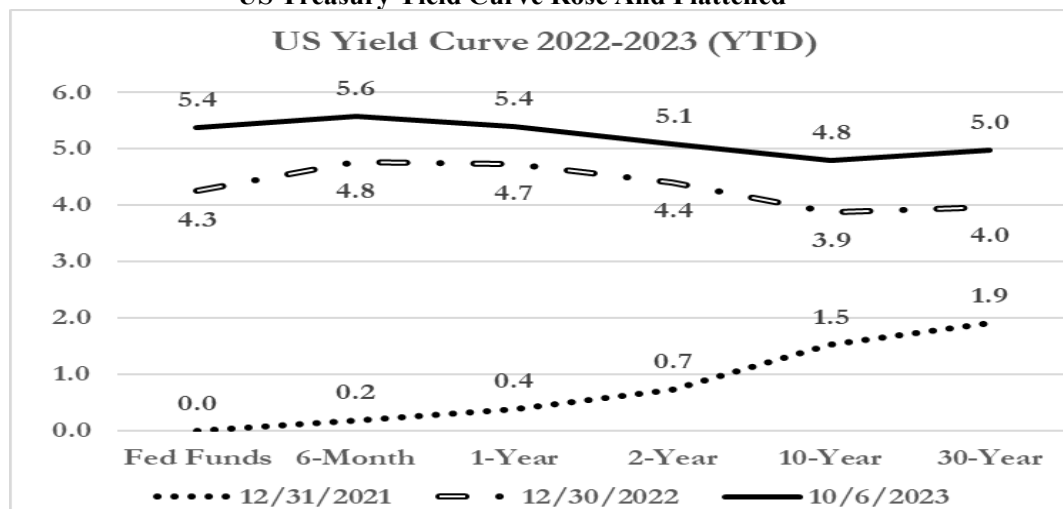
	2023 YTD Total Return	2022A Total Return	2021A Total Return	2020A Total Return
S&P 500 Utilities	- 16.9%	1.6%	17.7%	0.5%
S&P 500 Index	13.7	-18.1	28.7	18.4
10-Year Treasury Yield (Beginning of Period)	3.88	1.52	0.92	1.92
10-Year Treasury Yield (End of Period)	4.78	3.88	1.52	0.92

Source: Thomson One

Higher interest rates hurt utilities (and all investments) by lowering the discounted present value of future cash flows. In addition, the higher interest rate/lower stock price environment makes it more challenging for capital intensive utilities (and many companies) to finance growth. On September 27, 2023, NextEra Energy Partners (NEP), 55%-owned by utility bell-weather NextEra Energy (NEE), lowered its distribution CAGR to 5-8%, from 12-15%, due to the higher cost of capital. NEP is non-regulated and more vulnerable to higher rates than regulated utilities, but the action resonated throughout the sector and exacerbated concern that utility growth rates could moderate from historical median highs of 5-7%. The associated utility share price decline brought utility valuation multiples to under 15x, down from over 22x.

Exhibit 1

US Treasury Yield Curve Rose And Flattened



Source: US Department of Treasury

The Good, the Bad & the Ugly...How is There a Good?

Utility stock performance has been bad and ugly. So how is there a “good”? The risk-reward outlook for utility stocks has improved given year-to-date under-performance, lower valuation multiples, healthy earnings and dividend growth and the possibility that interest rates have peaked. We consider it likely that the rate “hike” cycle is nearly complete, and that the impact of the Fed’s eleven rate hikes since March of 2022 have yet to be fully-realized. We expect recent EPS growth targets of 5-7% and 6-8% to moderate due to the higher cost-of-capital to fund rate base growth (and refinance existing fixed cost debt) to mid-single digit (4-7%) CAGR’s. Lower growth is likely reflected in lower valuation multiples. Utilities remain positioned to grow earnings and dividends given monopoly service areas, rate adjustments to recognize higher costs/cost of capital, and political and regulatory support for infrastructure investment. Over the long-term, utilities are “winners” in the continuing energy transition and the late 2022 Inflation Reduction Act (IRA) provides tax incentives for accelerated clean energy investment for decades to come.

The Bad....Regulated Utilities Down Less Than the Ugly

The S&P Utility Index returned a negative -16.9% year-to-date and a negative -15.6% since year-end 2021. In 2023, defensive sectors (utilities, healthcare, telecom and consumer staples) were among the worst performing sectors, while the better-performing S&P industry sectors were technology, consumer discretionary and industrials (growth and economically cyclical sectors). The reversal of performance reflects the shifting economic outlook. The S&P 500 Energy sector outperformed in 2022 and over the past 21-months due to higher oil and gas prices. See Table 2.

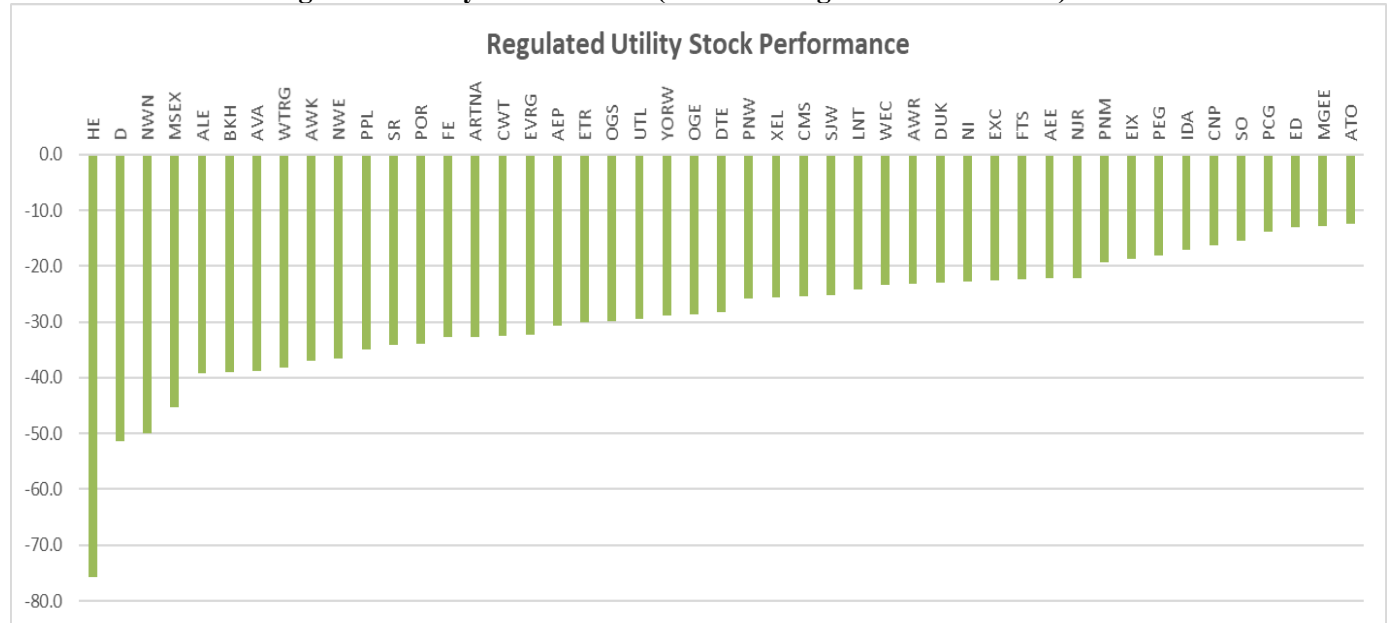
Table 2

S&P 500 Sector Performance			
Sector Performance Ranked YTD 2023			
Sector	YTD		Since
	2023	2022	12/31/2021
	%	%	%
Info Tech	35.4	-28.5	-3.3
Consumer Discretionary	26.3	-37.0	-20.4
Industrials	18.2	-19.4	-4.7
S&P 500	13.7	-18.1	-6.9
Materials	1.9	-12.3	-10.6
Energy	0.3	65.7	66.2
Consumer Staples	-0.1	-0.7	-0.6
Health Care	-3.2	-2.0	-5.1
Real Estate	-6.9	-26.1	-31.2
Utilities	-16.9	1.6	-15.6
Telecommunications	-17.7	-20.0	-34.1

Source: Thomson One (10/6/2023)

Over 2021-2023, many traditional high quality regulated utilities declined ~15-40% from all-time highs to more recent lows. (See Exhibit 2 below) Higher quality regulated utilities (ATO, SO, IDA, WEC, LNT, AEE, XEL, PEG, DUK) that operate in more constructive regulatory environments are better able to manage and recover the higher cost of capital through general rate cases. However, most utilities carry some earnings headwind related to variable rate short-term debt, refinancing maturing debt and the timing of rate adjustments. Regulated California utilities EIX, PCG and SRE have outperformed the utility indices as “wildfire discounts” diminish and the benefits of pending 2024 ROE adjustments (formulaic 70% basis point increase in allowed ROEs related to higher interest rates) are recognized.

Exhibit 2 Regulated Utility Performance (All-Time Highs to Recent Lows)

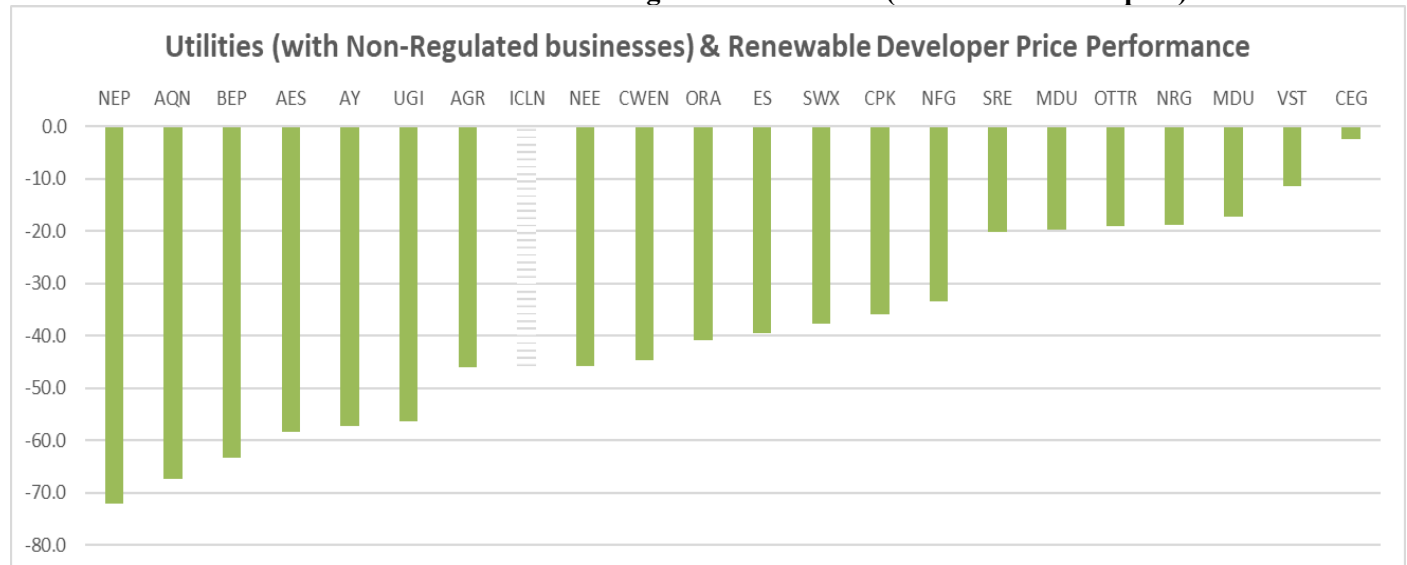


Source: Public data

The Ugly...

The biggest share price decliners were utilities/companies that require capital to grow, including clean energy developers (NEP, AQN, BEP, AES, CWEN, AY) and utilities with subsidiaries engaged in clean energy development (NEE, AGR, ES). (See Exhibit 3) The commonly used clean energy index, the iShares Global Clean Energy ETF (ICLN) declined 31% year-to-date, including a -12.3% drop following the September 20th Fed meeting and 40% since year-end 2021.

Exhibit 3 Utilities With Non-Regulated Businesses (Renewable Developers)



Source: Public data

Non-regulated NextEra Energy Partners (NEP), 55%-owned by utility bell-weather NextEra Energy (NEE), experienced a share price “free-fall” as investors lost confidence in the company’s ability to finance growth following a downward growth revision. On September 27, 2023, NEP lowered its distribution growth rate to 5-8%, from 12-15%, due to the higher cost of capital. The action raised concerns whether renewable developers could grow in the higher interest rate environment. NEE, and other renewable development companies, also declined significantly. Over the long-term, there is a huge demand for renewable power projects, and IRA-related tax credits were designed to help fund/finance growth.

Higher Cost-of-Capital Likely to Result In More Moderate EPS CAGR’s

As noted earlier, we expect current EPS CAGR targets of “5-7%” and “6-8% to moderate due to the higher cost-of-capital to fund rate base growth (and refinance existing fixed cost debt). We expect a healthy, but more moderate mid-single digit growth of 4-7%. Given that the “run-up” in rates occurred over the past few weeks, we expect many utilities to reiterate existing strong EPS CAGRs (with cautionary statements) during the upcoming third quarter earnings. As of the second quarter, managements of 17 utilities target “5-7%” EPS CAGR, 12 utilities target “6-8%”, and 2 utilities target 7-9%, with one (PCG) targeting 10% growth (Table 3). Following the second quarter 2023 earnings calls, utilities “across the board” affirmed 2023 guidance and affirmed long-term growth rates despite mild weather and rising interest rates,

Strong utility growth was driven by increasing capital investment opportunities and several years of optimizing low-cost capital. The August 2022 Inflation Reduction Act (IRA) offers “game-changing” financial incentives (\$272 billion) for clean energy investment through the extension and expansion of investment (30-40% investment tax-credits) and production tax credits. Many utilities consider the IRA funding as something that will 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 hikes. The increased rate base investment will help achieve ambitious carbon-reduction plans and aid earnings growth.



Table 3 **EPS Growth Rates For Selected Utilities**

Company	Symbol								Consensus	Management	S&P
		2022A	2022A	2023E	2023E	2024P	2025P	2018A-2022A	2022A-2025E	Target	Credit
		EPS	Growth	EPS	Growth	EPS	EPS	CAGR	CAGR	CAGR	Rating
		\$	%	\$	%	\$	\$	%	%	%	
PG&E Corporation	PCG	1.10	1.9	1.21	10.0	1.35	1.46	-27.6	9.9	10.0%	BB
PPL Corporation	PPL	1.41	34.3	1.58	12.1	1.71	1.82	-12.5	8.9	6-8%	A-
ALLETE, Inc.	ALE	3.38	4.6	3.68	8.9	4.06	4.31	0.3	8.4	5-7%	BBB
American Water Works	AWK	4.43	11.3	4.80	8.4	5.14	5.60	7.6	8.1	7-9%	BBB+
MGE Energy, Inc.	MGEE	3.07	5.1	3.32	8.1	3.59	3.85	8.1	7.8	4.6%	A-
CenterPoint Energy, Inc.	CNP	1.38	-15.9	1.49	8.0	1.62	1.73	-3.6	7.8	6-8%	BBB+
NextEra Energy, Inc.	NEE	2.90	13.7	3.12	7.6	3.40	3.63	10.7	7.8	6-8%	A-
AES Corp	AES	1.67	9.9	1.68	0.6	1.89	2.09	7.7	7.8	6-8%	BBB-
CMS Energy Corporation	CMS	2.89	9.1	3.11	7.6	3.35	3.60	5.5	7.6	6-8%	BBB+
Atmos Energy	ATO	5.60	9.4	6.05	8.0	6.47	6.91	8.8	7.3		A-
NiSource	NI	1.47	7.3	1.58	7.5	1.67	1.80	3.1	7.0	6-8%	BBB+
Avista Corporation	AVA	2.12	1.0	2.29	8.0	2.49	2.58	0.6	6.8	5%	BBB
Ameren Corporation	AEE	4.14	7.8	4.37	5.6	4.69	5.03	5.3	6.7	6-8%	BBB+
Essential Utilities	WTRG	1.77	6.0	1.86	5.1	2.01	2.15	5.8	6.7	5-7%	
Xcel Energy, Inc.	XEL	3.17	7.1	3.35	5.7	3.60	3.85	6.4	6.7	5-7%	A-
Pinnacle West Capital	PNW	4.26	-22.1	4.21	-1.2	4.98	5.16	-1.6	6.6	5-7%	BBB+
Consolidated Edison, Inc.	ED	4.57	4.1	4.91	7.4	5.24	5.53	1.4	6.6	5-7%	A-
Edison International	EIX	4.63	0.9	4.71	1.7	5.13	5.60	2.8	6.5	5-7%	BBB
Eversource Utilities	ES	4.09	6.0	4.37	6.8	4.64	4.93	5.9	6.4	5-7%	A-
Exelon Corporation	EXC	2.27	-19.5	2.36	4.0	2.51	2.73	-7.6	6.3	6-8%	BBB+
Spire	SR	3.86	-20.6	4.19	8.5	4.32	4.64	0.9	6.3	5-7%	
Duke Energy Corporation	DUK	5.27	0.6	5.61	6.5	5.98	6.33	2.8	6.3	5-7%	BBB+
Entergy Corporation	ETR	6.42	6.6	6.70	4.4	7.19	7.71	-3.2	6.3	5-7%	BBB+
Southern Company	SO	3.60	5.6	3.60	0.0	4.03	4.32	4.1	6.3	5-7%	BBB+
Unitil Corp.	UTL	2.59	10.2	2.76	6.6	2.91	3.09	3.8	6.1	5-7%	BBB+
Northwestern Corporation	NWE	3.18	-9.4	3.44	8.2	3.57	3.77	-1.6	5.8	3-6%	BBB
FirstEnergy Corp.	FE	2.41	-7.3	2.54	5.4	2.68	2.85	-1.8	5.7	6-8%	BBB-
WEC Energy Group, Inc.	WEC	4.45	8.3	4.61	3.6	4.92	5.26	7.4	5.7	6.5-7.0%	A-
Portland General Electric	POR	2.74	0.7	2.67	-2.6	3.04	3.23	3.7	5.6	5-7%	BBB+
OGE Energy Corp.	OGE	1.92	8.5	2.01	4.7	2.13	2.26	-2.4	5.6	5-7%	BBB+
American Electric Power	AEP	5.09	7.4	5.27	3.5	5.60	5.98	6.5	5.5	6-7%	A-
Alliant Energy Corporation	LNT	2.80	6.5	2.89	3.2	3.07	3.28	6.6	5.4	5-7%	A-
DTE Energy Company	DTE	6.10	1.8	6.23	2.1	6.66	7.14	-0.8	5.4	6-8%	BBB+
Public Service Enterprise Group	PEG	3.47	-4.9	3.46	-0.3	3.69	4.06	2.7	5.4	5-7%	BBB+
IDACORP, Inc.	IDA	5.11	5.4	5.08	-0.6	5.41	5.77	3.3	4.1	NA	BBB
One Gas	OGS	4.08	6.0	4.14	1.5	4.30	4.58	5.9	3.9	4-6%	A-
Evergy	EVRG	3.71	4.8	3.63	-2.2	3.92	4.16	10.4	3.9	6-8%	A-
Avangrid Inc.	AGR	2.33	6.9	2.14	-8.2	2.36	2.53	1.3	2.8	6-7%	BBB+
PNM Resources, Inc.	PNM	2.69	9.8	2.73	1.5	2.79	2.92	7.7	2.8	5%	BBB
Black Hills Corporation	BKH	3.97	6.1	3.73	-6.0	3.85	4.10	2.9	1.1	4-6%	BBB+
Hawaiian Electric Industries	HE	2.20	-2.2	1.95	-11.4	2.17	2.18	4.4	-0.3	4-5%	BBB-
Dominion Energy	D	4.11	6.5	3.43	-16.5	3.46	3.60	0.4	-4.3	NA	BBB+
Sempra Energy	SRE	9.21	9.3	4.50	-51.1	4.79	5.12	13.4	-17.8	6-8%	BBB+
Otter Tail Corporation	OTTR	6.78	60.3	5.87	-	4.06	3.65	34.7	-18.6	5-7%	BBB
MDU Resources	MDU	1.81	-3.2	1.38	-	1.38	0.85	7.0	-22.3	5-8%	BBB+
Source: Company documents, Thomson One, and Gabelli Funds			6.0		4.7			3.7	6.3		

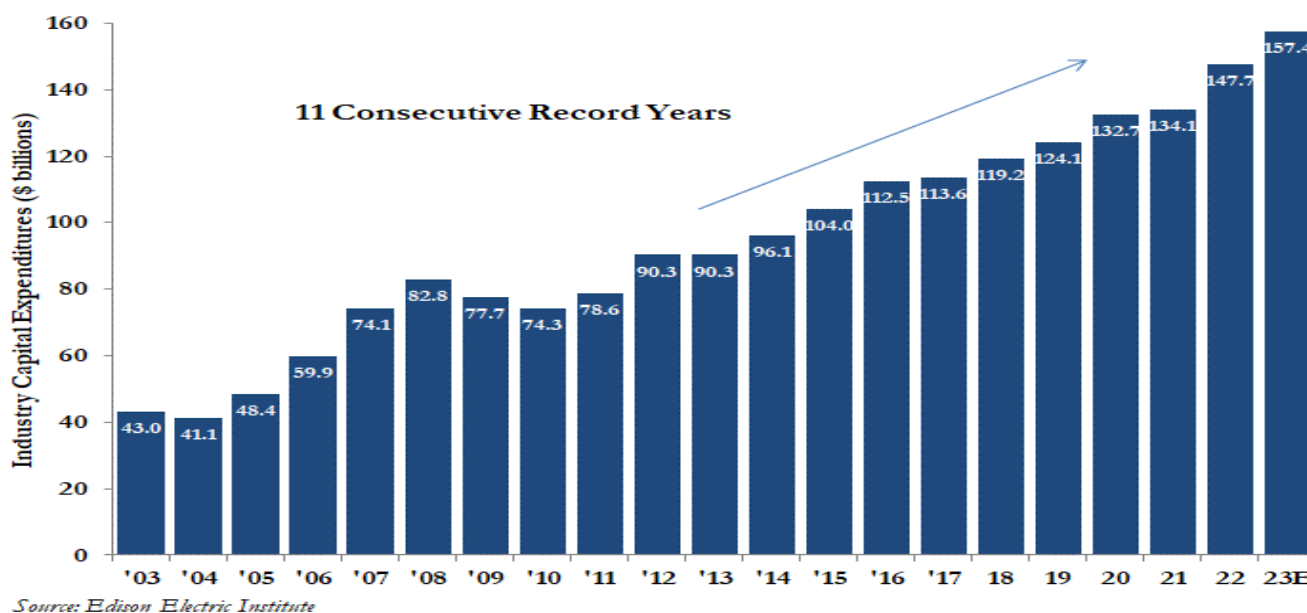
Capital Investment (Rate Base) Continues to Rise and Drive Healthy Earnings Growth

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 4

Record Capital Investment



Achieving the ambitious goals of 100% renewable power and a net-zero carbon economy will require 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 GWs of new wind and solar generation and a nearly doubling of high voltage transmission (HVT).

The regulated 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.

More Ugly Interest Rates, Inflation Hamper Climate Goals

Non-regulated renewable development companies (and subsidiaries) face challenges related to 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.

The Northeastern Offshore Wind target of 30 GWs by 2030 are likely unachievable given the challenges. Several of the awarded major projects have terminated purchased power contracts and or requested price negotiations. Many projects are at risk of stalling because states' ratepayers may be unable to absorb these significant new costs alone. The Biden Administration announced a memorandum of understanding between nine states (CT, MA, MD, ME, NC, NH, NJ, NY, and RI) and four federal agencies, pledging to coordinate efforts to identify and address domestic resources for steel, vessels, port infrastructure, and components for offshore wind resources.

There are currently numerous proposed projects along the Northeast Coast in advanced stages of development, totaling over 16 GWs, and another 20 GWs in early development. There are two major projects (Vineyard Wind and South Fork) under construction. However, the business of offshore wind development appears more appropriate for large oil and gas companies (most utilities have opted out of offshore wind) and faces the challenges of long development and approval processes.

Utility Valuations Reasonable Relative to Interest Rates

Please see Table 4 for Utility Subgroup Metrics and appendices on pages 9-10 for more utility stock financials.

Table 4

Utility Subgroup Statistics

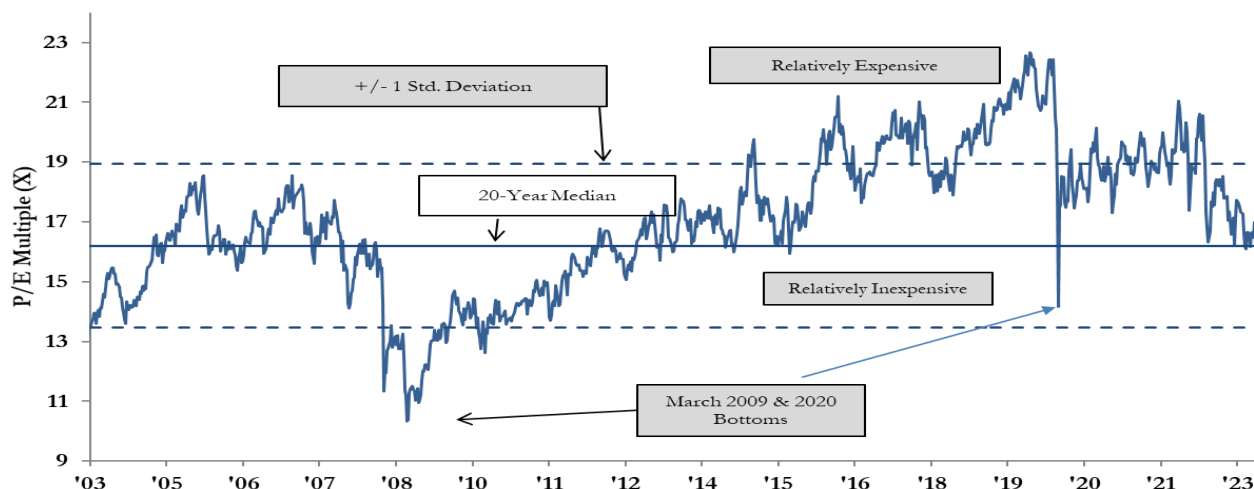
Utility Subgroup	Total Return	Total Return	Price/Earnings			EPS Growth			CAGR	Current	One-Year Dividend Growth	EV/EBITDA Multiple
	2023 YTD	2022A	2023E	2024P	2025P	2023E	2024P	2025P	2022-2025	Return		2023E
US Electric	-15%	3%	15.1X	14.4X	13.5X	4.4%	6.7%	6.3%	6.3%	4.0%	5.1%	10.5X
US SMID Electric	-11	2	15.4	14.5	13.7	3.6	6.6	6.3	6.1	4.0	5.3	11.1
Power Developers	-27	-8	16.8	16.6	19.1	8.0	9.0	9.0	9.0	3.9	6.0	8.4
Canadian Electric	-3	-11	14.5	12.6	12.1	-4.7	12.1	5.9	5.7	5.1	4.5	10.9
US Gas Utilities	-15	3	15.4	14.3	12.8	3.0	4.7	12.2	6.3	4.1	5.6	10.5
Water Utilities	-21	-7	24.6	23.4	21.2	18.6	3.3	4.0	8.1	2.4	5.0	14.5

Source: Thomson, First Call, Gabelli Funds Estimates

- Electric and gas utility valuation multiples have declined from 23x forward earnings in early 2020 to 15x 2023 and 14x 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 power developer subgroup's more significant decline reflects more exposure to earnings headwinds from higher funding costs.
- 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.

Our universe of utility stocks is currently trading below 15X forward earnings after having reaching a pre-COVID high of over 22X. The electric utility multiples climbed from roughly 10x forward earnings during the credit crisis and market crash of 2008 driven by improving fundamentals, higher growth rates and low interest rates (Exhibit 5).

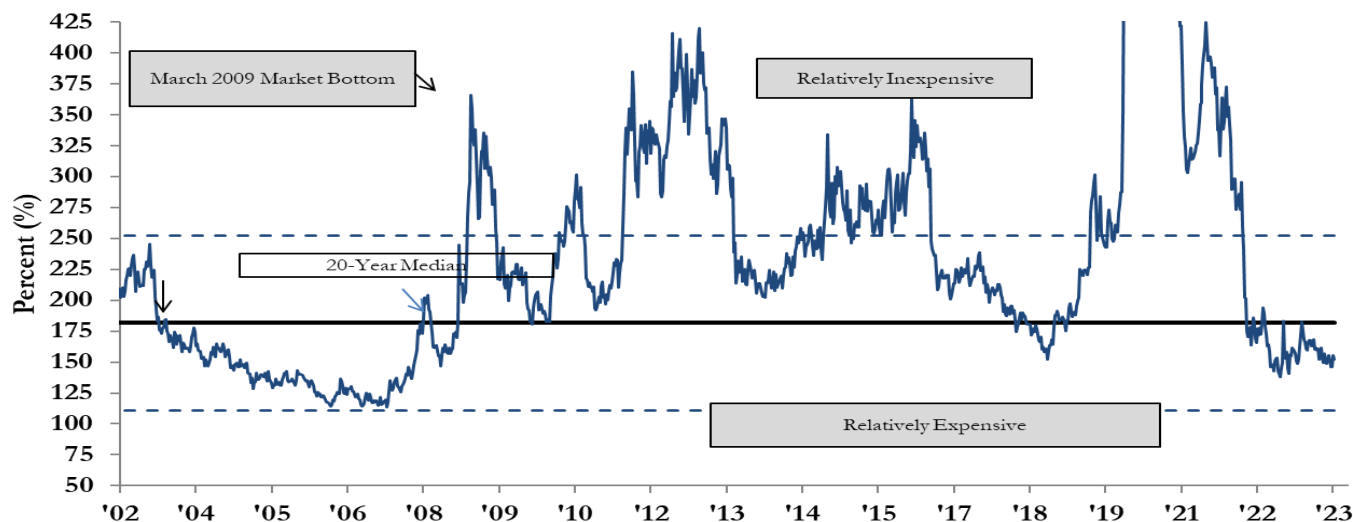
Exhibit 5 Utility Stocks Trading Below Absolute P/E Median Multiple



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 5.0% 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 1, the current ratio of 155% indicates the sector P/E is modestly higher than its historical median relationship with the 10-Year T-Bond Yield.

Exhibit 6 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 Table 5, we highlight the significant impact that a change in interest rates can have on a stock. A stock price as mathematically determined by the standard two-stage dividend discount model (DDM) changes dramatically when moving the risk-free rate (Ten-Year Treasury Yield) from 2.0% to 5.0%. Equally notable, companies with higher growth rates are more sensitive to changes in interest rates. On the left side, we assume a stock grows its \$1.00 dividend at 5% during the five-year stage one and then 3.5% terminal growth. Changing the risk free rate from 2.0% to 5.0% results in a 55% change in stock price and P/E multiple change from 30X to 13.5X. The same change to a higher growth stock (8% stage 1 and 4% terminal growth) results in a -78% change in stock price. We believe the model can be applied to utility stocks in a more effective manner than other stocks because of more predictable variables (monopoly means stable demand, stable product prices, ROE determined by regulators, dividends that grow over time). In addition, each individual stock has its own set of benefits and cons, but we simply wanted to offer a backdrop as to “mathematically” trying to understand the weakness.

Table 5 Interest Rate Impacts on Stock Price

Low-Growth Stock			High-Growth Stock		
<u>DDM Variables</u>			<u>DDM Variables</u>		
Stage 1 (5-year) Growth Rate	5.00	5.00	Stage 1 (5-year) Growth Rate	8.00	5.00
Terminal Growth Rate	3.50	3.50	Terminal Growth Rate	5.00	3.50
Risk Free Rate	2.00	5.00	Risk Free Rate	2.00	5.00
Equity Premium	4.00	4.00	Equity Premium	4.00	4.00
Required Rate of Return	6.00	9.00	Required Rate of Return	6.00	9.00
Stock Price	\$45	\$20	Stock Price	\$123	\$31
EPS	\$1.50	\$1.50	EPS	\$1.50	\$1.50
Dividend	\$1.00	\$1.00	Dividend	\$1.00	\$1.00
Price/EPS Multiple	30	13.5	Price/EPS Multiple	82	20.7
Current Return	2.2%	4.9%	Current Return	0.8%	3.2%
Only variable changed is the risk-free rate (Treasury yield)			Only variable changed is the risk-free rate (Treasury yield)		

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 5.5% 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 2023, electric utilities increased the annual dividend by a median of 5.0%.
- 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.

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

Company Name	SYM	Price	2023 YTD	Equity Cap	Enterprise Value	Annual Dividend	Current Return	Payout	EPS 2023E	EPS 2022A	EPS 2023E	EPS 2024P	EPS 2025P	EPS 3-Year CAGR	2023 P/E	2024 P/E	2025 P/E	EV/ EBITDA
		\$	%	\$	\$	\$	%	%	\$	\$	\$	\$	\$	%	X	X	X	X
AES Corp	AES	12.45	-54	8,444	36,828	0.66	5.3%	35%	1.67	1.68	1.89	2.09	2.09	7.8%	7.4	6.6	6.0	10.7
Alliant Energy	LNT	48.38	-11	12,032	21,055	1.81	3.7%	60%	2.80	2.89	3.02	3.28	3.28	5.4%	16.7	16.0	14.8	12.3
Ameren Energy	AEE	74.00	-16	19,246	35,362	2.52	3.4%	54%	4.14	4.37	4.69	5.03	5.03	6.7%	16.9	15.8	14.7	11.3
American Electric Po	AEP	72.19	-22	36,748	80,426	3.32	4.6%	59%	5.09	5.27	5.60	5.98	5.98	5.5%	13.7	12.9	12.1	10.8
Avangrid	AGR	29.50	-30	11,124	22,277	1.76	6.0%	75%	2.33	2.14	2.36	2.53	2.53	2.8%	13.8	12.5	11.7	10.1
CMS Energy	CMS	53.04	-16	15,114	30,615	1.95	3.7%	58%	2.89	3.11	3.35	3.60	3.60	7.6%	17.1	15.8	14.7	11.2
Consolidated Edison	ED	86.35	-9	29,236	51,935	3.24	3.8%	62%	4.57	4.91	5.24	5.53	5.53	6.6%	17.6	16.5	15.6	10.6
Constellation Energy	CEG	110.17	-26	34,693	40,192	1.13	1.0%	18%	-0.49	5.33	6.22	5.93	5.93		20.7	17.7	18.6	11.4
Dominion Energy	D	41.70	-30	34,291	84,274	2.67	6.4%	77%	4.11	3.43	3.46	3.60	3.60	-4.3%	12.2	12.1	11.6	10.6
DTE Energy	DTE	95.16	-17	19,422	38,890	3.81	4.0%	57%	6.10	6.23	6.66	7.14	7.14	5.4%	15.3	14.3	13.3	10.7
Duke Energy	DUK	86.92	-14	65,880	148,108	4.10	4.7%	69%	5.27	5.61	5.98	6.33	6.33	6.3%	15.5	14.5	13.7	11.4
Edison Internatioanl	EIX	62.06	-1	23,262	60,423	2.95	4.8%	64%	4.63	4.50	4.60	4.80	4.80	1.2%	13.8	13.5	12.9	9.6
Entergy	ETR	91.99	-16	19,403	45,838	4.28	4.7%	60%	6.42	6.70	7.19	7.71	7.71	6.3%	13.7	12.8	11.9	9.9
EverSource	ES	55.81	-32	19,273	44,209	2.70	4.8%	58%	4.09	4.37	4.64	4.93	4.93	6.4%	12.8	12.0	11.3	11.2
Exelon	EXC	38.08	-11	37,231	79,020	1.44	3.8%	57%	2.27	2.36	2.51	2.73	2.73	6.3%	16.1	15.2	13.9	10.5
First Energy	FE	34.25	-17	19,368	43,623	1.64	4.8%	61%	2.41	2.54	2.68	2.85	2.85	5.7%	13.5	12.8	12.0	11.3
Iberdrola	IBE-MC	10.14	-3	67,887	124,881	0.01	0.0%	1%	0.50	0.73	0.60	0.65	0.65	9.1%	13.9	16.9	15.6	8.6
National Grid	NGG	58.69	1	43,249	92,680	3.38	5.8%	79%	4.19	12.04	4.30	4.75	4.75	5.3%	4.9	13.6	12.4	12.6
Nextera Energy	NEE	50.24	-39	100,073	178,492	1.87	3.7%	55%	2.90	3.12	3.40	3.63	3.63	7.8%	16.1	14.8	13.8	12.7
PG&E	PCG	15.51	-6	39,408	92,702	0.00	0.0%	0%	1.10	1.21	1.35	1.46	1.46	9.9%	12.8	11.5	10.6	10.7
PPL Corp	PPL	23.44	-19	16,924	31,051	0.96	4.1%	56%	1.41	1.58	1.71	1.82	1.82	8.9%	14.8	13.7	12.9	9.3
PS E&G	PEG	57.32	-5	28,230	47,228	2.28	4.0%	62%	3.47	3.46	3.69	4.06	4.06	5.4%	16.6	15.5	14.1	11.7
Sempra Energy	SRE	67.13	-10	41,692	75,309	2.38	3.5%	50%	4.61	4.50	4.79	5.12	5.12	3.6%	14.9	14.0	13.1	12.6
Southern Company	SO	64.97	-7	70,438	133,084	2.80	4.3%	69%	3.60	3.60	4.03	4.32	4.32	6.3%	18.0	16.1	15.0	13.0
WEC Energy Group	WEC	80.63	-13	25,014	43,353	3.12	3.9%	63%	4.45	4.61	4.92	5.26	5.26	5.7%	17.5	16.4	15.3	12.8
Xcel Energy	XEL	57.35	-17	31,151	56,317	2.08	3.6%	58%	3.17	3.35	3.60	3.85	3.85	6.7%	17.1	15.9	14.9	10.9
Group Median			-15				4.0%	59%	1.4%	4.4%	6.7%	6.3%	6.3%	6.3%	15.1	14.4	13.5	11.1

Company Name	SYM	Price	2023 YTD	Equity Cap	Enterprise Value	Annual Dividend	Current Return	Payout	EPS 2023E	EPS 2022A	EPS 2023E	EPS 2024P	EPS 2025P	EPS 3-Year CAGR	2023 P/E	2024 P/E	2025 P/E	EV/ EBITDA
		\$	%	\$	\$	\$	%	%	\$	\$	\$	\$	\$	%	X	X	X	X
Allete	ALE	53.28	-16	3,002	5,381	2.71	5.1%	67%	3.38	3.68	4.06	4.31	4.31	8.4%	14.5	13.1	12.4	11.7
Avista	AVA	31.94	-25	2,427	5,234	1.84	5.8%	74%	2.12	1.50	2.49	2.60	2.60	7.0%	21.3	12.8	12.3	10.1
Black Hills Corp	BKH	48.38	-29	3,243	7,658	2.50	5.2%	67%	3.97	3.97	3.75	3.95	3.95	-0.2%	12.2	12.9	12.2	11.4
Centerpoint Energy	CNP	26.87	-9	16,802	33,836	0.80	3.0%	49%	1.38	1.49	1.62	1.73	1.73	7.8%	18.0	16.6	15.5	11.0
Eversys	EVRG	48.79	-20	11,098	23,987	2.45	5.0%	63%	3.71	3.63	3.92	4.16	4.16	3.9%	13.4	12.4	11.7	10.2
Hawaiian Electric	HE	11.86	-69	1,285	4,491	0.00	0.0%	0%	2.20	1.95	2.17	2.30	2.30	1.5%	6.1	5.5	5.2	7.3
IdaCorp	IDA	95.42	-10	4,778	7,133	3.16	3.3%	58%	5.11	5.08	5.41	5.77	5.77	4.1%	18.8	17.6	16.5	14.3
MDU Resources	MDU	19.13	-6	3,861	6,157	0.50	2.6%	36%	1.81	1.38	1.38	2.50	2.50	11.4%	13.9	13.9	7.7	8.6
MG&E	MGEE	71.63	2	2,555	3,285	1.71	2.4%	49%	2.60	3.32	3.49	3.66	3.66	12.1%	21.6	20.5	19.6	13.7
NiSource	NI	24.59	-10	9,848	23,772	1.00	4.1%	60%	1.47	1.58	1.67	1.80	1.80	7.0%	15.6	14.7	13.7	10.7
Northwestern	NWE	48.95	-15	2,959	5,604	2.48	5.1%	67%	3.21	3.50	3.70	3.90	3.90	3.7%	14.0	13.2	12.6	10.9
NRG Energy	NRG	38.97	25	8,865	16,700	1.51	3.9%	62%	5.17	0.25	2.45	2.55	2.55	-21.0%	155.9	15.9	15.3	5.6
OGE Energy	OGE	32.64	-14	6,537	11,294	1.67	5.1%	79%	3.32	2.01	2.13	2.26	2.26	-12.0%	16.2	15.3	14.4	9.9
Otter Tail Power	OTTR	74.30	29	3,092	3,816	1.75	2.4%	43%	6.78	5.87	4.06	3.65	3.65	-18.6%	12.7	18.3	20.4	8.7
Pinnacle West	PNW	72.36	-2	8,174	17,064	3.46	4.8%	69%	4.26	4.21	4.98	5.16	5.16	6.6%	17.2	14.5	14.0	10.7
PNM Resources	PNM	43.70	-8	3,748	8,506	1.47	3.4%	53%	2.69	2.73	2.79	2.92	2.92	2.8%	16.0	15.7	15.0	10.9
Portland Gneral	POR	40.64	-16	4,036	7,935	1.90	4.7%	63%	2.74	2.68	3.04	3.23	3.23	5.6%	15.2	13.4	12.6	8.9
Unitil	UTL	44.75	-11	714	1,335	1.62	3.6%	56%	2.59	2.76	2.91	3.09	3.09	6.1%	16.2	15.4	14.5	
Vistra Energy	VST	31.54	40	11,700	19,667	0.82	2.6%	22%	-3.26	1.50	3.78	4.42	4.42		21.0	8.3	7.1	5.0
SMID Cap Median			-11				3.9%	60%		5.0%	12.4%	6.9%	4.9%	4.9%	16.0	14.5	13.7	10.4
Electric Universe Median			-13				4.0%	59%		3.6%	6.6%	6.6%	6.1%	6.1%	15.5	14.5	13.7	10.7

Canadian Utilities	SYM	Price	2023 YTD	Equity Cap	Enterprise Value	Annual Dividend	Current Return	Payout	EPS 2023E	EPS 2022A	EPS 2023E	EPS 2024P	EPS 2025P	EPS 3-Year CAGR	2023 P/E	2024 P/E	2025 P/E	EV/ EBITDA
		\$	%	\$	\$	\$	%	%	\$	\$	\$	\$	\$	%	X	X	X	X
Emera	EMA-T	47.39	-4	9,482	33,284	2.76	5.8%	84%	3.20	3.14	3.30	3.41	3.41	2.1%	15.1	14.4	13.9	11.0
Fortis	FTS	39.13	1	18,908	42,433	1.72	4.4%	54%	2.78	2.55	3.17	3.36	3.36	6.5%	15.3	12.3	11.7	11.7
Alnoquin	AQN	5.77	8	3,913	13,695	0.43	7.5%	54%	0.66	0.55	0.80	0.90	0.90	10.9%	10.5	7.2	6.4	10.8
Alta-Gas	ALA-T	26.06	15	5,380	16,309	1.12	4.3%	53%	1.87	1.88	2.11	2.33	2.33	7.6%	13.9	12.4	11.2	10.4
Canadian Utilities	CU-T	29.42	-16	5,789	19,506	1.79	6.1%	79%	2.43	2.20	2.28	2.34	2.34	-1.2%	13.4	12.9	12.6	9.7
Hydro-One	H-T	34.78	-2	15,200	36,068	1.19	3.4%	63%	1.75	1.77	1.89	2.02	2.02	4.9%	19.6	18.4	17.2	12.7
Canadian Utilities Median			-3				5.1%	59%			-4.7%	12.1%	5.9%	5.7%	14.5	12.6	12.1	10.9

Source: Public data, Gabelli Funds estimates

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

Clean Power IPP's	SYM	Price	2023 YTD	Equity Cap	Enterprise Value	Annual Dividend	Current Return	Payout	EPS 2023E	EPS 2022A	EPS 2023E	EPS 2024P	EPS 2025P	EPS 3-Year CAGR	2023 P/E	2024 P/E	2025 P/E	EV/EBITDA
		\$	%	\$	\$	\$			\$	\$	\$	\$	\$		X	X	X	X
Ormat	ORA	67.63	-23	3,981	5,521	0.48	0.7%	18%	1.63	2.09	2.66	3.43	28.1%	32.4	25.4	19.7	11.4	
NextEra Energy Part	NEP	22.55	-66	1,962	18,870	3.42	15.1%	251%	5.62	1.68	1.36	0.14	15.0%	13.4	16.6	161.1	10.2	
Brookfield Renewable	BEP	21.31	-12	6,113	52,909	1.35	6.3%	-2250%	-0.60	-0.28	-0.06	0.12	-	-76.1	-355.2	177.6	22.0	
Constellation Energy	CEG	110.17	26	34,693	40,192	1.13	1.0%	18%	-0.49	5.33	6.22	5.93	-	20.7	17.7	18.6	11.4	
Atlantica Sustainable	AY	17.65	-30	1,951	6,956	1.78	10.1%	405%	-0.05	0.45	0.44	0.64	-	39.2	40.1	27.6	8.4	
Boralex	BLX-T	28.79	-27	2,148	6,318	0.66	2.3%	63%	0.30	1.04	1.04	1.17	57.3%	27.7	27.7	24.6	9.8	
Canadian Solar	CSIQ	21.89	-30	1,393	3,977	0.00	0.0%	0%	3.44	5.60	5.84	5.65	18.0%	3.9	3.7	3.9	4.0	
Clearway Energy	CWEN	20.79	-38	3,647	11,735	1.56	7.5%	-	-	-	-	-	-	-	-	-	-	
Innervex Renewable	INE-T	9.81	-36	1,471	8,045	0.72	7.3%	450%	-0.17	0.15	0.16	0.26	-	65.4	61.3	37.7	11.2	
Vistra Energy	VST	31.54	40	11,700	19,667	0.82	2.6%	22%	-3.26	4.58	3.78	4.42	-	6.9	8.3	7.1	5.0	
TransAlta Renewable	RNW-T	12.34	17	2,426	4,135	0.94	7.6%	127%	0.28	0.61	0.74	0.77	40.1%	20.2	16.7	16.0	8.4	
Group Median			-27				3.9%	23%							16.8	16.6	19.1	9.1

		2023		Enterprise	Annual	Current	Payout	EPS	EPS	EPS	EPS	EPS 3-Year	2023	2024	2025	EV/	
Midstream Gas Co'	SYM	Price	YTD	Cap	Value	Dividend	Return	2023E	2022A	2023E	2024P	2025P	CAGR	P/E	P/E	P/E	EBITDA
		\$	%	\$	\$	\$			\$	\$	\$	\$		X	X	X	X
TransAlta	TAC	8.50	-2	2,276	5,818	0.16	1.9%	36%	0.01	1.40	0.44	0.18		6.1	19.3	47.2	4.7
Williams	WMB	33.68	5	40,580	66,770	1.79	5.3%	99%	1.67	1.91	1.81	2.09	7.8%	17.6	18.6	16.1	10.0
Enbridge	ENB	31.82	-12	67,487	132,148	2.59	8.1%	93%	2.81	2.07	2.79	3.16	4.0%	15.4	11.4	10.1	11.1
TC Energy Corp	TRP	33.45	-9	34,735	80,569	2.71	8.1%	68%	4.30	3.01	4.01	3.96	-2.7%	11.1	8.3	8.4	10.5
ONEOK	OKE	63.50	-1	36,370	49,006	3.82	6.0%	78%	3.84	5.75	4.90	5.38	11.9%	11.0	13.0	11.8	9.3
Kinder Morgan	KMI	16.26	-6	36,007	68,066	1.13	6.9%	94%	1.16	1.12	1.20	1.22	1.7%	14.5	13.6	13.3	8.9
			-4				6.5%	85%					5.9%	15.4	16.6	16.0	9.2

		2023			Enterprise	Annual	Current	Payout	EPS	EPS	EPS	EPS	EPS 3-Year	2023	2024	2025	EV/
Gas 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
Atmos Energy	ATO	108.55	-2	15,951	22,543	2.96	2.7%	46%	5.60	6.05	6.47	6.91	7.3%	17.9	16.8	15.7	12.9
Black Hills Corp	BKH	48.38	-29	3,243	7,658	2.50	5.2%	67%	3.97	3.60	3.75	3.95	-0.2%	13.4	12.9	12.2	11.4
Chesapeake Utilities	CPK	93.42	-18	1,691	2,448	2.36	2.5%	42%	5.04	5.28	5.65	6.22	7.3%	17.7	16.5	15.0	10.2
MDU Resources	MDU	19.13	-6	3,861	6,157	0.50	2.6%	36%	1.81	1.38	1.38	0.85	-22.3%	13.9	13.9	22.5	8.6
National Fuel Gas	NFG	51.92	-17	4,693	7,180	1.98	3.8%	34%	5.88	5.20	5.83	7.99	10.8%	10.0	8.9	6.5	6.2
NiSource	NI	24.59	-10	9,848	23,772	1.00	4.1%	60%	1.47	1.58	1.67	1.80	7.0%	15.6	14.7	13.7	10.7
Northwest Natural G	NWN	38.54	-17	1,375	2,784	1.94	5.0%	70%	2.54	2.67	2.77	3.00	5.7%	14.4	13.9	12.8	8.9
NJ Resources	NJR	41.38	-15	4,004	6,987	1.68	4.1%	61%	2.50	2.69	2.76	2.55	0.7%	15.4	15.0	16.2	12.5
OneGas	OGS	67.40	-9	3,806	6,667	2.60	3.9%	63%	4.08	4.14	4.15	4.35	2.2%	16.3	16.2	15.5	10.6
RGC Resources	RGCO	16.91	-22	166	297	0.79	4.7%	74%	1.01	1.02	1.07	1.35	10.1%	16.6		12.5	
Southwest Gas	SWX	58.47	-2	4,189	9,468	2.48	4.2%	81%	2.99	3.32	3.07	4.85	17.5%	17.6	19.0	12.1	10.1
Spire	SR	57.50	-14	2,990	7,762	2.88	5.0%	67%	3.86	4.19	4.32	4.64	6.3%	13.7	13.3	12.4	11.2
UGI	UGI	21.01	-40	4,443	11,366	1.50	7.1%	49%	2.90	2.75	3.06	3.11	2.4%	7.6	6.9	6.8	8.1
Group Median			-15				4.1%	61%		0.5%	4.7%	12.2%	6.3%	15.4	14.3	12.8	10.4

			2022	Equity	Enterprise	Annual	Current	Payout	EPS	EPS	EPS	EPS	EPS 3-Year	2023	2024	2025	EV/
Water 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
American States Wate	AWR	79.31	-13	2,927	3,741	1.72	2.2%	58%	2.11	3.20	2.98	3.28	15.8%	24.8	26.6	24.2	18.0
American Water Worl	AWK	118.85	-21	23,113	34,477	2.83	2.4%	55%	4.43	4.80	5.14	5.60	8.1%	24.8	23.1	21.2	15.5
AquaAmerica	WTRG	33.19	-28	8,827	15,677	1.23	3.7%	61%	1.77	1.86	2.01	2.15	6.7%	17.8	16.5	15.4	13.9
Artesian Water	ARTNA	42.36	-27	435	607	1.14	2.7%	71%	1.45	1.75	1.60	1.70	5.4%	24.2	-	-	-
California Water Serv.	CWT	48.31	-19	2,782	3,881	1.04	2.2%	48%	1.77	1.64	2.15	2.38	10.4%	29.5	22.5	20.3	14.1
Consolidated Water	CWCO	31.12	112	489	446	0.38	1.2%	33%	0.38	1.47	1.15	0.70	22.6%	21.2	27.1	44.5	13.4
Global Water Resourc	GWRS	9.89	-24	240	352	0.30	3.0%	124%	0.24	0.23	0.24	0.20	24.0%	43.0	41.2	-	15.0
SJW Corp	SJW	60.39	-25	1,899	3,520	1.52	2.5%	56%	2.43	2.47	2.71	2.90	6.1%	24.4	22.3	20.8	14.0
York Water	YORW	37.62	-16	530	688	0.81	2.2%	51%	1.40	1.53	1.59	1.45	1.2%	24.6	23.7	25.9	-
			-21				2.4%	56%		18.6%	3.3%	4.0%	8.1%	25	23	21	14

Source: Public data, Gabelli Funds estimates

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