October 1, 2025

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Utilities – U.S.

Capital Investment Super-Cycle

Gas-Fired Power to the Rescue!

EPS CAGR's TO RISE?

Source: thirdway.org

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US Utilities –*Capital Investment Super-Cycle-EPS CAGR's to Rise?*

Through nine months of 2025, the S&P 500 Utilities Index returned 17.7%, topping the S&P 500 Composite's 14.8% return. Utilities strongly led the market in the first quarter, benefiting from their defensive appeal amid tariff concerns and recession fears. Momentum shifted in the second quarter as easing trade tensions and healthy economic data renewed investor appetite for growth. Utilities remain well positioned, with many raising EPS growth targets and benefiting from surging electricity demand. The massive AI build-out, which requires unprecedented power to run data centers, is reshaping demand profiles and creating opportunities for utilities to grow EPS through infrastructure investment and regulated returns.

Table 1 Utility Stock Performance Versus S&P 500

As of 9/30/2025	2025 YTD Return	2025-3Q Total Return	2025-2Q YTD Return	2025-1Q Total Return	2024 Total Return	2023 Total Return	2022 Total Return
S&P 500 Utilities	17.7%	7.6%	4.3%	4.9%	23.4%	- 7.1%	1.6%
DJ Utility Average	16.3	6.8	3.8	5.1	15.2	-6.7	1.7
PHLX Utility Sector	14.9	6.5	1.2	6.6	16.9	-12.3	-2.4
S&P 500 Index	14.8	8.1	10.9	-4.3	25.0	26.3	-18.1
NASDAQ Composite	17.3	11.2	17.8	-10.4	28.6	43.4	-33.1
10-Year Treasury Yield (Beginning of Period)	4.58	4.58	4.23	4.58	3.88	3.88	1.52
10-Year Treasury Yield (End of Period)	4.16	4.16	4.24	4.23	4.58	3.88	3.88

Source: Thomson One

Within our universe of 60 regulated electric, gas, and water utilities, the median total return was a strong 15%, while the four publicly traded non-regulated power producers (CEG, VST, NRG, and TLN) produced a more volatile but impressive 71% average return. Renewable developers and wildfire-exposed utilities lagged, although third-quarter policy actions helped improve their outlooks. The July 4 OBBB and August Treasury guidance provide a renewable development runway through 2030. California's three large regulated utilities, PCG, EIX, and SRE, faced pressure as investor confidence in the state's wildfire liability fund weakened following the destructive January 2025 wildfires. While lawmakers implemented short-term fixes and pledged to pursue a permanent solution in 2026, investors remain wary of future catastrophic fire risk.

The utility investment thesis is increasingly compelling. U.S. electricity demand is rising at its fastest pace since the 1960s–70s, driven by AI-powered mega data centers, manufacturing reshoring, and transport electrification. Utilities are responding with record capital investments to expand generation and modernize grid infrastructure, often partnering with hyper-scalers such as Amazon, Microsoft, Meta, and Alphabet to secure long-term power capacity. Many utilities report waiting lists of large customers seeking to build facilities in their service territories, highlighting strong underlying demand. Rising consumption enables utilities to spread infrastructure costs across a broader customer base, helping mitigate affordability concerns, while supportive policymakers and regulators provide a favorable backdrop for unprecedented rate base and earnings growth.

Exhibit 1 STOCKS TO CAPITALIZE ON THE UTILITY INFRASTRUCTURE BUILD

Nuclear Power
Constellation Energy (CEG)
PS Enerprise Group (PEG)
Vistra Corp (VST)

Merchant Power
Constellation Energy (CEG)
NRG Energy (NRG)
Talen Corp (TLN)
Vistra Corp (VST)

Special Situations
Black Hills Corp (BKH)
Norhtwestern Energy (NWE)

Data Center Growth
Alliant Energy (LNT)
Ameren (AEE)
American Electric Power (AEP)
Entergy (ETR)
Evergy (EVRG)
IDACORP (IDA)
NiSource (NI)
OGE Enrgy (OGE)
Pinnacle West (PNW)
PPL Corp (PPL)
Southern Company (SO)
WEC Energy Group (WEC)
Xcel Energy (XEL)

Texas/Florida Growth
ATMOS Energy (ATO)
Centerpoint Energy (CNP)
Emera (EMA-T)
NextEra Energy (NEE)
Sempra Energy (SRE)
TXNM Energy (TXNM)

Value Discount
Eversource (ES)
PG&E (PCG)
Edison International (EIX)
Evergy (EVRG)
Exelon (EXC)
First Energy (FE)

Takeover Candidates
AES Corp (AES)
Avista (AVA)
Chesapeake Utilities (CPK)
IDACORP (IDA)
MGEE Energy (MGEE)
Portland General (POR)
Unitil (UTL)

Gas Demand/Pipes
ATMOS Energy (ATO)
Kinder Morgan (KMI)
National Fuel Gas (NFG)
ONEOK (OKE)
Williams (WMB)

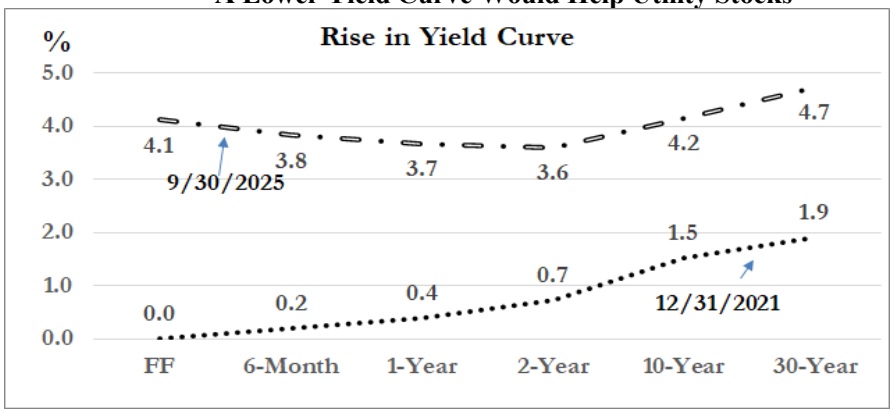
APPRAISAL:
The utility sector is operating in an unusually favorable environment marked by surging electricity demand, heavy infrastructure investment, and supportive policies that could enable historically strong EPS and dividend growth. To translate record capital spending and rate base expansion into bottom-line growth, utilities must secure financing, execute large-scale projects, and manage costs effectively. Federal policy has eased several hurdles by supporting natural gas, extending coal plant operations, and reducing regulatory friction, although affordability concerns remain a challenge. Utilities can further mitigate bill increases by structuring agreements in which mega-load customers contribute to infrastructure funding, costs are spread over a larger sales base, and municipalities benefit from economic growth and tax revenues.

The August 19, 2025, merger announcement of Black Hills and Northwestern underscores the importance of scale in meeting rising demand and may revive a consolidation trend that had slowed under COVID and high interest rates. Private equity and infrastructure investors remain highly active, illustrated by Blackstone's $11.5B pending acquisition of TXNM, Constellation Energy's $29.1B pending purchase of Calpine, and Blackrock-GIP/CPP's $6.2 billion pending acquisition of ALLETE. With demand growth, decarbonization, and grid needs accelerating, regulated utilities are scarce, highly valued assets, and further small-cap M&A activity (including AES, IDA, POR, AVA, MGEE, MDU, OTTR, AQN, PNW and UTL) appears likely.

In the third quarter of 2025, favorable developments included interest rate cuts, confirmation of renewable tax credits, California wildfire legislation, and the BKH-NWE utility merger.

- **Fed Cuts Overnight rate:** On September 17, 2025, the Federal Reserve lowered its overnight rate to 4.00–4.25% (from 4.25-4.5%), with markets expecting further cuts in 2025–27. The 10-year U.S. Treasury yield declined from 4.58% at the end of 2024 to 4.16% on September 30, 2025. A lower yield curve supports utility valuations, lowers financing costs, and provides rate relief to customers.

Exhibit 2 **A Lower Yield Curve Would Help Utility Stocks**



Source: Gabelli Funds

- **Clean Energy Tax Credit: OBBB** was passed on July 4, 2025, and on August 15, 2025, the Treasury issued guidance shortening the clean energy tax credit window to 2030, from at least 2032. Wind and solar projects completed by year-end 2027 or started by July 5, 2026, qualify, with four years to finish once construction begins, earning either 30% ITC or 2.8¢/kWh 10-year PTC. Effective September 2, 2025, Treasury clarified "start of construction," dropping the 5% spend rule in favor of a stricter physical work test. Other technologies—battery storage, geothermal, nuclear—have until 2032 to begin construction. The guidance adds clarity, extends safe-harbor eligibility through 2030, and strengthens project economics.

- Key beneficiaries include NextEra Energy (NEE), AES (AES), Clearway (CWEN), Brookfield Renewable (BEP/BEPC), and XPLR Infrastructure (XIFR), as well as regulated utilities with renewable pipelines such as Alliant (LNT), Xcel (XEL), IDACorp (IDA), Ameren (AEE), and Portland General (POR). Despite shifting federal policy, renewable market share should keep rising through 2030, supported by the pulling forward of projects to be eligible for tax credits as well as falling costs, state mandates, and corporate net-zero standards.

- **Black Hills–NorthWestern Merger:** On August 19, Black Hills Corp. (BKH) and NorthWestern Energy (NWE) announced an all-stock merger of equals (0.98x exchange ratio, 4% premium). The combined utility will serve 2.1M

customers across eight states, double its rate base to $11.4B ($7.0B electric, $4.4B gas), and target 5-7% long-term EPS growth with immediate accretion. The merger creates synergies from contiguous territories, a stronger balance sheet, and enhanced scale support execution of larger infrastructure projects.

- **Wildfire Legislation**: On September 19, 2025, CA enacted new Wildfire and Affordability legislation (SB 254) to strengthen the state's $21 billion Wildfire Fund by creating an additional $18 billion "Continuation Account," equally split between ratepayer-backed bonds ($9B, extending customer charges to 2035) and utility shareholder contributions ($9B, through extended annual payments). It also allows securitization of certain wildfire claims and $6 billion in utility wildfire mitigation costs (allocated across EIX, PCG, and SRE), while prohibiting equity returns on those expenditures. SB 254 requires a comprehensive state report by April 1, 2026, to recommend further reforms for wildfire liability and risk reduction. For California's utilities, the legislation provides near-term financial stability and wildfire coverage, while setting up broader, longer-term reforms to be debated in the next legislative session. Other states, including TX, MT, WY, UT, HI, and others have enacted some form of legislation to shield electric utilities from strict liability when they implement approved wildfire mitigation plans.

TAILWINDS OF HIGHER SALES, CAP_EX, RATE BASE CAGR'S = HIGHER EPS GROWTH

As third-quarter and year-end 2025 EPS reporting approaches, several electric utilities are positioned to lift long-term growth targets. As of September 30, most companies guided annual EPS growth ranges of 5-7% or 6-8%, with some aiming higher at 7-9% and a few remaining conservative at 4-6%. These levels far exceed historic utility growth (1990–2020) and reflect a decade-long acceleration in infrastructure spending and rate base expansion. Current targets are distributed as follows:

Target EPS CAGR | Number of Utilities

• 4–6%: 5 utilities (includes BKH and NWE, but the merger targets 5-7%)

• 5–7%: 13 utilities

• 6–8%: 14 utilities (incl. WEC's 6.5-7.0%)

• 7–9%: 8 utilities (incl. CPK at 8%, ETR at "8%-plus" and PCG at "at least 9%")

On September 29, CenterPoint Energy (CNP) raised its 2025-2030 EPS CAGR target to 7-9% (from 6-8%), citing Houston load growth and 11% rate base CAGR, while PG&E (PCG) extended its industry-leading "at least 9%" EPS CAGR through 2030 (previously 2028).

The industry is in the early stages of a prolonged demand and investment "super-cycle." Utilities report accelerating capital budgets and rising power needs, though guidance remains conservative given public sensitivity to affordability. Achieving outsized growth will hinge on supportive regulatory frameworks, particularly PUC approval of higher rate bases and returns. In some regions, individual data center projects exceeding 1 GW represent "mega-loads" that can add 20–30% to a mid-sized utility's existing capacity—underscoring both the scale of opportunity and the execution risk. To mitigate risk, utilities are increasingly implementing "large load" tariffs, shifting financial responsibility to the new customer base rather than existing ratepayers (see regulatory section, page 8).

Sector performance already reflects this momentum. In 2024, electric and gas utilities posted nearly 9% EPS growth, supported by strong sales and constructive rate outcomes. Consensus estimates (Thomson One) project a median sector EPS CAGR of over 7% for 2024-2027.

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Table #2 Historically High EPS CAGRs; Who Could Go Higher?

Company	Symbol	2024A EPS	2025E EPS	2026P EPS	2027P EPS	Consensus 2024-2027 CAGR	Management Target CAGR
		$	$	$	$	%	%
Northwest Natural Gas	NWN	2.03	2.91	3.03	3.26	17.1	4-6%
Dominion Energy	D	2.77	3.41	3.60	3.83	11.4	5-7%
Chesapeake Utilities	CPK	5.26	6.28	6.75	7.24	11.2	8.0%
Alliant Energy Corporation	LNT	2.69	3.21	3.43	3.70	11.2	5-7%
Entergy Corporation	ETR	3.65	3.89	4.37	4.86	10.0	8%-plus
MDU Resources	MDU	1.37	0.95	1.04	1.82	9.9	6-8%
Spire	SR	4.13	4.52	5.10	5.47	9.8	5-7%
PG&E Corporation	PCG	1.36	1.50	1.63	1.78	9.4	9.0%
Edison International	EIX	4.93	6.03	6.09	6.45	9.4	5-7%
CenterPoint Energy, Inc.	CNP	1.62	1.76	1.90	2.09	8.9	7-9%
Public Service Enterprise Group	PEG	3.68	4.02	4.41	4.72	8.6	5-7%
Xcel Energy, Inc.	XEL	3.48	3.82	4.12	4.46	8.6	6-8%
NextEra Energy, Inc.	NEE	3.43	3.66	3.96	4.32	8.0	6-8%
IDACORP, Inc.	IDA	5.50	5.85	6.40	6.92	7.9	-
Avista Corporation	AVA	2.29	2.51	2.73	2.88	7.9	4-6%
NiSource	NI	1.75	1.88	2.02	2.18	7.6	6-8%
ATMOS	ATO	6.83	7.39	7.92	8.50	7.6	6-8%
Ameren Corporation	AEE	4.63	4.98	5.33	5.76	7.5	6-8%
PPL Corporation	PPL	1.69	1.81	1.96	2.10	7.5	6-8%
CMS Energy Corporation	CMS	3.34	3.59	3.85	4.15	7.5	6-8%
One Gas	OGS	3.91	4.34	4.59	4.82	7.2	4-6%
WEC Energy Group, Inc.	WEC	4.88	5.24	5.59	6.01	7.2	6.5-7.0%
American Water Works	AWK	5.30	5.72	6.11	6.52	7.1	7-9%
DTE Energy Company	DTE	6.83	7.22	7.74	8.34	6.9	6-8%
Duke Energy Corporation	DUK	5.90	6.33	6.71	7.18	6.8	5-7%
American Electric Power	AEP	5.62	5.89	6.30	6.80	6.6	6-8%
Southern Company	SO	4.05	4.27	4.57	4.90	6.5	5-7%
ALLETE, Inc.	ALE	3.49	3.65	3.99	4.20	6.4	5-7%
Exelon Corporation	EXC	2.50	2.69	2.82	3.00	6.3	6-8%
New Jersey Resources	NJR	2.95	3.21	3.15	3.51	6.0	7-9%
Northwestern Corporation	NWE	3.27	3.48	3.68	3.88	5.9	4-6%
Evergy	EVRG	3.81	4.03	4.29	4.50	5.7	4-6%
Sempra Energy	SRE	4.65	4.53	5.02	5.49	5.7	7-9%
OGE Energy Corp.	OGE	2.19	2.28	2.43	2.58	5.6	5-7%
Black Hills Corporation	BKH	3.91	4.11	4.34	4.60	5.6	4-6%
Consolidated Edison, Inc.	ED	5.40	5.62	6.01	6.32	5.4	5-7%
Eversource Utilities	ES	4.57	4.74	5.02	5.30	5.1	5-7%
Portland General Electric	POR	3.14	3.23	3.40	3.56	4.3	5-7%
Unitil Corp.	UTL	2.93	2.96	3.15	3.25	3.5	5-7%
FirstEnergy Corp.	FE	2.63	2.53	2.71	2.91	3.4	6-8%
AES Corp	AES	2.14	2.16	2.29	2.34	3.0	7-9%
Pinnacle West Capital	PNW	5.24	4.55	4.77	5.62	2.4	5-7%
TXNM Energy	TXNM	2.82	2.75	2.85	3.00	2.1	6-7%
Otter Tail Corporation	OTTR	7.17	6.55	6.00	5.28	-9.7	5-7%
						7.2	

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

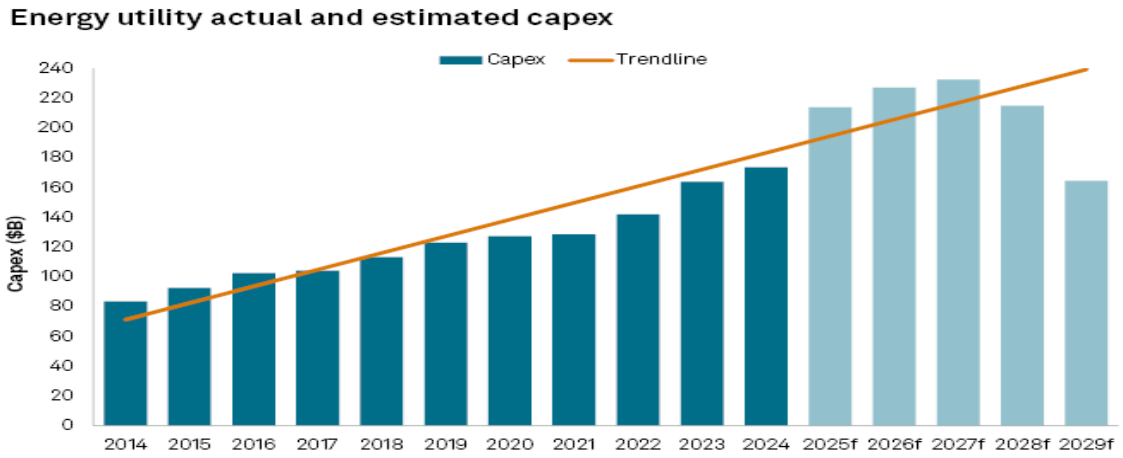
RECORD INVESTMENT (RATE BASE GROWTH) LEADS TO EPS GROWTH

In 2025, U.S. electric and gas utility capital expenditures (47 investor-owned utilities tracked by S&P Global Market Intelligence) are projected to rise 24% to $214.7 billion, up from $173 billion in 2024 ($164 billion in 2023; $146 billion in 2022). The 10.5% CAGR over the past three years reflects a decade long trend of steady growth, driven by climate policy, net zero targets, and the transition from fossil fuels. This has accelerated coal retirements, expanded wind and solar development, and increased spending on aging infrastructure, disaster recovery, and grid hardening.

More recently, utilities have pushed capital budgets and rate base growth to historic highs to meet surging demand. Mega cap technology companies are securing long term power for AI data centers, some using as much energy as small cities, supporting sustained rate base expansion and long-term earnings growth.

With nearly 70% of North America's grid infrastructure older than 25 years (DOE), utilities are directing capital toward system replacement, renewable mandates, modernization, and resilience against extreme weather. S&P Global Market Intelligence projects utility capex will rise to $227.8 billion in 2026 and $233 billion in 2027, with continued growth over the next decade as rising demand and the need for new baseload generation drive investment.

Exhibit 3 **Record Capital Investment**



Compiled Sept. 15, 2025.
f = forecast.
Source: Regulatory Research Associates, a group within S&P Global Commodity Insights.

Investment spans all major areas of the system, including distribution (33%), generation (24%), transmission (20%), gas-related infrastructure (14%), and other categories (8%).

AND MORE EQUITY ISSUANCES

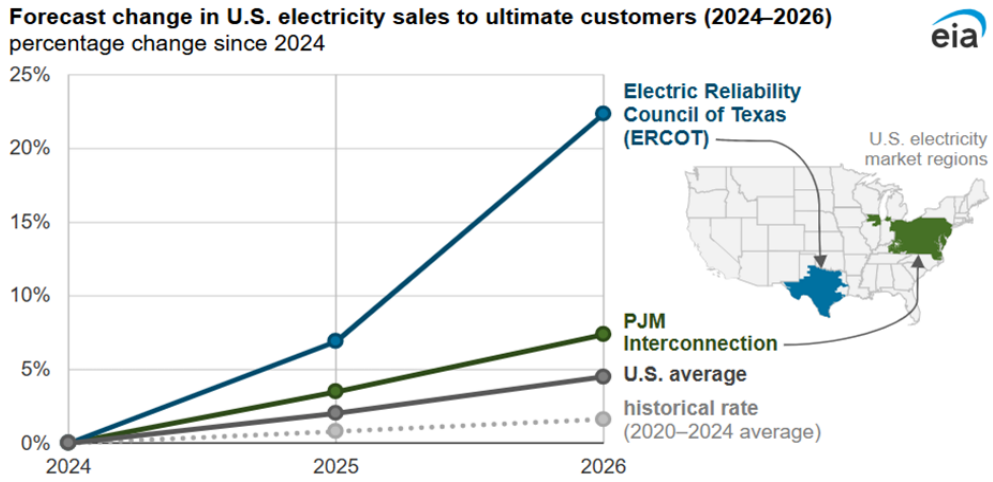
Regulated utility rate base growth occurs when infrastructure investment outpaces depreciation, requiring ongoing external financing. Credit rating agencies account for utilities' monopoly service territories, regulatory protections, and their public-good role. The industry's average parent-level credit rating has remained at BBB+ since rising from BBB in 2014, reflecting strong access to capital. Utilities typically fund capital programs through a mix of operating cash flow, debt, and equity—often including forward and convertible equity issuance. These issuances can be accretive when executed above book value and when regulators permit returns on the invested capital.

ELECTRIC DEMAND GROWTH FASTER THAN INFRASTRUCTURE BUILD

After two decades of flat growth, U.S. electricity demand is accelerating rapidly, driven by AI, cloud computing, and large-scale industrial loads. Forecasts are being revised upward as actual data center and industrial project announcements exceed expectations. This surge is comparable to the 1960s–70s, when widespread adoption of air conditioning and household appliances reshaped electricity consumption. While precise demand levels remain difficult to quantify because of project overlap, efficiency gains, and economic conditions, the trajectory is clear: electricity demand is rising faster than infrastructure can be expanded.

The EIA's September 2025 Short-Term Energy Outlook (STEO) projects U.S. power generation growth of 2.3% in 2025 and 3.0% in 2026, well above initial forecasts of 1.5% annually and the 0.8% average from 2020–2024. We highlight well above-average growth in ERCOT (11% annually in 2025-26) and PJM (4%), with notable activity in Pennsylvania, the Southeast, Arizona, Idaho, and the Midwest. Constraints such as grid capacity, permitting, and costs will limit expansion in New England, Alaska, and Hawaii. Greenfield data centers typically come online in 2–3 years, whereas grid upgrades require 4–8 years and likely longer in the Northeast.

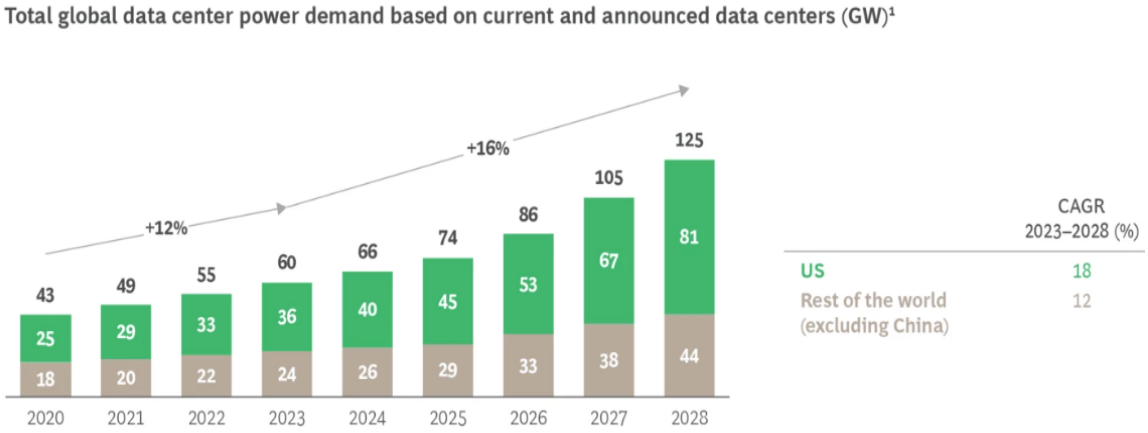
Exhibit 4 **Electric Demand Growth Forecasts Continue to Increase**



Data source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, July 2025

Based on announced projects, we loosely estimate ~60 GW of incremental U.S. data center demand by 2030, with ~30 GW already contracted. This supports 2.0-2.5% demand growth in 2025 and accelerates to 3-4% annually through 2028 and is even higher in 2029-2032. Bain & Company estimates that hyperscalers and colocation providers will collectively spend $1.8 trillion on U.S. data center capex from 2024-2030, with the majority concentrated in the U.S. Hyperscalers—Amazon, Microsoft, Meta, and Alphabet—will drive 60% of this growth, increasing their share of global data center demand from 35% to 45%. Average facility size is projected to expand from 40 MW to 60 MW, with roughly one-third of campuses exceeding 200 MW.

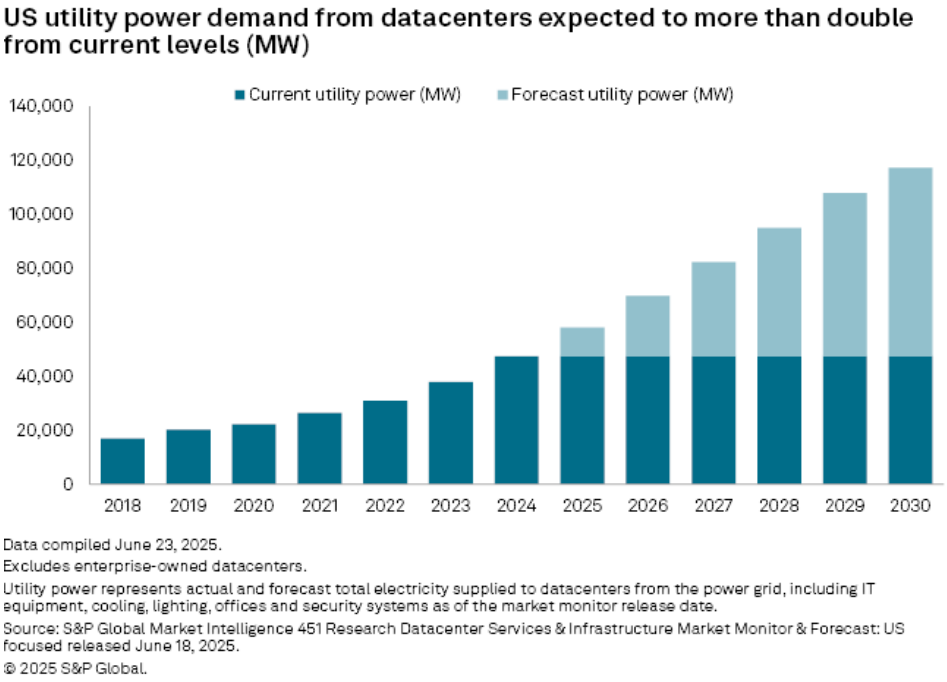
Exhibit 5 **Electric Demand Growth Forecasts Continue to Increase**



Sources: BCG Global Data Center Model; expert interviews; MLPerf; Nvidia quarterly earnings; press releases; product datasheets.

High-profile projects illustrate the scale of investment and power requirements. OpenAI's partnership with Oracle claims a $300 billion, five-year commitment**,** adding 4.5 GW of capacity starting in 2027 across sites in WY, PA, TX, MI, and NM. The broader Open AI, Oracle, Softbank $500 billion Stargate initiative**,** headlines 10 GW of AI computing capacity across five U.S. sites (Shackelford County, TX; Doña Ana County, NM; Milam County, TX; Lordstown, OH; and an undisclosed Midwest location), representing over $400 billion in investment and 25,000 onsite jobs. Google plans $75 billion in AI and cloud infrastructure, including $25 billion in PA over two years, while Microsoft is pursuing a $100 billion AI supercomputing and data center initiative to launch by 2028. U.S. data center consumption reached 47 GW in Q4 2024**,** up 9 GW from the previous year, and is expected to nearly double to 60 GW by 2030**.**

Exhibit 6 Electric Demand Growth Forecasts Continue to Increase



Data compiled June 23, 2025.
Excludes enterprise-owned datacenters.
Utility power represents actual and forecast total electricity supplied to datacenters from the power grid, including IT equipment, cooling, lighting, offices and security systems as of the market monitor release date.
Source: S&P Global Market Intelligence 451 Research Datacenter Services & Infrastructure Market Monitor & Forecast: US focused released June 18, 2025.

BOTTOMS UP: DATA CENTER/LOAD GROWTH UTILTIES

From a bottoms-up perspective, and to emphasize utility stocks positioned to benefit from significant growth tailwinds, we highlight several of the fastest-growing utilities experiencing strong load growth across the nation.

ENTERGY (ETR) targets 8%+ EPS CAGR and 6-7% retail sales growth through 2028, including 13% industrial growth, supported by agreements with at least three hyperscale data centers. Meta is investing $10 billion in a Northeast Louisiana complex, Amazon plans a $10 billion Mississippi facility, and another hyperscaler is developing in Arkansas. Entergy forecasts 35 GW of large-load growth—~20 GW from data centers and 15 GW from other industrials—and plans 17 GW of new generation by 2033. In August 2025, the LPSC approved 2,265 MW of combined-cycle gas (2028-29) designed for future carbon capture and 1,500 MW of renewables to serve 2-GW at Meta (but can be expanded to 5-GW). The $40 billion 2025-2028 capital plan drives a 15% annual rate base CAGR. Meta will fund new generation, transmission upgrades, and its ongoing share of Entergy's costs, while both parties will explore carbon capture and storage.

DOMINION ENERGY (D) D targets 5-7% EPS CAGR from 2025 EPS and is currently the largest data center provider in the US. D added 6.1 GWs of new data centers, including 30 data centers (1,040 MWs) in 2024. D emphasized that data center-driven load growth in Northern Virginia shows no signs of slowing with over 10-GW's contracted and 40 GW's in queue. D expects to update its 5-year $50.1 billion capital plan on the year-end call. D's pending $10.9 billion (75% complete) Coastal Virginia Offshore Wind projects dominates investor concerns.

WEC ENERGY GROUP (WEC). WEC targets an above-average EPS CAGR of 6.5-7.0% with 2026-28 annual electric demand growth forecast to 4.5-5.0%, from 0.7% in 2025. WEC forecast only reflects the $7.3 billion MSFT data center in Mt Pleasant, WI. Phase one is estimated at $3.3 billion and scheduled to open in early 2026. Phase 2 is similar size and scale and scheduled for 2027. The load is expected to total 1.8 GW's and is in the current capital plan. In August 2025, Vantage Data Centers $8 billion data center (Oracle) in Port Washington, WI was approved and needs 1.3 GWs (can be phased to 3.5 GW's) of power. Clean Energy Wisconsin claims that two data centers, Microsoft's Mount Pleasant and the Vantage data center in Port Washington would use 3.9 GW's (enough to power 4.3 million Wisconsin homes). There are 2.82 million housing units in Wisconsin, according to U.S. Census data. We expect an updated capital plan by year-end to put upward pressure on WEC's targeted growth rate.

PINNACLE WEST (PNW) PNW targets 5-7% annual EPS CAGR, expects 1.5-2.5% customer growth, 4-6% sales growth over 2024-2027 and PNW has committed to adding 4,500 MW's of large load by 2030 with an additional 20 GW's in queue (recently freed up by Transwestern gas contract). In March of 2025, Taiwan Semi-Conductor raised its expected investment in the Phoenix area to $165 billion, including 6 fabrication plants, 2 packaging facilities and a research and development facility. The investment is expected to add 70,000 jobs Fab 1 started in 2024; Fab 2 – the box is built and will full ramp in 2027-28; All 6 fabs is part of 4,500 MW's by 2030 (also MSFT and META)

CENTERPOINT ENERGY (CNP) On September 29, 2025, CNP raised its 2025-2030 EPS CAGR to 7-9%, from 6-8%, to reflect Houston load growth and higher capital investment (11% rate base CAGR). Strong EPS growth is driven by Houston electric load growth from 21 GW's in 2024 to 31 GWs by 2021 and 42 GW's by 2035. Load growth is underpinned by 2% annual residential customer growth plus Port of Houston electrification, data centers, medical center expansion, the energy sectors. The company announced a new higher and revised 5- and 10-year capital plan of $33 and $65 billion**.**

SOUTHERN COMPANY (SO) SO targets EPS growth of 5-7% supported by projected state-regulated electric and gas utility rate base growth of over 8%. On its second quarter call, SO raised its 5-year capital plan by $13 billion to $76 billion with an additional $5 billion opportunity. The three-state utility (GA AL, MS) 50-GW large load pipeline continues to grow. Georgia Power filed to certify 10 GW through the All-Source RFP process (8 GW) and a supplemental process (2 GW). SO forecast electric load growth of ~8% from 2025 to 2028 driven by strong economic development, including a large load pipeline over 50 GW's (10 committed and 6 GW contracted).

AMERICAN ELECTRIC POWER (AEP) AEP targets 6-8% EPS CAGR based on "stale" 2025-29 capital program ($54 billion), but expects to announce a new, 5-year capital plan of ~$70 billion during third quarter 2025 earnings call. The higher budget is meet ~24-GW's of a peak demand growth (18-GW's of data centers; 6 GW's of industrial) to 60 GW's (from 37-GW's in 2024). The utility has 190-GW's of interconnect requests in various stages of development across it 11-state footprint. AEP forecasts 2025-27 retail sales growth of 5.7%, 8.4%, and 8.9%, including 8.5%, 12.2%, and 12.3% commercial and industrial sales. AEP expects 2025-2034 resources needs of 28 GWs (6.0 GWs of solar, 5.0 GWs of wind, 0.5 GWs of storage, and 16 GWs of gas).

NISOURCE (NI) NI targets 6-8% annual EPS CAGR based on 8-10% annual rate case CAGR. In its 2024 IRP, NIPSCO projected ~2.6 GW of new demand over 2028-35 with potential for an additional ~6 GW (8.6 GW of new load in total), primarily from >30 data center customers. On September 18, 2025, NI agreed to provide electric service to undisclosed data centers in 2027 and increasing annually to the end of 2032. NI expects to add new dispatchable generation which requires external funding. On September 24, 2025, NI received Indiana regulatory approval to form a non-regulated GENCO designed to serve mega-load customers.

XCEL Energy (XEL) XEL targets 6-8% EPS CAGR, strong sales growth and 8,900 MWs of data center request. XEL highlights that 1 GW datacenter is equal to 1 million customers, ~ 3 GWs of renewable and firm dispatchable energy, $6-8 billion of investment requirement, $0.9-1.0 billion of incremental revenues and 10% customer savings. XEL's base capital plan of $45 billion, reflecting 9.4% rate base growth, and could be increased by $15 billion, including new CO generation (5-14 GWs from 2028-2031), MN generation (5 GWs 2025-2030) and TX (5-10 GWs).

IDACORP (IDA) IDA does not provide EPS growth targets but expects an industry-leading 16.1% rate base CAGR. The 2025 integrated resource plan (IRP) filed in June, reaffirmed a 5-year retail sales CAGR of +8.3% (annual peak +5.1%), but growth will likely be higher. IDA management explained that the pipeline of prospective customers (incremental to the IRP) exceeds IDA's record peak load of 3,800 MW's. Notable growth activity includes Micron's expansion of its Boise HQ's and new $15 billion microchip fab facility, a Meta data center, and $415 million Lamb Weston potato processing facility, Chobani expansion and $225 million Tractor Supply facility. In June 2025, Micron announced a second large fab facility equal to the size of the first.

PPL CORP (PPL) PPL expects to earn the top-end of its 6-8% annual EPS CAGR through 2028 driven by rate base growth from rising PA and KY data center demand, along with a new JV with Blackstone to develop long-term contracted, non-regulated gas power plants in PA. At the PA Energy Summit, PPL highlighted the state's pro-business environment, shale resources, and need for $17–19B of new generation as demand surges and IPPs face little incentive to build. PPL is advocating for regulated utility-owned generation while also pursuing non-regulated projects with Blackstone. PPL notes that 1 GW connected reduces transmission costs on the retail customer bill by about 10% (~2% of total bill or $3 per month). Its PA data center pipeline totals 14.4 GW (4.8 GW announced), requiring $750M–$1.25B in transmission (vs. $400M currently planned). Additional active requests exceed 50 GW through 2034. In KY, load growth projections include 8.5 GW of new demand (6 GW data centers, 3 GW manufacturing) from 2026–2032, with ~2.5 GW expected by 2032. To meet demand, PPL is building the 600-MW Mill Creek Unit 5 CCGT (2027) and seeking approval for two 645-MW CCGTs in 2030-31, plus extending coal operations. PPL's 2025-28 capital plan totals $20B ($4.3B in 2025), supporting 9.8% base growth over 2024-2028.

EVERGY (EVRG) On its second quarter call, EVRG raised its growth pipeline to 15 GW's (from 12.2 GW's), including 1.1 GWs under active construction (Meta opened $1 billion/1.4 million square feet data center in August 2025). The utility is finalizing agreements for 1.0-1.5 GW's from data center projects (KS and MO expansion) with an additional 2.0-3.5 GW's in advanced discussion. The final 10-GW's are in various stages of discussions. Larger customers include ~$1 billion Meta and GOOG data centers, $4 billion Panasonic EV battery plant (expected COD 2026/4,000 new jobs) and a $100 billion hyperscale data center campus (6-data centers) near the KCI airport. EVRG's current (but stale) 2-3% load growth CAGR through 2029 is based on 500-MW's of new load, but an additional 1.0-1.5 GW's (actively building or finalizing agreements) are not in the stale forecast so we see upside to 4-5% CAGR beginning as early as 2027. EVRG currently targets 4-6%, Given growing demand and a forecast 8.5% rate base growth rate, we expect the 4-6% EPS growth rate to increase to at least 5-7%.

ALLIANT ENRGY (LNT) LNT targets 5-7% annual EPS CAGR driven by 9-10% electric sales, including 2.1 GW's of contracted data center demand (GOOG and QTS) at the Big Cedar Industrial Center Mega-site in Cedar Rapids, IA (2028). The load would boost IPL's peak demand by over 30% from 2024 base of ~6 GWs. LNT plans to add 1,500-MW's of gas, 800-MW's of batteries and 1,200 MW's of wind. QTS is exploring another massive data center in the greater Madison WI area.

AMEREN (AEE) Continues to target upper half of 6-8% EPS growth target in latter part of 2025-29; large load tariff proposal in MO assumed in ESAs with data centers; decision by Feb2025. Over 2025-2029, AEE expects load growth to accelerate to 5.5% (from less than 1%) driven by data centers and manufacturing. Cumulative 2.3 GW's of signed data center are conditioned upon MPSC approval of a modified tariff. AEE expects the electric demand to begin ramping-up in late 2026, includes 1,600 MW (800 MW in 2027 and 800 MW in 2028) of gas-fired power by 2030 and 3,700 MW by 2035 as well as 2,700 MW ($6 billion) of renewables by 2030 and 4,200 MW ($9.0 billion) by 2035; and 1,000 MW ($1.5 billion) of batteries by 2030 and 1,400 MW ($2.0 billion) by 2035.

US POWER EQUATION – CAN SUPPLY KEEP UP WITH DEMAND

As of 2024, U.S. power capacity totaled ~1,300 GW: 560 GW gas, 310 GW renewables, 200 GW coal, 102 GW hydro, and 104 GW nuclear. (See Table 3) In 2024, natural gas represented 42% of output, nuclear 19%, coal 16%, wind 11%, hydro 6% and solar 7%. In 1985**, c**oal accounted for over 50% of U.S. electricity generation. Since 2010, the U.S. has retired approximately 100 GW of coal-fired power generation capacity with another 80 GW more to retire by 2030 (~10 GW being converted to natural gas). Over the past few years, new capacity additions have been dominated by renewables.

Exhibit 7 **US Power Generation Fuel Mix-Coal Declines**

So far in 2025 (through June), the US added more than 19.4 GW (compared to 18.7 GW January – June 2024) of new power capacity, led by 14.6 GW of solar (14.4 GW in same period 2024), 3.1 GW (2.4 GW) of wind and 1.7 GW of gas (0.4 GW) based on FERC's monthly infrastructure report (June 2025). We note that the FERC data and update do not include battery storage. The storage market is expected to add ~125 GW of new capacity through 2035.

Table 3 **In 2025, US Plans to Add 117 GW's of Primarily Solar to Existing 1,300 GWs (Installed)**

Total US Installed generating Capacity				Planned Additions (July 2025-June 2028)		
Fuel Type	Capacity (GW)	Percent (%)	Added in 2025 Capacity (GW)	All Capacity (GW)	High Probability Capacity (GW)	Retirements Capacity (GW)
Natural Gas	566	42.3	2	44		14
Coal	198	14.8	0	0	0	25
Wind	158	11.8	3	69	23	0
Solar	152	11.3	15	231	93	0
Nulcear	104	7.8	0	0	0	0
Hydro	102	7.6		8	1	0
Oil	36	2.7		1	0	2
Other	21	1.5				
	1,338	**100.0**	**19**	**352**	**117**	**41**

Other (Bio-mass; geothermal; waste)

Source: FERC Energy Infrastructure Update for June 2025

In 2024, a total of 46.2 GW came online and 94% of it was renewable (34 GW) or storage (10 GW). See table below.

Table 4 **US Power Capacity Added in 2024**

Generation Type Capacity	(MW's)		$Cost/Kw
Solar	29,439		$2,400
Wind	4,400		2,500
Batteries	9,770		2,160
Gas	1,481		2,400
Nuclear	1,114	(Vogtle Unit 4)	15,000
Total	**46,200**		

(Not including rooftop solar)
Source: S&P Global Market/Company Documents/Gabelli estimates/Timeline

New Renewables; Navigating a Changing Environment
The near-term power development pipeline reflects net-zero carbon policies, state and corporate mandates well as tax incentive urgency. As of September 18, 2025, S&P Global market Intelligence (SPGMI) data identifies roughly 350-GW's of renewable (wind and solar) power planned through 2030, including:

– Utility-scale solar of 269 GW (40.3 GW under construction and 8-GW in advanced development)
– Wind of 79.2 GW (21.5 under construction and 9.6 GW in advanced development)

Projects can be completed by 2030 benefit from significant IRA tax credits. The large pipeline is already in motion, and a significant portion of solar capacity (combined with battery storage) will be pulled forward as project developers, utilities and large customers (hyperscalers) seek to capitalize on tax credits and meet growing electric demand. The wind outlook is less certain due to regulatory uncertainty and other barriers. The administration has also taken some actions to hinder renewable energy development on federal lands.

Table 5 Largest Renewable Developers

Largest US Solar Developers

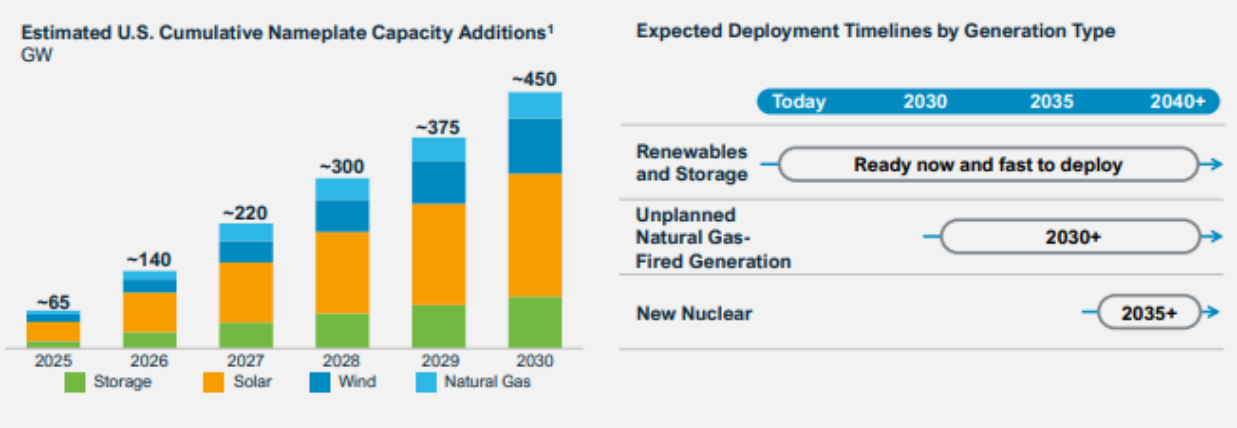
	Announced	Early Development	Advanced Development	Under Construction	Total
Nextera Energy	2,090	9,419	655	2,170	14,334
Electricite de France	1,440	3,973	220	150	5,783
KKR	0	5,690	222	649	6,561
Invenergy	450	3,337	0	2,651	6,438
Enlight Reneable Energy	887	3,893	205	1,312	6,297
RWE AG	2,696	2,490	0	888	6,074
Repsol SA	1,703	3,070		664	5,437
AES Corp	789	2,702	189	1,185	4,865
OMERS Adm	0	3,946	0	706	4,652
Orgis Energy USA	1,604	2,136	340	425	4,505

Largest US Wind Developers

`	Announced	Early Development	Advanced Development	Under Construction	Total
Canada Pension Plan	380	1,690	0	5,365	7,435
Invenergy	1,000	1,782	40	1,392	4,214
Nextera Energy	990	1,725	1,012	365	4,092
Apex Clean Energy	850	1,226	898	287	3,261
Iberdrola SA	1,831	0	791	636	3,258
Orsted A/S	325	995	0	1,526	2,846
Energy Capital Partne	2,260	201	0	180	2,641
Dominion Energy	0	0	0	2,587	2,587
BP PLC	1,170	1,245	0	0	2,415
AES Corp	0	1,324	0	500	1,824

As of September 18, 2025, the largest renewable owners and developers have broken ground on 10.8 GW of solar and 12.8 GW of wind capacity. NextEra Energy (NEE) is the largest owner of planned solar capacity through 2029 and also has the third-largest wind pipeline, Market Intelligence data shows. In total, NextEra's solar and wind pipeline of planned capacity additions over the next five years is approximately 18.4 GW. As of September 2025, NEE presentation, NEE plans to develop 36.5 to 46.5 GW of wind (9-11.5 GW), solar (18.5-22.4 GW) and storage (7.8-10.7 GW) over 2024-27.

Exhibit 8 **Planned New Renewable and Natural Gas Capacity**



Source: NextEra Energy June Presentation; Bloomberg New Energy Outlook 2024 – Energy Transition Scenario

Nuclear power appears to be the best power option because it offers "around the clock reliability and zero carbon emissions," but new projects are costly and take years to bring online. Renewable energy is clean, quick to deploy, and has a low marginal cost, but suffers from intermittency. Combined-cycle natural gas plants provide high-capacity factors but emit carbon and can be exposed to volatile fuel prices. Utility-scale battery storage is emerging as a complementary solution to balance intermittent renewables and help mitigate peak demand.

Political and economic realities suggest the U.S. is heading into three distinct phases of power supply expansion over the next decade. Three phases are shaping U.S. power development:

- 2024–2028: Renewables and storage dominate buildouts.
- 2028–early 2030s: Gas-fired capacity expansion as turbines arrive.
- Early–mid 2030s: Next-gen nuclear emerges as cost and policy improve.

We expect most new generation to be wind/solar/battery storage over the next four years, but an increasing amount of gas-fired generation each successive year. Renewables have the fastest development and construction time, and we anticipate that they will continue to be cost-competitive with other sources of new build. In addition, some coal-fired power plants will extend retirement dates and the Palisades, Crane Energy Centers (Three Mile Island) and Duane Arnold nuclear plants could come online by 2029-2030. In 2029 and beyond, we expect a lot of gas, some nuclear and renewables to be part of the equation to meet growing power demand.

Previous Goal of 30 GW's of Offshore Wind by 2030 No More

The Trump administration's actions targeting offshore wind have ended the Biden administration's goal of 30-GW's by 2030. In August 2025, the Bureau of Ocean Energy Management (BOEM) ordered Ørsted A/S to stop construction (an injunction allows for construction to continue) of its 704-MW Revolution Wind Offshore project (80% complete; COD 2026) and moved to revoke approval of US Wind Inc.'s 2.2-GW offshore project and reconsider approval of SouthCoast Wind (MA; Engie-EDP) as well as cancel $679 million in grants for offshore wind ports. Major facilities under construction include Revolution, Sunrise, Vineyard Wind, and Dominion Energy Inc.'s nearly 2.6-GW Coastal Virginia Offshore Wind project, planned for completion in 2026.

Trump Administration Energy Policy: Slower Net-Zero, Stronger Reliability Bridge

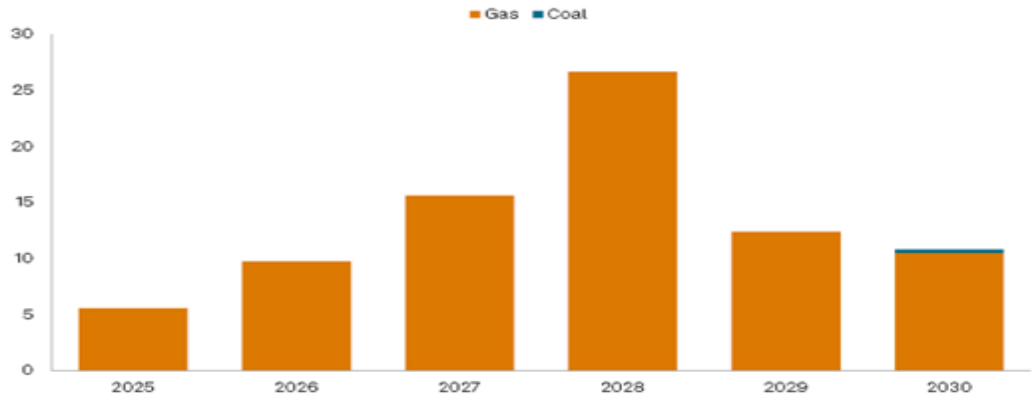
Recent Trump administration moves to extend coal plant life, expand gas pipeline infrastructure, and promote nuclear development will slow the net-zero transition but provide a reliability and affordability bridge as demand grows. The strategy prioritizes baseload generation—nuclear, natural gas, and coal extensions—while offering little support for renewables.

After years of underinvestment, natural gas-fired generation is regaining policy backing, but prior net-zero policies had suppressed demand for gas turbines, leaving major manufacturers (GE Vernova, Mitsubishi, Siemens) with reduced capacity. Now, surging demand and policy shifts have spiked turbine orders, but supply remains tight: EPRI reports U.S. wait times up to seven years with rising costs.

Natural Gas to the Rescue

In early July 2025, S&P Global Market Intelligence (SPGMI) raised its estimate of fossil-fired capacity that the US planned to add to more 106 GW, from 80-GW's, by 2030. The data shows nearly 200 natural gas-fired power plants, in some form of development. More than a quarter of the new capacity (29-GW's) would be built in ERCOT , with projects planned for 39 other states (17.5 GW's MISO, 13.8 GW's PJM, and 10.6 GW's in SPP). The exhibit below appears to show a decline in 2029 and beyond, but we expect the number to continue to grow as more projects show up in the data.

Exhibit 9 **Planned US fossil fuel capacity coming online through 2030 (GW)**



Data compiled May 28, 2025.
Chart excludes a negligable amount of planned oil capacity.
Source: S&P Global Market Intelligence.

Some recent examples of developers rushing to meet growing demand include the massive 4.5-GW Homer City CC plant (PA). The plant is expected to be the largest natural gas plant ever built and scheduled to come online in 2027 at the site of a former coal plant to serve a 3,200-acre campus of hyperscale datacenters. In addition, the retired 2.5–2.7 GW Bruce Mansfield coal plant in Shippingport, PA, is being redeveloped by Frontier Group into a modern natural gas facility expected to exceed the site's original capacity and come online in phases beginning later this decade. The plant will directly power a co-located data center campus, with more than 1 GW of surplus output exported to the PJM grid.

Nuclear Renaissance Coming 2030-Plus

Nuclear power is regaining prominence as a solution to meet the U.S.'s accelerating electricity demand. With capacity factors above 90% and zero direct carbon emissions, nuclear offers dependable, carbon-free power increasingly attractive to policymakers and major corporate buyers, including Microsoft, Google, Amazon, and Meta.

Despite limited domestic reactor construction over the past four decades due to high costs, long build times, and regulatory hurdles, momentum for a nuclear resurgence is growing. President Trump has signed four executive orders to accelerate development and secure domestic fuel supplies, including restructuring the Nuclear Regulatory Commission to cut permitting to 18 months, launching pilot reactors by 2026, deploying a military base reactor by 2028, targeting 400 GW of U.S. nuclear capacity by 2050 (from ~100 GW today), and invoking the Defense Production Act to boost uranium mining, enrichment, and fuel production. On September 15, 2025, the U.S. and UK signed an agreement to accelerate advanced modular reactor deployment, including for new data centers, streamlining licensing and permitting through shared safety assessments.

Corporate demand is driving new nuclear deals. Meta, Google, Amazon, and Microsoft have aggressive clean energy goals—including 24/7 carbon-free energy or net-zero targets by 2030, making nuclear power increasingly attractive for its reliability and zero-carbon output. Ideally, the hyper-scalers would prefer to contract directly with nuclear plants for 100% of a plant's output. In early 2024-25, a few landmark megatech-nuclear deals were announced:

Amazon & Talen Susquehanna Plant: In June 2025, TLN updated its landmark power purchase agreement (PPA) with Amazon Web Services (AWS) where TLN's Susquehanna nuclear plant will supply 1,920 MW's of carbon-free nuclear power through 2042 to AWS' data center campus adjacent to Susquehanna and other sites throughout PA. The original 2024 interconnection deal was "behind the meter" meaning sold directly to the AWS campus but was blocked by FERC. To streamline regulatory considerations, the revised PPA transitions from "behind-the-meter" to a "front-of-the-meter" configuration, meaning Talen generates power into the PJM grid, acts as the retailer/marketer to buy for AWS, and relies on PPL Electric Utilities for transmission and delivery.

Microsoft & Three Mile Island (CEG): On September 20, 2024, CEG and Microsoft announced a 20-year power purchase agreement (PPA) to bring the shuttered **Three Mile Island Unit 1** nuclear reactor (Harrisburg, PA) back online by 2028. Renamed the **Crane Clean Energy Center**, the facility was closed in 2019 and is undergoing a **$1.6 billion revitalization** to serve MSFT's expanding data center load in the Mid-Atlantic. This marks the first-ever commercial effort to **restart a previously retired U.S. nuclear reactor**.

Meta & Clinton Nuclear Plant (CEG): On May 16, 2024, CEG and Meta announced a 20-year, 1,092 MW front-of-the-meter power purchase agreement (PPA) for the entire output of the Clinton Nuclear Station in southern IL. Beginning in June 2027, the agreement supports plant relicensing, and a planned 30 MW capacity uprate. CEG will also consider the site for potential small modular reactor (SMR). Meta will procure the plant's clean energy attributes to help meet its goal of matching 100% of electricity use with carbon-free energy.

Most of the US 94 nuclear reactors are owned by regulated utilities, limiting direct procurement options for hyperscalers to the 23 nuclear plants that operate as merchant plants in deregulated markets like PJM, where direct deals are possible. However, political and regulatory hurdles, particularly around grid cost allocation, have made it difficult to dedicate output from existing nuclear plants to tech companies. As electricity demand surges, the value of uncontracted, non-regulated nuclear generation has risen sharply, making these assets increasingly strategic and scarce. In the near term, unregulated power plants and particularly nuclear plants (and their owners) stand to benefit, including:

- **Constellation Energy (CEG)**-owns all or portions of 14 nuclear plants (26 units) totaling 22 GW's; 6 plants in IL; 2 in PA; 3 in NY; 1 in NJ, TX, and MD.

- **Vistra Corp. (VST)-**owns four nuclear power plants: Comanche Peak (TX; 2,400 MW's), Beaver Valley (1,800 MW's), Davis-Besse (900-MW's), and Perry (1,300 MW's; OH). On September 29, 2025, one unit of Comanche Peak entered into a contract with an undisclosed customer.

- **NextEra Energy (NEE**) -owns Seabrook (1,100 MW's; NH), Point beach (1,200 MW's; WI) and Duane Arnold (600-MW's; Iowa; closed in 2020)

- **Talen Energy (TLN**)-owns Susquehanna (2,600 W's' PA)

- **Public Service Enterprise Group (PEG)-**owns three nuclear plants Hope Creek (1,172 MW's; NJ, Salem (owns 57% of 2,285 MW's; NJ), and Peach Bottom (50% of 2,449 MW's; PA)

Due to cost concerns, new large-scale U.S. plants are unlikely before 2035, shifting focus toward restarts and SMRs. Potential restarts include Palisades (800 MW, MI; shut 2022), Duane Arnold (600 MW, IA; closed 2020), and Three Mile Island Unit 1 (820 MW, PA; closed 2019). In September 2025, Holtec announced Palisades returned to operational status and is authorized to receive nuclear fuel, slightly ahead of the previously planned Q4 2025 restart.

NERC ONGOING WARNING: POWER DEMAND TO EXCEED SUPPLY

More than one-half of North America faces a risk of energy shortfalls in the next 5-10 years as data centers and electrification drive electricity demand higher and retirements threaten resource adequacy, according to the North American Electric Reliability Corp 10-year outlook (2024 Long-Term Reliability Assessment - December 2024) and further reinforced by its May 2025 Summer Assessment.

Exhibit 10 North American Reliability Council (NERC) Raises Concern About Supply

Retrieved from North American Electric Reliability Corp.

NERC's forecast peak reserve margins (the cushion between supply and peak demand) fall to concerning levels across the US. Further, more frequent and extreme weather events impact record peak demands in many regions. NERC notes that significant solar and battery storage have been added recently, but lack the flexibility and dependability needed during peak demand hours. NERC warns that many regions, including MISO, PJM, and SPP, face mounting reliability risks as dispatchable resources decline and extreme weather events become more frequent.

July 2025 Power Auction Saw Another Record

In July 2025, PJM Interconnection's capacity auction for the 2026/2027 delivery year resulted in record-high clearing prices of $329.17/MW-day, of $269.92/MW-day—nearly 10 times higher than the previous year's $28.92/MW-day. The surge was driven by tightening supply and rising electricity demand.

Table 6 The May 2025 PJM RTO Capacity Auction Saw Record High Prices

Delivery Year	Resource Clearing Price	Cleared UCAP (MW)	RPM Reserve Margin[1]	Total Reserve Margin[1,2,7]	Cleared MW Times Clearing Price ($ billion)
2016/17[3]	$59.37	169,159.7	20.7%	20.3%	$5.5
2017/18	$120.00	167,003.7	20.1%	19.7%	$7.5
2018/19	$164.77	166,836.9	20.2%	19.8%	$10.9
2019/20	$100.00	167,305.9	22.9%	22.4%	$7.0
2020/21[4]	$76.53	165,109.2	23.9%	23.3%	$7.0
2021/22	$140.00	163,627.3	22.0%	21.5%	$9.3
2022/23	$50.00	144,477.3	21.1%	19.9%	$3.9
2023/24	$34.13	144,870.6	21.6%	20.3%	$2.2
2024/25	$28.92	147,478.9	21.7%	20.4%	$2.2
2025/26[5]	$269.92	135,684.0	18.6%	18.5%	$14.7
2026/27[6]	$329.17	134,205.3	18.9%	18.9%	$16.1

Source: PJM

PJM's capacity auction prices have surged dramatically—from about $28.92 per MW-day in 2024/25 to $269.92 in 2025/26, and further to $329.17 in 2026/27—a roughly ten-fold jump within two years. This has translated to an increase in region-wide capacity costs from $14.7 billion to $16.1 billion, which consumers will shoulder through higher electricity bills in 2026–2027. Key factors driving these spikes include skyrocketing demand—especially from data centers and AI infrastructure growth. Compounding the problem, delays and backlog in PJM's interconnection queue have stalled new energy builds—many of which are renewable projects—further tightening supply.

Politicians Not Happy With Power Prices And Could Intervene Further in the Power Markets

State leaders across the PJM footprint have expressed concern, including PA. Governor Josh Shapiro filed a formal complaint with FERC. Shapiro is pushing for reforms and a lower auction cap. In addition, nine governors (from states such as Virginia, New Jersey, Maryland, and Illinois) expressed alarm over record-high prices and PJM's governance. As a result of his concerns, PJM implemented a temporary cap of $329/MW-day and further ongoing discussion continues on how to improve the supply-demand-affordability dynamics. PJM has scheduled the BRA for the 2027/2028 delivery year for December 2025.

Texas is experiencing strong electric demand growth, with ERCOT projecting peak load to rise from 86 GW in 2024 to 130–148 GW by 2030. Over 30% of the state's capacity is intermittent and subsidized renewables. To address tightening reserve margins, Texas created a $5 billion Texas Energy Fund (TEF) in 2023 to support new gas-fired generation. Regulators approved 17 of 72 projects, totaling nearly 10 GW, with 11 in the interconnection queue by 2028—including ~450 MW plants from VST, NRG and CEG. In 2025, the state doubled TEF funding, but a number of projects have withdrawn and been replaced.

THE MERCHANT POWER ROCK STARS – CEG, VST, TLN, NRG

Regulated electric utilities are actively adding generation—primarily gas, renewables, and battery storage. Supported by state regulators and rate recovery mechanisms, regulated utilities can plan and build new capacity with more certainty than merchant generators. Over the 5-to-10 years, US regulated utilities have filed resource plans with the intention of adding significant amounts of renewables and gas-fired power and the investment has led to higher forecasted EPS CAGRs.

However, non-regulated states include major markets like Texas, Illinois, New York, and Pennsylvania. The four pure-play publicly-traded independent power producers (IPPs), or merchant generators, (Constellation Energy, Vistra, NRG Energy & Talen) own power plants in non-regulated markets like PJM (Northeast/MidAtlantic), ERCOT (Electric Reliability Council of Texas), and CA. See Table 7 These companies are the most leveraged to power supply shortages. Capacity ownership is shown below and includes pending acquisitions.

Table 7 Largest Publicly-Traded Merchant Power Plant Owners (And Pending Acquisitions)

Power Company	Total Capacity (MW's)	PJM (MW's)	Texas (MW's)	Nuclear (MW's)	Renewables (MW's)	Coal/Oil (MW's)	Gas (MW's)
Constellation Energy	33,094	25,000	4,500	22,700	2,563		8,461
Calpine	27,700	9,700	9,600		1,625		26,000
	60,794	**34,700**	**14,100**	**22,700**	**4,188**		**34,461**
Vistra Energy	41,000	11,480	18,450	6,150	2,000	8,200	24,600
Lotus Infrastructure	3,600	2,600					2,600
	44,600	**14,080**	**18,450**	**6,150**	**2,000**	**8,200**	**27,200**
NRG Energy	14,927		8,527		200	6,727	8,000
LS Power	13,000	10,800	2,100		200	6,727	13,000
	27,927	**10,800**	**10,627**				**21,000**
Talen Energy	10,500	10,380		2,245		3,000	5,484
Caithness Energy/Blackrock	2,880	2,880		0		0	2,880
	13,380	**13,260**		**2,245**		**3,000**	**8,364**

Source: Thomson One Consensus estimates, Company documents

MORE RATE CASES TO SUPPORT HIGHER CAPEX

As utility capital spending reaches record levels, a utility's ability to grow earnings increasingly depends on how its state's Public Utility Commission (PUC) regulates rates—and whether the utility is given a fair opportunity to earn its authorized return on equity (ROE). Because PUCs are political bodies, rate decisions are shaped not only by financial metrics but also by public pressure to keep customer bills affordable. To help evaluate this dynamic, we provide a Regulatory Research Associates (RRA's) ranking of electric and gas rates across utilities (Appendix and Exhibit 9), along with an assessment of how constructive each state's regulatory environment is—specifically, how effectively it supports utilities in earning their allowed ROE.

Exhibit 11 State PUC Rankings – AL, FL, GA, PA Constructive; CT, MD Not So Much

.

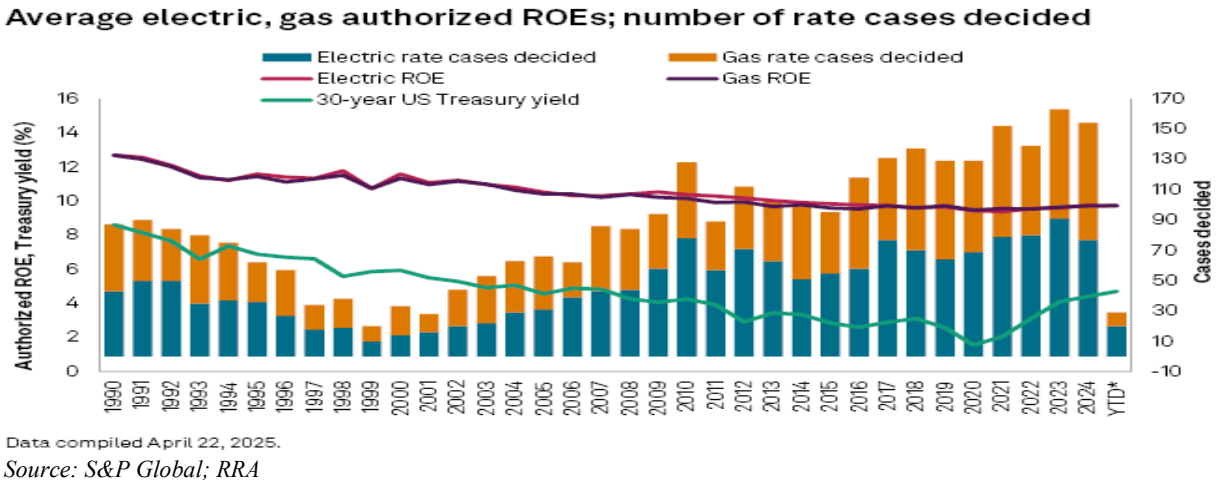
RRA state regulatory evaluations — Energy*
(By category, jurisdictions to watch highlighted)

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

Source: Regualtory Research Associates: June 2025:

In recent years, utilities have needed to file more rate cases due to higher capital investment, higher interest rates and greater policy demands. In addition, utilities have implemented more riders or inter-period adjustments. In the first half of 2025, the median ROE authorized in all electric utility rate cases was 9.70% (1Q was 9.75%; 2Q was 9.60%) versus 9.70% in full year 2024. For gas utilities, the median was 9.78% in the first half of 2025 and 9.70% in full year 2024.

Exhibit 12 Heavy Rate Case Activity – Allowed ROE's ~9.75% Over Past Twelve-Months

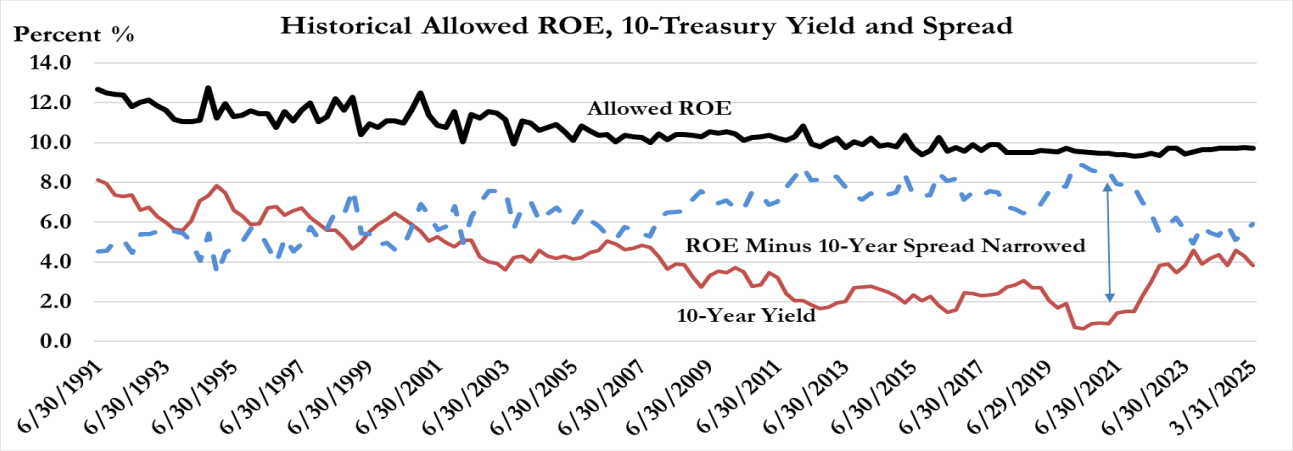


Data compiled April 22, 2025.
Source: S&P Global; RRA

In the first half of 2025, the highest authorized ROE was 10.2% for CPK's Florida Public Utilities in Florida awarded March 2025 and the lowest was Versant at 9.35% in Maine also in March of 2025.

Between 1990 and 2020, interest rates declined faster than authorized ROEs leading to a widening spread between authorized ROEs and the average yield on 30- year US Treasurys. This spread increased from just over 400 basis points in 1990 to nearly 800 basis points in 2020 when rates were near 1.0%. Since 2020, allowed ROE's have ticked up modestly, but regulators are more reluctant to raise profit levels given affordability issues. The current spread is 545 basis points.

Exhibit 13 **PUC's Reluctant to Raise Profits Despite Higher Treasury Yields**



Source: S&P Global; RRA; US Treasury

In today's environment, where a single new hyperscale data center customer (e.g., Microsoft, Alphabet, Amazon, or Meta) may require load equivalent to 20% or more of a utility's existing system, the stakes are much higher. Serving these massive loads often requires significant investment in transmission, distribution, and generation.

To protect existing customers and shareholders from the risk of stranded costs or customer abandonment, utilities are increasingly seeking to isolate these large customers through "new large load" tariffs, including WI (LNT and WEC), MO (AEE), LA (ETR), MS (ETR) and many others. These structures often include minimum take-or-pay provisions, cost-based pricing, and termination fees. While affordability concerns persist, regulators generally support these efforts due to the substantial local economic development and grid reliability benefits. Spreading fixed costs over a growing customer base can help moderate rate impacts for other users.

Ranking Electric Utilities by State PUC and Affordability

Electric rates vary significantly across the United States, with the highest costs typically found in California and the Northeast, and the lowest in regions like the Midwest, Southeast, and Pacific Northwest. States with lower rates often benefit from less restrictive regulatory environments, greater reliance on lower-cost fossil fuels like coal and natural gas, and access to abundant legacy hydroelectric resources, particularly in the Northwest. In contrast, high-cost regions often have more aggressive climate mandates, higher renewable penetration, and more costly transmission/distribution systems.

In Table 8, RRA ranks the publicly-traded electric utilities from lowest ultimate (or average retail) rate per kWh. Ottertail Power has the lowest rate followed by MDU, OGE, ETR, AVA, IDA, and ALE. All tend to serve rural population centers and benefit from low-cost hydro or gas generation, Higher cost utilities are in HI, CA, and the Norhtesast. In California, for example, utilities must recover wildfire mitigation costs, high rooftop solar subsidies, and long-distance transmission investments—all of which add pressure to customer bills.

Politically, utilities operating in lower-rate jurisdictions tend to face less backlash from consumers and regulators, making it easier to gain approval for future rate increases or capital investment programs. Conversely, when rates are already high, public utility commissions are more hesitant to approve full cost recovery, increasing regulatory risk.

Table 8 Ranking Electric Utilities by Affordability

	Average price (¢/kWh)											
	Ultimate			Residential			Commercial			Industrial		
State	2024	2023	2022	2024	2023	2022	2024	2023	2022	2024	2023	2022
OTTER TAIL CORP.	7.94	7.85	8.42	11.32	10.76	10.99	7.67	7.62	8.21	5.42	5.46	6.05
MDU RESOURCES	8.21	8.14	9.74	11.91	11.29	10.97	6.63	6.88	9.81	7.97	7.22	7.17
OGE ENERGY	8.57	8.15	10.26	11.73	10.86	12.61	8.12	7.99	10.34	5.65	5.29	7.33
ENTERGY CORP.	8.78	9.12	9.74	12.37	12.34	12.54	10.34	10.60	10.99	5.64	6.01	7.06
EL PASO ELECTRIC	9.00	8.70	11.40	9.92	9.61	12.34	8.42	7.98	10.80	5.84	7.22	8.46
IDACORP	9.78	9.58	8.77	11.74	11.63	10.69	9.17	8.89	8.11	8.17	7.87	7.15
ALLETE	10.39	9.89	10.14	15.65	14.10	13.86	14.24	13.47	13.40	8.87	8.55	8.85
AVISTA CORPORATION	10.66	9.74	9.35	11.83	10.66	10.08	11.83	11.05	10.75	6.89	6.05	5.86
DOMINION ENERGY	10.78	10.69	11.17	14.17	14.01	13.94	9.25	9.25	9.88	7.69	7.62	8.37
XCEL ENERGY	11.00	11.35	11.24	15.32	15.00	14.50	11.58	11.90	11.76	6.74	7.50	7.62
EVERGY	11.15	10.74	10.97	13.58	13.01	13.18	10.57	10.27	10.49	7.85	7.51	7.79
AMEREN	11.37	11.81	10.92	13.39	13.81	12.57	10.26	10.64	9.93	7.28	7.62	7.45
PNM RESOURCES	11.64	11.66	11.12	15.57	15.21	14.39	12.24	12.34	11.60	5.63	5.59	5.60
NISOURCE	11.77	11.18	11.47	19.09	17.89	17.01	16.83	16.04	15.55	6.26	6.10	7.09
AMERICAN ELECTRIC POWER	11.86	11.74	11.01	15.68	15.43	14.20	11.51	11.52	10.98	8.00	8.02	7.63
BLACK HILLS CORP.	11.89	11.59	12.71	15.96	15.50	16.30	10.73	10.61	13.28	9.43	8.83	8.90
DUKE ENERGY	11.90	11.57	10.42	14.89	14.50	12.83	10.86	10.63	9.60	7.81	7.70	7.29
SOUTHERN CO.	11.95	11.31	12.30	15.92	15.09	15.25	12.46	11.87	12.96	7.45	7.08	8.69
PPL CORP.	11.96	12.67	12.30	14.24	15.50	14.43	11.81	12.27	12.26	7.33	7.49	7.65
NEXTERA	12.27	13.33	12.20	13.71	15.01	13.46	10.75	11.50	10.87	8.03	8.69	8.59
ALLIANT	12.30	12.11	11.93	17.40	17.00	16.49	13.20	13.13	12.93	8.53	8.47	8.39
AES CORP.	12.52	12.88	11.86	14.10	14.54	12.84	14.22	14.12	12.72	10.24	10.55	10.24
CENTERPOINT	12.86	12.98	12.77	17.03	17.24	17.32	16.27	14.71	14.23	8.42	9.02	8.63
NORTHWESTERN CORP.	13.10	13.28	11.68	13.95	14.01	12.30	13.20	13.53	11.83	9.31	9.03	8.47
FIRSTENERGY	13.33	13.13	11.91	14.98	14.74	13.12	13.32	13.30	12.37	8.24	7.35	7.41
WEC ENERGY GROUP	13.36	13.42	12.36	18.42	18.31	16.43	12.99	13.10	11.92	8.53	8.70	8.64
PORTLAND GENERAL ELECTRIC	14.27	12.30	11.17	18.19	15.20	13.64	13.87	11.98	10.85	8.85	7.82	6.99
PINNACLE WEST CAPITAL	14.53	13.83	12.50	16.45	15.31	13.87	13.23	12.78	11.52	10.21	10.40	9.22
CMS ENERGY	14.84	14.39	14.14	19.11	18.82	18.11	14.97	14.20	13.67	8.41	8.34	8.70
DTE ENERGY	15.20	14.73	13.67	20.13	19.70	18.37	14.23	13.55	12.24	8.36	8.56	7.71
MGE ENERGY	15.44	15.21	13.88	20.39	19.72	18.20	13.87	13.80	12.48	9.37	9.17	8.68
EXELON CORP.	16.19	15.44	15.05	17.14	16.17	15.36	14.38	14.29	14.58	7.98	7.08	10.86
UGI UTILITIES	17.22	17.30	16.46	18.93	18.68	17.14	13.24	14.01	14.99	8.75	9.65	12.36
PUBLIC SERVICE ENTERPRISE GROUP	17.44	16.27	15.36	20.42	18.83	17.43	14.69	14.07	13.37	8.37	8.06	9.32
UNITIL CORP.	20.07	24.35	20.72	21.30	25.37	21.28	17.33	22.96	19.93	12.96	14.49	17.36
AVANGRID	20.47	20.02	18.15	21.40	20.76	18.48	17.72	17.83	17.20	15.70	15.47	16.50
EDISON INTERNATIONAL	25.97	26.28	21.72	32.43	32.33	24.62	22.27	22.89	20.02	19.63	20.89	17.47
EVERSOURCE	26.71	29.88	25.19	27.73	30.73	26.24	23.36	27.37	22.19	21.96	30.12	25.50
CONSOLIDATED EDISON	30.78	27.50	26.51	33.71	30.20	27.76	27.22	24.61	25.17	26.98	13.18	15.10
SEMPRA ENERGY	37.00	40.24	32.52	43.63	45.48	37.92	35.54	39.73	30.11	26.25	29.84	20.74
PG&E CORP.	37.70	32.07	28.36	39.62	34.04	30.98	39.46	34.60	31.28	33.15	27.64	23.87
HAWAIIAN ELECTRIC INDUSTRIES	38.41	39.20	40.30	44.06	43.91	44.30	39.04	39.83	41.07	33.99	35.34	36.75
Industry average/Total	**13.58**	**13.41**	**12.95**	**17.03**	**16.65**	**15.54**	**12.92**	**12.86**	**12.56**	**8.36**	**8.35**	**8.72**

Source: S&P Global; RRA

Utility and Energy Infrastructure Becoming More Valuable!

Since 1995, the U.S. electric and gas utility sector has seen over 155 acquisition announcements and 124 completed deals. Consolidation is driven by higher capital investment budgets and economies of scale, as accelerated energy demand and decarbonization create double-digit rate base growth and require significant debt and equity issuance. Smaller utilities with limited balance sheets need partners to finance larger projects. Large global infrastructure players see acquisitions as a way to access valuable existing assets and participate in growth.

Many large private equity funds, including Blackrock (owns Global Infrastructure Partners) highlight infrastructure as one of the most exciting investment opportunities owing to structural shifts, including de-carbonization, energy independence, domestic industrial capacity and on-shoring. Given accelerated power demand, energy infrastructure, (power generation, renewables, transmission, gas pipelines) has become increasingly valuable and development opportunities abound. Some recent announcements:

Exhibit 14

Date Announced	Target Entity	Acquirer	Value ($ Millions)	Premium Paid (%)	Date Closed
8/19/2025	Northwestern Energy	Black Hills Corp	6,800	4%	Pending
5/19/2025	TXNM Energy	Blackstone	11,500	23%	Pending
1/10/2025	Calpine	Constellation Energy	29,000	NA"	Pending
5/28/2024	Atlantic Sustainable	Energy Capital Partners	2,555	19%	12/12/2024
5/17/2024	Avangrid	Iberdrola S.A.	8,100	53%	12/23/2024
5/6/2024	Allete	Blackrock (GIP & CPP)	6,200	18%	Pending
10/30/2023	Entergy LA LDC	Bernhard Capital	484	NA	7/1/2025
9/26/2023	Florida Ciry Gas	Chesapeake Utilities	924	NA	12/1/2023
9/5/2023	Dominion LDC's	Enbridge	14,000	NA	10/1/2024
11/7/2021	First Energy Transmission (20%)	Brookfield Infra. Ptrs.	2,375	NA	5/31/2022
10/26/2021	AEP's Kentucky subsy	Algonquin Power	2,846	NA	Terminated
6/14/2021	Hawaii Gas	Argo Infrastructure	514	NA	7/21/2022
4/29/2021	Centerpoint's Arkamsas & 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	1/28/2021
1/13/2021	Corning Gas	Argo Infrastructure	130	44	7/6/2022
10/21/2020	PNM Resources	Avangrid	8,300	10	Terminated
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

Source: Company reports, Gabelli Funds

Recent Announcements:

- **Black Hills Corp. and NorthWestern Energy to Merge:** On August 19, Black Hills Corp. (BKH) and NorthWestern Energy (NWE) announced an all-stock merger of equals (0.98x exchange, 4% premium). The combined utility will serve 2.1M customers across eight contiguous states, double its rate base to $11.4B ($7.0B electric, $4.4B gas), and target 5–7% long-term EPS growth. Pro forma EPS: $4.10 (2025), $4.35 (2026), $4.55 (2027). The deal, expected to close in 12–15 months pending shareholder and regulatory approvals, highlights renewed sector consolidation after slowing during COVID and rising interest rates. Both stocks traded at discounted multiples due to wildfire risk and limited data center exposure, but scale and synergies are increasingly critical. Likely future targets: IDA, POR, AVA, MDU, OTTR, AQN, UTL.

- **TXNM Energy:** On May 19, 2025, TXNM Energy agreed to be acquired by Blackstone Infrastructure for $11.5B ($61.25/share, 23% premium), at 11.8x EV/EBITDA, 20.4x 2026 EPS, and 1.8x rate base.

- **Calpine:** On January 10, 2025, Constellation Energy (CEG) agreed to acquire Calpine (27 GW gas-fired capacity) for $29.1B ($4.5B cash, $16.4B stock, $12.7B assumed debt). Adjusted multiple: 7.9x 2026 EV/EBITDA. Calpine was previously taken private in 2017 by Energy Capital Partners for $17B (9.1x EV/2017 EBITDA).

- **ALLETE (ALE):** On May 6, 2024, GIP and Canada Pension Plan Investment Board agreed to acquire ALE for $67/share (18% premium), or $6.2B including debt. ALE owns and develops renewables and transmission assets.

- **Avangrid (AGR):** On December 23, 2024, Iberdrola (Spain) acquired the remaining 18.5% stake in AGR for $35.75/share.

- **Atlantica (AY):** On December 12, 2024, Energy Capital Partners acquired Atlantica Sustainable Infrastructure PLC for $2.56B.

The implication is that other smaller companies will consider opportunities to be part of a larger utility, including AES, IDA, POR, OGE, AVA, MDU, OTTR, AQN, UTL, PNW, MGEE.

Power Plant Consolidation
Since 1995, the sub-sector of IPPs has experienced "boom-bust" periods and bankruptcies of key players, including AES, Enron, Dynegy, Mirant, Calpine, NRG, and Talen. Over the past 20 years, private equity firms and infrastructure funds had been major buyers of non-regulated (merchant or competitive) power plants in the U.S. LS Power, Energy Capital Partners (ECP), ArcLight Capital, Blackstone Energy Partners, Global Infrastructure Partners (GIP), Brookfield Asset Management.

Valuing Power Plants
More recently, the pendulum shifted and private equity firms are selling power plants and portfolios to IPPs. The cost of building new generation is high, particularly in the deregulated states like NY, IL, MA, CT and CA where developers face stringent environmental regulations, lengthy permitting processes, transmission constraints and local opposition. The price tag (replacement value) of new gas fired power has risen to over $2,400/kw, from $800/kw in 2021. The dynamics imply significant new baseload supply will not come on-line until 2030 to 2035. The hyper-scalers want to move faster.

On July 17, 2025, TLN agreed to buy two highly efficient heat rate) combined cycle gas fired power plants with 2,880 MW's of capacity for $3.8 billion ($3.5 billion adjusting for estimated tax benefits). The plants Caithness Energy's (CE) Moxie Freedom Energy Center (1,035 MW's; 2018) in PA and CE and BlackRock's Guernsey Power Station (1,836 MW's; 2023) in OH are important power plants in the overall stack in the PJM market. The purchase price reflects an acquisition multiple of 6.7x 2026 EV/EBITDA and $1,300/kw, which is a material discount to current new-build CCGT costs of roughly $2,400/kw. Both transactions are expected to close in the fourth quarter of 2025 (need FERC approval).

On January 10, 2025, CEG agreed to acquire Calpine, the largest gas-fired company in the US (27 GW's) from for $29.4 billion in cash and stock from Energy Capital Partners. valued at an equity purchase price of approximately $16.4 billion, composed of 50 million shares of Constellation stock and $4.5 billion in cash plus the assumption of approximately $12.7 billion of Calpine net debt. After adjustments, CEG considers the $26.6 billion net purchase price

to be an acquisition multiple of 7.9x 2026 EV/EBITDA. Calpine was taken private in 2017 by Energy Capital Partners for $17 billion (9.1X).

On May 12, 2025, NRG agreed to acquire 13 GW of gas generation from LS Power for $12.4 billion comprised of $6.4 billion of cash, $2.8 billion in stock to LS Power (24.25 million shares of NRG $114.98), $3.2 billion of net debt NRG considers the acquisition price to represent 7.5X 2026 EBITDA, less than $1,000/kw and less than 50% of replacement value. On April 10, 2025, NRG acquired six Texas gas plants totaling 738 MW from Rockland Capital LP for $560 million ($760/kw) in a deal that closed April 10.

On May 15, 2025, VST announced the acquisition of 2,557-MW's of gas-fired plants for $1.9 billion, or $743/kw from Lotus Infrastructure. The acquisition includes five combined-cycle plants and two combustion turbines (peakers) located across PJM, New England, NY and Ca. The largest plant, Farless Works (1,355 MW's) in Bucks Conty, PA, and Manchester Plant (510-MW's) in RI. Vistra said the Lotus portfolio is priced at approximately $743/kW.

Table 9 Recent Gas-Fired Generation Sales

Date	Buyer	Seller	Value	Capacity (MW's)	EV/2026 EBITDA
1/10/2025	Constellation Energy	Calpine	$29.4 billion	25,700	7.9X
5/12/2025	NRG Energy	LS Power	$12.5 billion	12,900	7.5X
5/15/2025	Vistra Corp	Lotus	$1.9 billion	2,600	7.0X
7/17/2025	Talen Energy	Caithness	$3.8 billion	2,900	6.7X

Source: Company reports, Gabelli Funds

In February 2025, Brookfield Asset Management agreed to buy National Grid Renewables 3 GW of projects renewable portfolio for $1.74 billion. The transaction includes solar and battery projects in ERCOT, MISO, PJM and SPP, and one wind project in SPP. On January 8, 2025, AQN completed the sale of its non-regulated renewable energy business (excluding the Company's hydro fleet) to a wholly owned subsidiary of LS Power. AQN considers the transaction multiple to be 12.5x. In December 2024, Energy Capital Partners closed on $2.6 billion ($22 per AY share) Atlantica Sustainable acquisition for $2.555 billion. The acquisition included 2.2 GW's of renewable energy ($1,180/kw).

In late March 2024, VST closed on the acquisition of Energy Harbor's nuclear (~4 GW) and retail businesses (~1 million customers). Energy Harbor owns the Beaver Valley 1 and 2, Perry, and Davis Besse nuclear plants and retail businesses. VST's 2024 Adjusted EBITDA guidance is $3.7-4.1 billion (Energy harbor to add $700-900 million).

In November 2023, CEG acquired a 44% stake in the South Texas Project Electric Nuclear Plant (STP), a 2,645- MW, dual-unit near Houston, TX, from NRG. Price implied 11.7x EV/EBITDA.

Utility Stocks Trade at Reasonable Valuations

In 2024 and first nine-months of 2025, the merchant power producers, CEG, VST, NRG and TLN, have been absolute "rock stars" rising on average 59% and 71%, respectively. The company's are highly leveraged to the power supply shortage theme. We believe the thesis has considerable runway given electric demand growth through at least 2030 and the challenges bringing new supply on-line. We also believe many electric and gas utility stocks will benefit from the infrastructure build out with above historical average EPS and dividend growth. In addition, their defensive characteristics could appeal in the event of an economic slow-down. Please see Table 10 for Utility Subgroup Metrics and appendix for more utility stock financials.

- Electric utility valuation multiples have declined from 23x forward earnings in early 2020 and trade at 17.5X 2025 earnings estimates. Over the past twenty-five years, utility forward multiples have ranged between 10x and 23x earnings with a median of 16.8x.

- Independent Power Producers (IPPs), or merchant power companies, are highly leveraged to potential supply shortages. IPPs/merchants own power plants in non-regulated power markets, including PJM (Northeast/MidAtlantic), ERCOT (Electric Reliability Council of Texas), and CA, and provide marketing/power management services to customers. In 2023-25, the share prices of CEG, NRG, VST and TLN rose dramatically and driven by electric power demand and power shortages.

- Gas utility performance reflects improved investor sentiment and ongoing consolidation but likely does not reflect

potential increased gas demand. Gas utilities currently trade at 16.8x 2025 earnings estimates.

- Water utility two-year under-performance reflects the impact of higher interest rates on higher multiple 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.

- Canadian electric and gas utilities have lower growth rates and higher current returns. Canadian provincial regulatory environments are more challenging (lower allowed ROEs and equity ratios) than many US utility jurisdictions.

Table 10 **Utility Subgroup Statistics**

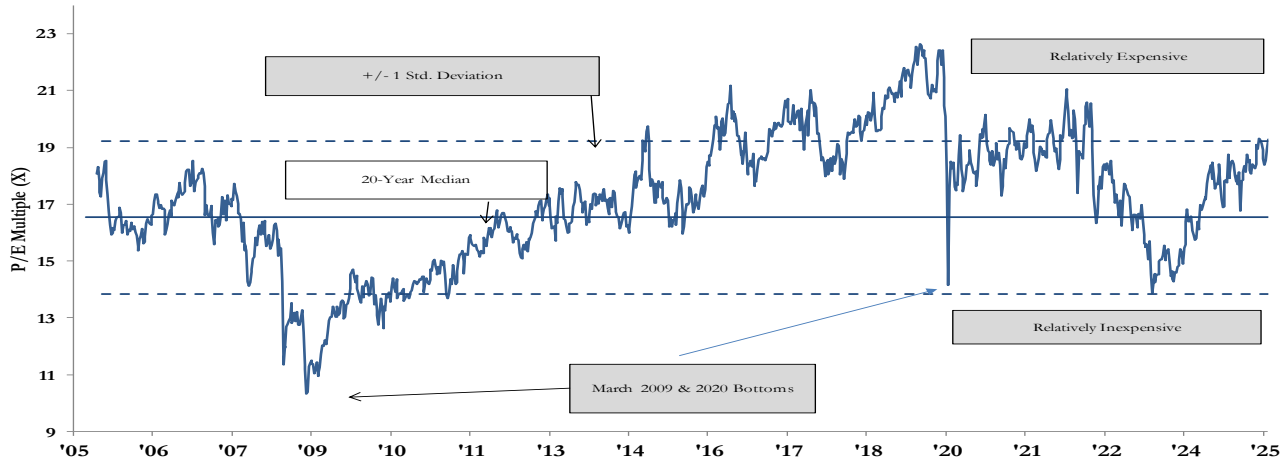
	Total Return	Total Return	Price/Earnings			EPS Growth			CAGR	Current	One-Year Dividend	EV/EBITDA Multiple
Utility Subgroup	2025	2024	2025E	2026P	2027P	2025E	2026P	2027P	2024-27	Return	Growth	2025E
US Electric	17%	-5%	18.5X	17.1X	16.6X	7.2%	7.5%	5.5%	5.7%	3.1%	5.1%	11.8X
Clean Power	14	-10	26.4	22.0	13.6	8.0	9.0	9.0	10.0	2.4	6.0	12.7
Merchant Power	71	59	34.0	23.4	21.2	13.0	13.5	12.5	21.8	0.5	5.0	40.9
Canadian Utilites	21	6	19.0	18.5	17.1	11.3	3.2	7.0	6.7	3.9	4.5	12.1
US Gas Utilities	17	-7	18.1	17.1	15.9	12.3	8.3	7.6	7.6	3.3	5.6	10.9
Water Utilities	3	-12	22.4	20.4	19.6	4.5	5.6	5.2	5.5	2.9	5.0	15.0

Source: Thomson, First Call, Gabelli Funds Estimates

Valuation

Over the past twenty years, electric utility multiples climbed from roughly 10x forward earnings to over 23x, driven by improving fundamentals, higher growth rates and lower interest rates from 2000-2022 (Exhibit 15). Electric utilities trade at ~19x consensus forward earnings estimates which is above (but near) the historical median (16.8x).

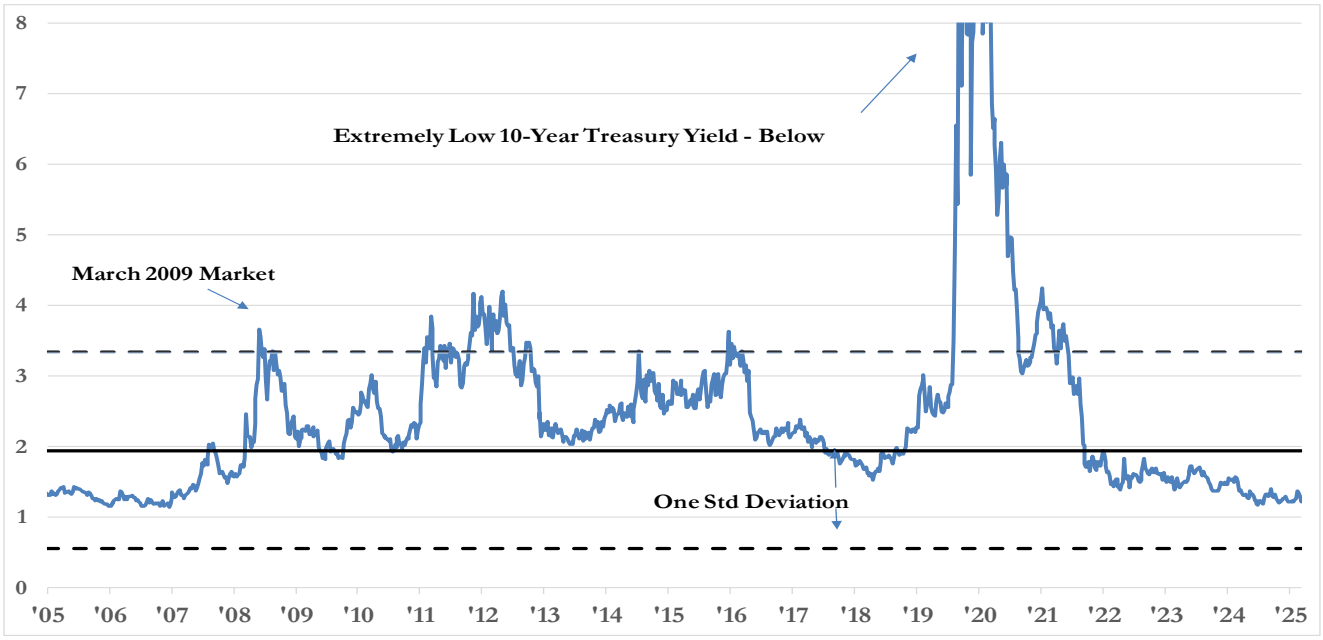
Exhibit 15 **Absolute P/E Multiple Range**



Source: Thomson One, Company documents

We consider the multiple attractive given higher utility earning growth rates and strong fundamentals. Given that long-term interest rates (specifically the 10-year Treasury yields) have risen to 4.2% following a long-term secular decline since the late 1980's, we measure the earnings yield (1/P/E) as a percentage of the 10-Year T- Bond Yield to gauge interest rate adjusted valuations. As can be seen in Exhibit 16 the current ratio of 125% indicates the sector P/E is modestly higher than its historical median relationship (195%) with the 10-Year T-Bond Yield.

Exhibit 16 **Utility Earnings Yield as a Percent of 10-Year T-Bond Yield**



Source: Thomson One, Company documents

Interest Rates and the Fed

Utility stocks are not bond proxies, and share prices are a function of earnings and dividend growth rates, but higher (lower) rates negatively (positively) impact stocks, given that future cash flows are impacted by the discount rate. In addition, current utility dividend returns become less compelling when returns on other investments increase, including Treasury yields. Short-term Treasuries yield 3.5-4.0% 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 2024, electric utilities increased the annual dividend by a median of 4.9%.
- 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 3.4% current return and many utilities managements target 5-8% annual earnings and dividend growth. The utility business model represents a safer haven in the face of an economic slowdown, tariffs and/or inflation fears. In addition, accelerated electric demand provides support for EPS CAGR and the potential for even higher growth. We believe that the combination of strong utility fundamentals, and the potential for accelerated electric demand bode well for the relative performance of utilities.

Appendix 1 Electric Utilities Selected Statistics

Large Cap Electrics	SYM	Price	2025 YTD	Equity Cap	Enterprise Value	Annual Dividend	Current Return	EPS 2024A	EPS 2025E	EPS 2026P	EPS 2027P	EPS 3-Year CAGR	2025E P/E	2026P P/E	2027P P/E	EV/ EBITDA
		$	%	$	$	$	%	$	$	$	$	%	X	X	X	X
Alliant Energy	LNT	67.41	17	17,328	28,306	2.03	3.0%	2.69	3.21	3.43	3.70	11.2%	21.0	19.7	18.2	14.9
Ameren Corporation	AEE	104.38	19	28,225	48,259	2.84	2.7%	4.63	4.98	5.33	5.76	7.5%	21.0	19.6	18.1	13.0
American Elec Pwr	AEP	112.50	25	60,164	106,798	3.72	3.3%	5.62	5.89	6.30	6.80	6.6%	19.1	17.9	16.5	11.9
Centerpoint Energy	CNP	38.80	24	25,331	46,167	0.88	2.3%	1.62	1.76	1.90	2.08	8.7%	22.0	20.4	18.7	12.3
CMS Energy	CMS	73.26	12	21,929	39,850	2.17	3.0%	3.34	3.59	3.85	4.15	7.5%	20.4	19.0	17.7	12.9
Consolidated Edison	ED	100.52	16	36,253	61,291	3.40	3.4%	5.40	5.62	6.01	6.32	5.4%	17.9	16.7	15.9	10.8
Dominion Energy	D	61.17	17	52,205	102,469	2.67	4.4%	2.77	3.41	3.60	3.83	11.4%	17.9	17.0	16.0	13.3
DTE Energy	DTE	141.43	20	29,359	52,942	4.36	3.1%	6.83	7.22	7.74	8.34	6.9%	19.6	18.3	17.0	12.1
Duke Energy	DUK	123.75	18	96,231	185,357	4.26	3.4%	5.90	6.33	6.71	7.18	6.8%	19.5	18.4	17.2	12.2
Entergy	ETR	93.19	25	41,601	71,146	2.40	2.6%	3.65	3.89	4.37	4.86	10.0%	24.0	21.3	19.2	12.8
Evergy	EVRG	76.02	27	17,496	32,321	2.67	3.5%	3.81	4.03	4.29	4.50	5.7%	18.9	17.7	16.9	11.7
EverSource	ES	71.14	28	26,401	55,993	3.01	4.2%	4.57	4.74	5.02	5.30	5.1%	15.0	14.2	13.4	11.4
Exelon	EXC	45.01	23	45,460	93,102	1.60	3.6%	2.50	2.69	2.82	3.00	6.3%	16.7	16.0	15.0	10.5
First Energy	FE	45.82	18	26,457	52,981	1.78	3.9%	2.63	2.53	2.71	2.91	3.4%	18.1	16.9	15.7	11.6
Iberdrola	IBE-MC	16.12	26	119,992	177,431	0.64	4.0%	0.84	0.94	0.96	1.03		17.1	16.7	15.7	10.9
National Grid	NGG	72.67	26	72,106	124,455	3.07	4.2%	4.68	4.57	5.27	4.90	1.5%	15.9	13.8	14.8	12.4
Nextera Energy	NEE	75.49	8	155,456	255,942	2.27	3.0%	3.43	3.66	3.96	4.32	8.0%	20.6	19.1	17.5	15.1
NiSource	NI	43.30	20	20,388	37,893	1.12	2.6%	1.75	1.88	2.02	2.18	7.6%	23.0	21.4	19.9	13.0
OGE Energy	OGE	46.27	15	9,319	15,220	1.70	3.7%	2.19	2.28	2.43	2.58	5.6%	20.3	19.0	17.9	11.0
Pinnacle West	PNW	89.66	9	10,708	21,052	3.58	4.0%	5.24	4.55	4.76	5.62	2.4%	19.7	18.8	16.0	10.6
PPL Corp	PPL	37.16	17	27,480	44,959	1.09	2.9%	1.69	1.81	1.96	2.10	7.5%	20.5	19.0	17.7	11.9
PS E&G	PEG	83.46	1	41,653	64,719	2.52	3.0%	3.68	4.02	4.41	4.72	8.6%	20.8	18.9	17.7	14.1
Sempra Energy	SRE	89.33	4	58,709	104,465	2.58	2.9%	4.65	4.53	5.06	5.48	5.6%	19.7	17.7	16.3	18.0
Southern Company	SO	94.77	18	104,251	175,581	2.96	3.1%	4.05	4.27	4.57	4.90	6.5%	22.2	20.7	19.3	13.7
WEC Energy Group	WEC	114.59	25	36,883	57,840	3.57	3.1%	4.88	5.24	5.59	6.01	7.2%	21.9	20.5	19.1	14.2
Xcel Energy	XEL	80.65	23	47,699	78,221	2.28	2.8%	3.48	3.82	4.12	4.46	8.6%	21.1	19.6	18.1	12.8
Group Median			**17**				**3.0%**		**2.3%**	**8.7%**	**7.1%**	**7.2%**	**20.6**	**19.0**	**17.7**	**13.0**

Small Cap Electrics	SYM	Price	2025 YTD	Equity Cap	Enterprise Value	Annual Dividend	Current Return	EPS 2024A	EPS 2025E	EPS 2026P	EPS 2027P	EPS 3-Year CAGR	2025E P/E	2026P P/E	2027P P/E	EV/ EBITDA
		$	%	$	$	$		$	$	$	$		X	X	X	X
Allete	ALE	66.40	6	3,854	6,299	2.92	4.4%	3.10	3.65	3.99	4.20	10.6%	18.2	16.6	15.8	12.0
Avista	AVA	37.81	7	3,067	6,148	1.96	5.2%	2.29	2.51	2.73	2.60	4.3%	15.1	13.8	14.5	10.0
Black Hills Corp	BKH	61.59	9	4,487	8,931	2.70	4.4%	3.91	4.11	**4.34**	4.60	5.6%	15.0	14.2	13.4	10.1
Hawaiian Electric	HE	11.04	13	1,906	3,822	0.00	0.0%	0.98	0.99	0.98	0.94	-1.4%	11.2	11.3	11.7	6.5
IDACORP	IDA	132.15	23	7,140	10,337	3.44	2.6%	5.50	5.85	6.40	6.92	7.9%	22.6	20.6	19.1	16.7
MG&E	MGEE	84.18	-9	3,076	3,837	1.90	2.3%	3.25	3.68	3.93	4.18	8.7%	22.9	21.4	20.1	14.0
MDU Resources	MDU	17.81	1	3,639	5,762	0.56	3.1%	1.37	0.95	1.04	1.12	-6.5%	18.7	17.1	15.9	10.7
Northwestern	NWE	58.61	13	3,598	6,765	2.48	4.2%	3.21	3.58	3.86	4.03	3.7%	16.4	15.2	14.5	10.9
Otter Tail Power	OTTR	81.97	13	3,435	4,171	2.10	2.6%	7.17	6.55	6.00	5.28	-9.7%	12.5	13.7	15.5	8.1
Pinnacle West	PNW	89.66	9	10,708	21,052	3.58	4.0%	5.24	4.55	4.76	5.62	2.4%	19.7	18.8	16.0	10.6
TXNM Energy	TXNM	56.55	18	5,959	11,551	1.63	2.9%	2.74	2.74	3.01	3.32	6.6%	20.6	18.8	17.0	12.0
Portland General	POR	44.00	4	4,821	9,753	2.10	4.8%	3.14	3.23	3.40	3.56	4.3%	13.6	12.9	12.4	8.3
Unitil	UTL	47.86	-9	846	1,651	1.80	3.8%	2.93	2.96	3.15	3.10	1.9%	16.2	15.2	15.4	**8.8**
SMID Cap Median			**9**				**3.8%**		**5.0%**	**5.1%**	**3.9%**	**4.3%**	**16.4**	**15.2**	**15.5**	**10.6**
Electric Universe Median			**17**				**3.1%**		**3.6%**	**6.9%**	**5.5%**	**5.7%**	**18.5**	**17.1**	**16.6**	**11.8**

California Utilities	SYM	Price	2025 YTD	Equity Cap	Enterprise Value	Annual Dividend	Current Return	EPS 2024A	EPS 2025E	EPS 2026P	EPS 2027P	EPS 3-Year CAGR	2025E P/E	2026P P/E	2027P P/E	EV/ EBITDA
		$	%	$	$	$	%	$	$	$	$	%	X	X	X	X
Edison Internatioanl	EIX	55.28	-28	21,274	63,311	3.31	6.0%	4.93	6.03	6.09	6.45	9.4%	9.2	9.1	8.6	7.9
PG&E	PCG	15.08	-25	33,143	93,434	0.10	0.7%	1.36	1.50	1.63	1.78	9.4%	10.1	9.3	8.5	9.0
Sempra Energy	SRE	89.33	4	58,709	104,465	2.58	2.9%	4.65	4.50	5.00	5.35	4.8%	19.9	17.9	16.7	18.0

Appendix 2 Canadian, Power, Midstream, & Gas Utilities Selected Statistics

Canadian Utilities	SYM	Price	2025 YTD	Equity Cap	Enterprise Value	Annual Dividend	Current Return	EPS 2024A	EPS 2025E	EPS 2026P	EPS 2027P	EPS 3-Year CAGR	2025E P/E	2026P P/E	2027P P/E	EV/ EBITDA
		$	%	$	$	$	%	$	$	$	$	%	X	X	X	X
Algnoquin	AQN-T	7.48	21	4,127	15,126	0.36	4.8%	0.66	0.43	0.50	0.60	-3.1%	17.4	15.0	12.5	11.5
Alta-Gas	ALA-T	42.88	31	9,289	23,162	1.26	2.9%	2.17	2.25	2.41	2.74	8.1%	19.1	17.8	15.6	12.5
Fortis	FTS-T	70.59	21	25,541	72,733	2.46	3.5%	3.28	3.47	3.57	3.76	4.7%	20.3	19.8	18.8	12.5
Emera	EMA-T	66.77	28	14,411	41,280	2.90	4.3%	2.96	3.53	3.47	3.61	6.8%	18.9	19.2	18.5	11.7
Hydro-One	H-T	49.65	14	21,393	47,899	1.33	2.7%	1.92	2.11	2.21	2.33	6.7%	23.5	22.5	21.3	14.6
Canadian Utilities	CU-T	38.93	16	5,740	20,727	1.83	4.7%	1.76	2.40	2.49	2.64	14.5%	16.2	15.6	14.7	9.7
			21				**3.9%**		**11.3%**	**3.2%**	**7.0%**	**6.7%**	**19.0**	**18.5**	**17.1**	**12.1**

Merchant Power	SYM	Price	2025 YTD	Equity Cap	Enterprise Value	Annual Dividend	Current Return	EBITDA 2024A	EBITDA 2025E	EBITDA 2026P	EBITDA 2027P	3-Year CAGR	2025E EV/25E	2026P EV/26E	2027P EV/27E	2028P EV/27E
		$	%	$	$	$		$	$	$	$		X	X	X	X
Constellation Energy	CEG	329.07	48	102,803	108,683	1.55	0.5%	4,003	4,950	5,850	7,430	22.9%	22.0	18.6	14.6	135.0
NRG Energy	NRG	161.95	81	31,326	40,391	1.76	1.1%	3,460	3,980	4,860	5,250	9.7%	10.1	8.3	7.7	7.1
Vistra	VST	195.92	43	66,476	87,355	0.90	0.5%	4,800	5,910	6,980	7,390	15.5%	14.8	12.5	11.8	11.5
Talen Energy	TLN	425.38	111	19,433	22,277	0.00	0.0%	770	1,061	1,982	2,076	39.1%	21.0	11.2	10.7	9.9
			71				**0.5%**					**21.8%**	**17.0**	**12.7**	**11.2**	**40.9**

Clean Power IPP's	SYM	Price	2025 YTD	Equity Cap	Enterprise Value	Annual Dividend	Current Return	EPS 2024A	EPS 2025E	EPS 2026P	EPS 2027P	EPS 3-Year CAGR	2025E P/E	2026P P/E	2027P P/E	EV/ EBITDA
		$	%	$	$	$		$	$	$	$		X	X	X	X
AES Corp	AES	13.16	6	9,371	44,022	0.70	5.3%	2.14	2.16	2.29	2.34	3.0%	6.1	5.7	5.6	14.2
Boralex	BLX-T	27.17	-4	2,006	7,343	0.66	2.4%	0.69	0.75	1.25	1.49	29.2%	36.2	21.7	18.2	10.5
Brookfield Renewable	BEP	25.79	18	7,348	72,490	1.49	5.8%	-0.89	-0.38	-0.41	-0.21	-38.2%	-	-	-	24.7
Canadian Solar	CSIQ	13.04	17	873	6,718	0.00	0.0%	-1.45	-0.95	0.81	1.69	-	-	16.1	7.7	11.0
Clearway Energy	CWEN	28.25	14	5,555	17,186	1.78	6.3%	0.75	1.07	1.34	1.60	28.7%	26.4	21.1	17.7	11.2
NextEra Energy	NEE	75.49	8	155,456	255,942	2.27	3.0%	3.43	3.66	3.96	4.32	8.0%	20.6	19.1	17.5	15.1
Innergex Renewable	INE-T	13.74	74	2,005	9,699	0.00	0.0%	1.00	0.08	1.20	1.40	-	171.8	11.5	9.8	
XPLR Infrastrcuture	XIFR	10.17	-43	956	14,738	0.00	0.0%	0.85	0.99	1.16	1.60	23.4%	10.3	8.8	6.4	7.5
Ormat	ORA	96.25	43	5,845	8,258	0.48	0.5%	2.20	2.15	2.36	2.75	7.7%	44.8	40.8	35.0	14.5
Group Median			**14**				**2.4%**						**26.4**	**17.6**	**13.6**	**12.7**

Midstream Gas Co's	SYM	Price	2025 YTD	Cap	Enterprise Value	Annual Dividend	Current Return	EPS 2024A	EPS 2025E	EPS 2026P	EPS 2027P	EPS 3-Year CAGR	2025E P/E	2026P P/E	2027P P/E	EV/ EBITDA
		$	%	$	$	$		$	$	$	$		X	X	X	X
TransAlta	TAC	13.67	-2	4,052	7,756	0.19	1.4%	0.59	-0.03	0.31	0.35	-16.0%	-455.7	44.1	39.1	9.0
Williams	WMB	63.35	20	77,362	107,231	2.00	3.2%	1.82	2.11	2.42	2.70	14.0%	30.0	26.2	23.5	13.9
Enbridge	ENB	50.46	26	110,044	188,377	2.71	5.4%	2.80	2.15	3.21	3.47	7.4%	23.5	15.7	14.5	13.1
TC Energy Corp	TRP	54.41	24	56,537	106,815	2.44	4.5%	3.73	2.59	3.82	3.88	1.3%	21.0	14.2	14.0	13.6
ONEOK	OKE	72.97	-24	45,953	78,397	4.12	5.6%	5.17	5.41	6.10	6.62	8.6%	13.5	12.0	11.0	9.7
Kinder Morgan	KMI	28.31	7	62,907	96,680	1.17	4.1%	1.15	1.29	1.36	1.46	8.3%	21.9	20.8	19.4	11.6
			13				**4.3%**		**-9.0%**	**24.5%**	**10.1%**	**7.7%**	**21.5**	**18.3**	**17.0**	**12.9**

Gas Utilities	SYM	Price	2025 YTD	Cap	Enterprise Value	Annual Dividend	Current Return	EPS 2024A	EPS 2025E	EPS 2026P	EPS 2027P	EPS 3-Year CAGR	2025E P/E	2026P P/E	2027P P/E	EV/ EBITDA
		$	%	$	$	$	%	$	$	$	$	%	X	X	X	X
Atmos Energy	ATO	170.75	24	27,409	35,697	3.48	2.0%	6.83	7.39	7.92	8.50	7.6%	23.1	21.6	20.1	15.6
Black Hills Corp	BKH	61.59	9	4,487	8,931	2.70	4.4%	3.91	3.60	3.75	3.95	0.3%	17.1	16.4	15.6	10.1
Chesapeake Utilities	CPK	134.69	13	3,171	4,690	2.74	2.0%	5.26	6.28	6.75	7.24	11.2%	21.4	20.0	18.6	15.0
MDU Resources	MDU	17.81	1	3,639	5,762	0.56	3.1%	1.37	0.95	1.04	1.12	-6.5%	18.7	17.1	15.9	10.7
National Fuel Gas	NFG	92.37	56	8,347	11,051	2.14	2.3%	5.01	6.92	8.61	9.19	22.4%	13.3	10.7	10.1	7.8
NiSource	NI	43.30	20	20,388	37,893	1.12	2.6%	1.75	1.88	2.02	2.18	7.6%	23.0	21.4	19.9	13.0
NJ Resources	NJR	48.15	6	4,837	8,199	1.90	3.9%	2.95	3.21	3.15	3.51	6.0%	15.0	15.3	13.7	11.9
Northwest Natural Ga	NWN	44.93	17	1,839	4,111	1.96	4.4%	2.03	2.91	3.03	3.26	17.1%	15.4	14.8	13.8	9.5
OneGas	OGS	80.94	20	4,856	8,087	2.68	3.3%	3.91	4.34	4.15	4.35	3.6%	18.6	19.5	18.6	10.6
RGC Resources	RGCO	22.44	15	232	371	0.83	3.7%	1.16	1.24	1.30	1.35	5.2%	18.1	17.3	16.6	11.2
Southwest Gas	SWX	78.34	13	5,639	10,417	2.48	3.2%	3.16	3.62	4.15	4.85	15.3%	21.6	18.9	16.2	9.7
Spire	SR	81.52	24	4,812	9,946	3.14	3.9%	4.13	4.52	5.10	5.47	9.8%	18.0	16.0	14.9	11.8
UGI	UGI	33.26	22	7,148	13,734	1.50	4.5%	3.06	3.16	3.20	3.29	2.4%	10.5	10.4	10.1	
Group Median			**17**				**3.3%**		**12.3%**	**8.3%**	**7.6%**	**7.6%**	**18.1**	**17.1**	**15.9**	**10.9**

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Appendix 3 Water Utility & Utility Construction Selected Statistics

Water Utilities	SYM	Price	2022 YTD	Equity Cap	Enterprise Value	Annual Dividend	Current Return	EPS 2024A	EPS 2025E	EPS 2026P	EPS 2027P	EPS 3-Year CAGR	2025E P/E	2026P P/E	2027P P/E	EV/ EBITDA
		$	%	$	$	$	%	$	$	$	$	%	X	X	X	X
Consolidated Water	CWCO	35.14	38	562	456	0.56	1.6%	1.77	1.13	1.62	0.70	-26.6%	31.1	21.7	50.2	18.2
American States Wate	AWR	73.32	-4	2,823	3,746	2.02	2.7%	3.17	3.28	3.48	3.74	5.7%	22.4	21.1	19.6	15.0
Global Water Resourc	GWRS	10.30	-8	283	393	0.30	3.0%	0.24	0.22	0.28	0.20	24.0%	46.8	36.8	51.5	14.6
American Water Work	AWK	139.19	14	27,156	42,034	3.31	2.4%	5.30	5.72	6.11	6.52	7.1%	24.3	22.8	21.3	15.3
York Water	YORW	30.42	-4	439	657	0.88	2.9%	1.42	1.35	1.58	1.45	0.7%	22.5	19.3	21.0	15.3
California Water Servi	CWT	45.89	3	2,734	4,177	1.20	2.6%	3.25	2.41	2.57	2.73	-5.6%	19.0	17.9	16.8	12.1
H2O America	HTO	48.70	2	1,718	3,571	1.68	3.4%	2.87	2.98	3.09	3.10	2.6%	16.3	15.8	15.7	11.3
Essential Utilities	WTRG	39.90	13	11,191	18,939	1.37	3.4%	2.17	2.12	2.23	2.42	3.7%	18.8	17.9	16.5	14.7
Artesian Water	ARTNA	32.59	6	337	516	1.23	3.8%	1.45	2.16	1.60	1.70	5.4%	15.1	20.4	19.2	16.1
			3				**2.9%**		**-1.2%**	**5.6%**	**0.0%**	**3.7%**	**22.4**	**20.4**	**19.6**	**15.0**

Utility Construction	SYM	Price	YTD	Equity Cap	Enterprise Value	Annual Dividend	Current Return	EPS 2024A	EPS 2025E	EPS 2026P	EPS 2027P	EPS 3-Year CAGR	2025E P/E	2026P P/E	2027P P/E	EV/ EBITDA
Quanta Services	PWR	414.32	31	61,751	65,992	0.40	0.1%	8.97	10.57	12.35	14.24	16.6%	39.2	33.5	29.1	23.7
MYR Group	MYRG	208.03	40	3,229	3,295	0.00	0.0%	1.83	7.01	8.20	9.64	73.9%	29.7	25.4	21.6	14.5
Mastec	MTZ	212.81	56	16,792	18,926	0.00	0.0%	3.95	6.33	7.81	9.25	32.8%	33.6	27.2	23.0	16.5
Primoris	PRIM	137.33	80	7,418	7,624	0.32	0.2%	3.87	4.97	5.49	6.07	16.2%	27.6	25.0	22.6	15.5
Centuri	CTRI	21.17	10	2,200	3,300	0.00	0.0%	0.31	0.62	0.92	1.13	53.8%	34.1	23.0	18.7	10.7

Source: Thomson One

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TOP TEN REASONS TO OWN UTILTIES: SUPPORTING THE POWER SURGE

1) Electric demand growth to accelerate driven by data centers, electric vehicles and manufacturing onshoring.

2) Policy makers (politicians, society) supportive of infrastructure investment because AI is considered a national security and defense issue.

    a. New Administration eases regulations and environmental rules.

    b. Societal push for clean energy to continue.

3) Long runway of rate base investment (infrastructure investment).

4) Consolidation/Takeover could accelerate due to existing assets being more attractive.

5) Healthy earnings and dividend growth potential (5-7%) could ramp up.

6) Reasonable valuation of 19x 2025 P/E multiple (historical range 10-23x).

7) Competitive current return of 3.4%.

8) Financial engineering opportunities.

9) Potential for lower interest rates & economic slow-down.

10) Defensive profile insulated from tariff impacts.

CONCERNS

- AI data center related electric demand growth proves to be too optimistic.
- Potential for higher interest rates.
- Abrupt policy changes
- Equity raises to fund growth.
- Some utilities could mismanage growth.
- Weather event risks, particularly wildfires.

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