Q4 2024

Stock Performance

HIGHLIGHTS

- Interest rate headwinds throughout Q4 eroded the EEI Index's otherwise strong 2024 performance, resulting in a -4.8% return for the quarter. The EEI Index gained 19.1% for the year, above the Dow Jones Industrial Average (+15.0%) but short of the S&P 500 Index (+25.0%) and the Nasdaq Composite (+28.6%).
- Emerging data center demand for power remained the hottest topic across earnings calls and Wall Street's utility research. Prospects for a secular lift in the outlook for demand growth also come from increased electrification, reshoring of industry, and economic development across numerous service territories.
- Many utilities cited demand growth from data center deals in their Q3 earnings calls, held during Q4. But the industry has been reluctant to materially change long-term earnings growth guidance.
- Most of the industry has set a three- to five-year annual earnings growth target at 5-7% or 6-8% while offering a 3% to 4% dividend yield and dividend growth.

COMMENTARY

Interest rate headwinds throughout Q4 eroded the EEI Index's otherwise strong 2024 performance, resulting in a -4.8% loss for the quarter. Persistent strength in consumer-related economic data in Q4 supported the S&P 500 (+2.4%), the Dow Jones Industrials (+0.9%) and the Nasdaq Composite (+6.2%), although market strength was narrowly focused in consumer stocks and in tech shares that benefit from artificial intelligence (AI) optimism. Six of 10 market sectors closed in the red for the quarter. The EEI Index led all three major indices at the nine-month point but gave up some of that leadership in Q4. The EEI Index returned

I. Index Comparison (% Return)

Index	2018	2019	2020	2021	2022	2023	2024
EEI Index	3.7	25.8	-1.2	17.1	1.2	-8.7	19.1
Dow Jones Ind.	-3.5	25.3	9.7	21.0	-7.0	16.2	15.0
S&P 500	-4.4	31.5	18.4	28.7	-18.3	26.3	25.0
Nasdaq Comp.^	-3.9	35.2	43.6	21.4	-33.5	43.3	28.6

Calendar year returns shown for all periods, except where noted.
^Price gain/loss only. Other indices show total return.
Source: EEI Finance Department, S&P Global Market Intelligence

II. Category Comparison (% Return)

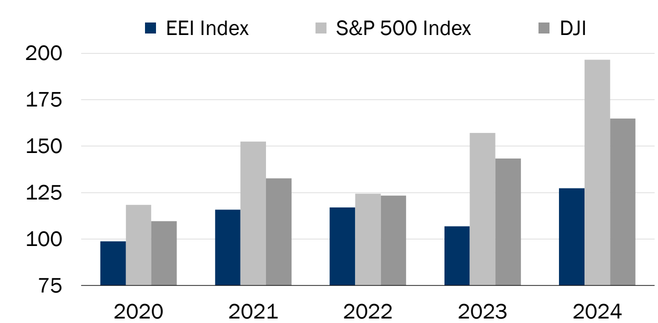
U.S. Investor-Owned Electric Utilities

Index	2018	2019	2020	2021	2022	2023	2024
All Companies	4.3	23.1	-8.1	17.6	2.7	-6.3	17.9
Regulated	4.5	24.6	-9.0	16.7	3.6	-3.9	18.7
Mostly Regulated	3.6	17.9	-4.9	21.1	-1.1	-22.5	12.4

Calendar year returns shown for all periods except where noted.
Returns shown here are unweighted averages of constituent company returns.
The EEI Index return shown in Table I above is cap-weighted.
Note: Diversified category eliminated in 2017 due to lack of constituent companies.
Source: EEI Finance Department, S&P Global Market Intelligence and company reports

III. Total Return Comparison

Value of $100 invested at close on 12/31/2019



Source: EEI Finance Department, S&P Global Market Intelligence

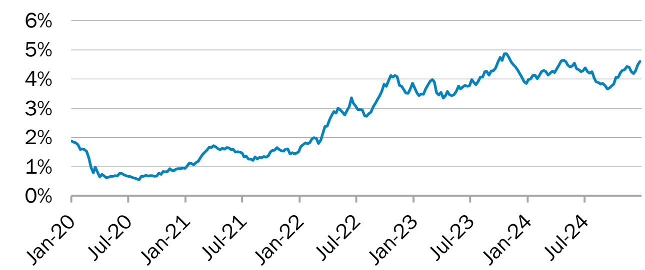
IV. 10-Year Treasury Yield — Monthly

Average Monthly Yield, 1/1/1981 through 12/31/2024

Source: U.S. Federal Reserve

V. 10-Year Treasury Yield — Weekly

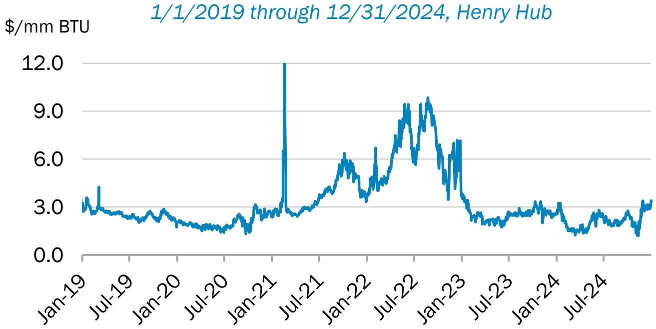
Weekly Yield, 1/1/2019 through 12/31/2024



Source: U.S. Federal Reserve

VI. Natural Gas Spot Prices

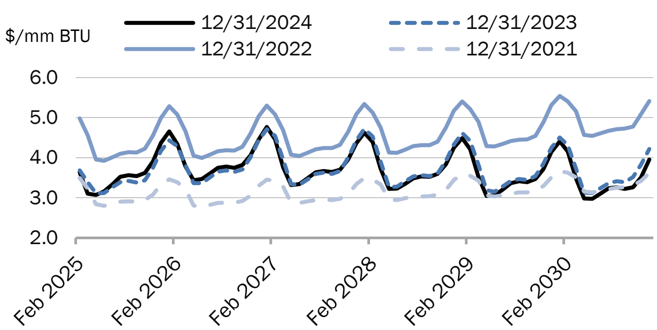
1/1/2019 through 12/31/2024, Henry Hub



Source: S&P Global Market Intelligence

VII. NYMEX Natural Gas Futures

2/2025 through 12/2030, Henry Hub



Source: S&P Global Market Intelligence

VIII. Returns by Quarter

U.S. Investor-Owned Electric Utilities

Index	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
EEI Index	4.8	-4.9	-6.7	8.8	-2.9	-3.0	-10.3	8.0	2.4	3.9	17.6	-4.8
Dow Jones Industrial	-4.0	-10.9	-6.2	15.8	0.9	4.0	-2.1	13.1	6.1	-1.3	8.7	0.9
S&P 500	-4.6	-16.1	-4.9	7.3	7.5	8.7	-3.3	11.7	10.6	4.3	5.9	2.4
Nasdaq Comp.^	-9.0	-23.0	-3.5	-1.6	16.8	12.8	-4.1	13.4	9.1	8.3	2.6	6.2

Category*	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
All Companies	5.2	-3.8	-8.3	10.7	-0.5	-2.7	-10.5	8.1	1.8	1.5	15.7	-1.4
Regulated	6.4	-3.6	-8.2	10.0	0.0	-2.5	-8.7	8.0	1.3	1.7	17.5	-1.9
Mostly Regulated	0.0	-5.0	-9.0	14.3	-3.8	-3.9	-23.3	9.2	4.7	0.4	5.8	1.1

^Price gain/(loss) only. Other indices show total return. / * Returns shown here are unweighted averages of constituent company returns. The EEI Index return shown above is cap-weighted.
Source: EEI Finance Department, S&P Global Market Intelligence

IX. Sector Comparison, Trailing 3 mo. Total Return

For the three-month period ending 12/31/2024

Sector	Total Return
Consumer Services	8.3%
Technology	6.4%
Consumer Goods	6.2%
Financials	5.1%
Telecommunications	-0.7%
Oil & Gas	-1.2%
Industrials	-1.2%
EEI Index	-4.8%
Utilities	-5.1%
Healthcare	-10.0%
Basic Materials	-14.1%

Note: Sector Comparison page based on the Dow Jones U.S. Indexes, which are market-capitalization-weighted indices.
Source: EEI Finance Dept., Dow Jones & Company, Google Finance, SeekingAlpha

X. Sector Comparison, Trailing 12 mo. Total Return

For the 12-month period ending 12/31/2024

Sector	Total Return
Technology	38.3%
Telecommunications	29.7%
Consumer Services	28.5%
Financials	26.6%
Utilities	24.2%
EEI Index	19.1%
Industrials	17.2%
Consumer Goods	15.6%
Oil & Gas	6.9%
Healthcare	2.5%
Basic Materials	-5.3%

Note: Sector Comparison page based on the Dow Jones U.S. Indexes, which are market-capitalization-weighted indices.
Source: EEI Finance Dept., Dow Jones & Company, Google Finance, SeekingAlpha

XI. Market Capitalization at December 31, 2024 (in $ Millions)

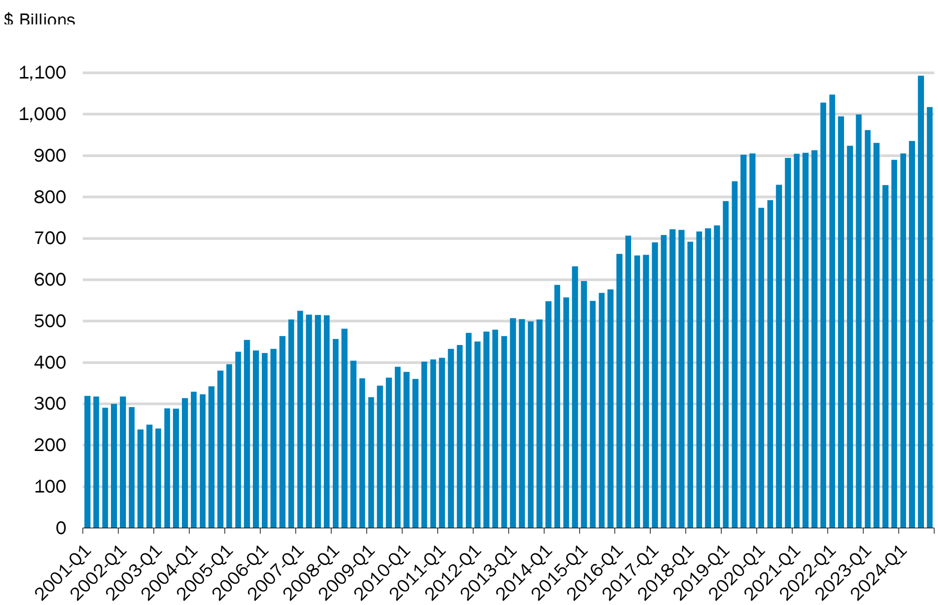
U.S. Investor-Owned Electric Utilities

Company	Stock Symbol	$ Market Cap	% Total	Company	Stock Symbol	$ Market Cap	% Total
NextEra Energy, Inc.	NEE	147,215	14.47%	CMS Energy Corporation	CMS	19,862	1.95%
Southern Company	SO	90,305	8.88%	NiSource Inc.	NI	16,612	1.63%
Duke Energy Corporation	DUK	83,175	8.18%	Alliant Energy Corporation	LNT	15,175	1.49%
Sempra	SRE	55,593	5.47%	Evergy, Inc.	EVRG	14,175	1.39%
American Electric Power Co., Inc.	AEP	49,086	4.83%	Pinnacle West Capital Corp.	PNW	9,641	0.95%
Dominion Energy, Inc.	D	45,189	4.44%	OGE Energy Corp.	OGE	8,287	0.81%
PG&E Corporation	PCG	43,125	4.24%	IDACORP, Inc.	IDA	5,834	0.57%
Public Service Enterpr. Group Inc.	PEG	42,076	4.14%	Portland General Electric Co.	POR	4,530	0.45%
Xcel Energy Inc.	XEL	38,081	3.74%	TXNM Energy, Inc.	TXNM	4,451	0.44%
Exelon Corporation	EXC	37,753	3.71%	Black Hills Corporation	BKH	4,126	0.41%
Entergy Corporation	ETR	32,453	3.19%	ALLETE, Inc.	ALE	3,745	0.37%
Edison International	EIX	30,898	3.04%	MDU Resources Group, Inc.	MDU	3,674	0.36%
Consolidated Edison, Inc.	ED	30,891	3.04%	MGE Energy, Inc.	MGEE	3,400	0.33%
WEC Energy Group, Inc.	WEC	29,735	2.92%	NorthWestern Corporation	NWE	3,277	0.32%
DTE Energy Company	DTE	24,995	2.46%	Otter Tail Corporation	OTTR	3,087	0.30%
PPL Corporation	PPL	23,963	2.36%	Avista Corporation	AVA	2,888	0.28%
Ameren Corporation	AEE	23,783	2.34%	Hawaiian Electric Industries, Inc.	HE	1,113	0.11%
FirstEnergy Corp.	FE	22,913	2.25%	Unitil Corporation	UTL	872	0.09%
Eversource Energy	ES	20,647	2.03%				
CenterPoint Energy, Inc.	CNP	20,555	2.02%	**Total Industry**		**1,017,179**	**100.00%**

Source: EEI Finance Dept., S&P Global Market Intelligence

XII. EEI Index Market Capitalization (at Period End)

U.S. Investor-Owned Electric Utilities



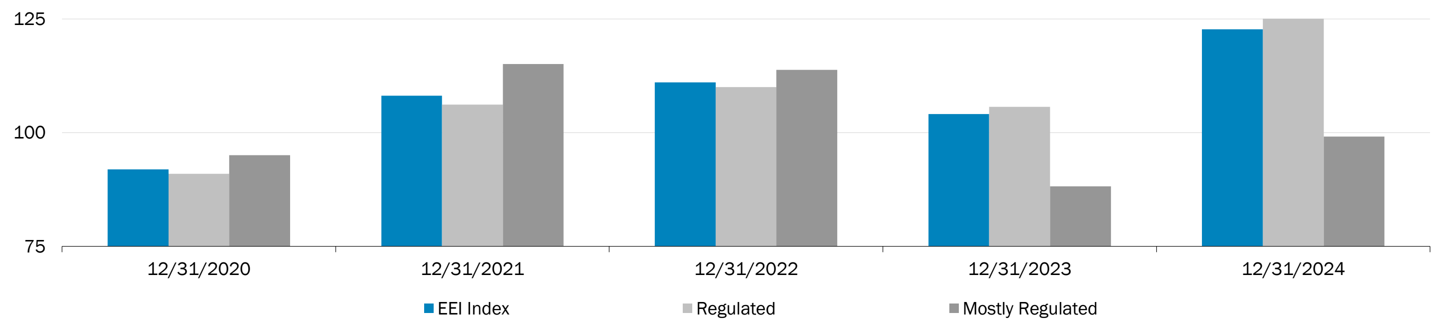
Note: Change in EEI Index market capitalization reflects the impact of buyout and spin-off activity in addition to stock market performance.
Source: EEI Finance Dept., S&P Global Market Intelligence

EEI Index Market Cap (in $ Billions)

2009-Q1	316	2017-Q1	690
2009-Q2	344	2017-Q2	708
2009-Q3	363	2017-Q3	722
2009-Q4	390	2017-Q4	720
2010-Q1	377	2018-Q1	692
2010-Q2	360	2018-Q2	716
2010-Q3	402	2018-Q3	725
2010-Q4	407	2018-Q4	731
2011-Q1	411	2019-Q1	790
2011-Q2	433	2019-Q2	838
2011-Q3	442	2019-Q3	902
2011-Q4	472	2019-Q4	905
2012-Q1	451	2020-Q1	773
2012-Q2	475	2020-Q2	792
2012-Q3	480	2020-Q3	830
2012-Q4	464	2020-Q4	894
2013-Q1	507	2021-Q1	905
2013-Q2	505	2021-Q2	907
2013-Q3	500	2021-Q3	913
2013-Q4	504	2021-Q4	1,028
2014-Q1	548	2022-Q1	1,047
2014-Q2	588	2022-Q2	995
2014-Q3	557	2022-Q3	924
2014-Q4	632	2022-Q4	1,000
2015-Q1	597	2023-Q1	962
2015-Q2	549	2023-Q2	931
2015-Q3	568	2023-Q3	829
2015-Q4	577	2023-Q4	890
2016-Q1	663	2024-Q1	906
2016-Q2	706	2024-Q2	935
2016-Q3	659	2024-Q3	1,093
2016-Q4	660	2024-Q4	1,017

XIII. Comparative Category Total Annual Returns

U.S. Investor-Owned Electric Utilities. Value of $100 invested at close on 12/31/2019



	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024
EEI Index Annual Return (%)		(8.07)	17.62	2.74	(6.30)	17.91
EEI Index Cumulative Return ($)	100.00	91.93	108.12	111.08	104.08	122.73
Regulated EEI Index Annual Return		(9.01)	16.72	3.59	(3.92)	18.74
Regulated EEI Index Cumulative Return	100.00	90.99	106.20	110.01	105.70	125.51
Mostly Regulated EEI Index Annual Return		(4.95)	21.09	(1.15)	(22.50)	12.44
Mostly Regulated EEI Index Cumulative Return	100.00	95.05	115.10	113.78	88.18	99.15

Calendar year returns shown, except where noted.
Diversified category eliminated in 2017 due to lack of constituent companies.
Returns are unweighted averages of constituent company returns.

19.1% for the year, above the Dow Jones Industrials (+15.0%) but short of the S&P 500 (+25.0%) and the Nasdaq (+28.6%).

Economic Strength Continues

Investor attention in Q4 focused on surprisingly strong economic data and on the Federal Reserve's rate decisions and rate outlooks. Donald Trump's victory in the November presidential election added to analytical uncertainties. His campaign promises to enact trade tariffs, tax cuts and immigration restrictions were widely viewed as potential accelerants of inflation pressures that could complicate Fed policy moves next year.

Economic strength surprised on the upside during most of 2024. Real GDP growth in Q1 was a sluggish 1.4%, but rose to 3.0% in Q2 and 3.1% in Q3. Resilient consumer and employment data suggested strength likely continued during Q4. Wall Street's corporate profit outlook remained optimistic as well. According to data sourced from Wall Street analysts and compiled by Zacks Investment Research as Q4 ended, full-year 2024 earnings for S&P 500 companies were expected to grow 8.1% year-over-year on a revenue gain of 2.0%. There was no recession in sight. Wall Street expected profit growth of 13.9% in 2025 on 5.5% revenue growth and a 13.5% profit gain in 2026 on 6.3% higher revenue.

Rates Rise Even as Fed Cuts

Utility investors (and income-focused equity investors more generally) suffered from the sharp rise in long-term yields in Q4. This was another macro trend that confounded mainstream forecasts. Wall Street thought long-term rates would fall as the Federal Reserve cut short-term rates by 50 basis points in September and 25 basis points in November and again in December — for 100 basis points of easing. Long-term yields had declined during four of the past six Fed easing cycles back to the late 1980s. They rose minimally in the other two. This time the 10-year Treasury yield rose 100 basis points, from 3.6% at the time of the Fed's September cut to 4.6% by the end of Q4. Economists said the strong economy has kept inflation from falling while boosting loan

XIV. EEI Index Top Ten Performers

For the 12-month period ending 12/31/2024

Company	% Return	Category
MDU Resources Group, Inc.	72.5	MR
Entergy Corporation	55.9	R
NiSource Inc.	43.2	R
Public Service Enterpr. Group Inc.	42.5	R
MGE Energy, Inc.	32.7	R
Ameren Corporation	27.4	R
PPL Corporation	24.0	R
OGE Energy Corp.	23.4	R
Evergy, Inc.	23.4	R
Pinnacle West Capital Corporation	23.3	R

Note: Return figures include capital gains and dividends.
R = Regulated, MR = Mostly Regulated
Source: EEI Finance Department

demand. Some also cited bond market concern over Washington's budget deficits. Even the Fed acknowledged its success against inflation stalled in Q4. The nationwide monthly CPI rose 2.4% in September, 2.6% in October and 2.7% in November — all above the Fed's 2.0% target. The CPI excluding the volatile food and energy components was higher, remaining above 3% in all three monthly reports. Fed guidance along with investors' outlook for further Fed rate cuts in 2025 shifted from four to only two, while anxiety over sticky inflation rose.

Data Centers in Spotlight

Electric utilities are the primary source for energy that will power AI, and the outlook for data center demand — which has taken everyone by surprise since ChatGPT's debut in late 2022 — remained the hottest topic across earnings calls, investor conferences and Wall Street's industry research. Analysts in Q4 referenced a McKinsey consulting firm study whose base case predicts data center demand will rise about 20% annually from 2023 to 2030, reaching 170 to 220 gigawatts (GW) from 60 GW today. McKinsey noted an alternate scenario could drive demand 27% higher annually to nearly 300 GW. Power sector consultant Grid Strategies in December published research sourced from utilities' FERC filings that said U.S. electricity demand could rise 128 GW over the next five years (with growth focused in six regions of the country). The firm called this a five-fold increase in its forecast from two years ago and said it would raise aggregate load growth to 3% annually in the decade's second half. Wall Street has also sought to quantify the data center-related demand boost to already rising outlooks, with estimates of 2% or more annual load growth through 2030.

Utilities Maintain Steady Outlooks

Many utilities cited prospects for demand growth from data center deals in their Q3 earnings calls, held during Q4. But the industry has been reluctant to materially change long-term earnings growth guidance. Most utilities maintained in Q3's earnings slide decks their 4-6%, 5-7% or 6-8% targeted five-year earnings growth range; only a few bumped their outlook up and those just a percentage point or so. Wall Street notes it's hard for larger utilities — given their size — to boost growth even with data centers. And not all utilities will benefit equally, as Grid Strategies noted. Wall Street and investors are looking to utilities' Q4 calls in January and February for refreshed outlooks.

While new demand is indisputably a good thing, utilities' caution to date is understandable. Rate structures need to be worked out so current ratepayers don't subsidize large data center needs. New infrastructure can't cannibalize existing capex programs focused on clean energy (which data centers want too). Strong load growth may pose challenges to the electric grid as coal plants retire, large-scale energy storage remains in development, and severe weather highlights the need for grid hardening. And many utilities are now planning new natural gas generation, just to keep pace with demand.

Utilities are also sensitive to bill inflation, often citing a strategic goal of keeping it at or below broader inflation. Years of low fuel commodity costs have helped finance clean energy capex by muting bill pressures. But if fuel costs rise, this may become more challenging. Coal and natural gas together still account for more than 60% of utility-scale power generation. Data center demand will make these fuels even more important.

Election Impact

Clean energy stocks took a hit in Q4 as Mr. Trump's presidential election win reduced probable federal policy support for renewables over the next four years. Utilities with renewables-focused growth stories were likely impacted too. Wall Street parsed Washington politics and broader congressional and senate election results to estimate whether Trump 2.0 would diminish the policy tailwinds that have sponsored clean energy-related capital spending for years. Wall Street noted most economic stimulus from 2022's Inflation Reduction Act (IRA) accrue to so-called "red states" and repeal of the IRA was unlikely. And much of the support for renewables comes from states' renewable portfolio standards, whose broad-based local political and public approval has translated into regulatory support as long as bill pressures are contained. Analysts also noted wind and solar remain the lowest-cost power sources in many regions.

An Upside Bias

Prospects for higher demand growth come from more than data centers and AI. Increased electrification of transportation, reshoring of industry, and economic development across numerous service territories are factors too. The longer-term analytical bias for industry growth seems to be on the upside. Investors' bullishness over the past year has been focused on beneficiaries of the AI boom. Utilities may increasingly be seen as an AI beneficiary too. If they are, that may be a spark for broadened investor interest.

In the meantime, utility stock moves seem likely to be shaped by old-school analytical mainstays — macro trends and rate review outcomes. Both can surprise, but macro most of all. Falling yields are a tailwind. Rising yields a headwind. If the economy falters, other sectors will probably suffer more — especially in terms of earnings. No matter what happens to GDP, everyone wants the lights on.■