

Portland General Electric Company

Recalibrating the EPS growth outlook to 5%: Downgrade to Neutral

Rating Change: NEUTRAL | PO: 43.00 USD | Price: 41.71 USD

Lowering ambitious EPS estimates

We downgrade shares of Oregon regulated utility Portland General Electric (POR) to Neutral from Buy as we reduce our EPS estimates to be more in-line with Consensus. We lower our rate base, capex, and earned return estimates and now forecast ~5% EPS growth (11% rate base growth) vs ~6% previously (12% previously). This is despite embedding ~\$200Mn incremental annual transmission capex in 2026+. With below-average growth and above-average risk we view the embedded -10% discount as appropriate for now given 'capex swap' likely from generation spend to transmission likely ahead (yes: more certain spend but renewed focus on affordability worth noting). Weaker '24 start considering winter storm power costs a risk too. Lower our PO from \$55 to \$43 reflecting the decline in utility sector valuations and lower EPS forecasts.

FY23 EPS miss guidance but FY24 roughly intact for now

We preview a weaker 4Q23/FY23 as the guidance that was revised lower still had ambitious assumptions ([background here](#)). \$0.85 4Q23 BofAe forecast is below the \$0.90-\$0.95 guidance range leading to FY23 \$2.55, in-line with \$2.56 Consensus and similarly light of \$2.60-\$2.65 reduced guidance (\$2.60-\$2.75 originally). For FY24 we anticipate +~20% strong recovery to \$3.04, within 1% of implied \$3.08 guidance and \$3.06 Consensus, critically assuming no further power cost losses; downside bias exists.

Higher EPS variability from power costs and equity needs

The last rate case made strides in reducing earnings volatility related to power price volatility, particularly around Reliability Contingency Events (RCEs). Despite this, there is an added layer of complexity and uncertainty for POR's current year earnings from scarcity events that the company has little control over. To support the forecasted 11% rate base CAGR, we estimate that POR may need to issue ~\$250Mn annual equity, representing 2-3% of average volume and 6% of market cap. A high reliance on large equity offerings is neither new nor unique in the sector for high rate base growth utilities; however, this amplifies the earnings per share volatility embedded.

Wildfire risk hard to disprove and affirms a discount

Consistent feedback from utility-focused and generalist investors offer muted appetite for small cap electric utilities in high risk wildfire areas, including Oregon ([see Federal state ranking here](#)). While POR management has been proactive in mitigation efforts, the *PacifiCorp Oregon jury trial datapoints in 2023-2024 are frequently cited by investors here*.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	2.72	2.74	2.55	3.04	3.17
EPS Change (YoY)	58.1%	0.7%	-6.9%	19.2%	4.3%
Consensus EPS (Bloomberg)			2.56	3.06	3.21
DPS	1.70	1.79	1.88	1.97	2.07
Valuation (Dec)					
P/E	15.3x	15.2x	16.4x	13.7x	13.2x
Dividend Yield	4.1%	4.3%	4.5%	4.7%	5.0%
EV / EBITDA*	12.8x	12.3x	11.1x	9.9x	8.8x
Free Cash Flow Yield*	-2.6%	-2.3%	-23.3%	-7.0%	-14.9%

* For full definitions of *IQmethod*SM measures, see page 10.

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Timestamp: 05 February 2024 06:00AM EST

05 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Inv. Opinion	B-1-7	B-2-7
Inv. Rating	BUY	NEUTRAL
Price Obj.	55.00	43.00
2023E Rev (m)	2,419.3	2,400.4
2024E Rev (m)	2,612.7	2,557.1
2025E Rev (m)	2,741.0	2,714.1
2023E EPS	2.87	2.55
2024E EPS	3.18	3.04
2025E EPS	3.41	3.17

Julien Dumoulin-Smith

Research Analyst
BofAS
+1 646 855 5855
julien.dumoulin-smith@bofa.com

Paul Zimbardo

Research Analyst
BofAS
+1 646 855 1470
paul.zimbardo@bofa.com

Tanner W. James, CFA

Research Analyst
BofAS
tanner.w.james@bofa.com

Stock Data

Price	41.71 USD
Price Objective	43.00 USD
Date Established	5-Feb-2024
Investment Opinion	B-2-7
52-Week Range	38.01 USD - 51.58 USD
Mkt Val (mn) / Shares Out (mn)	4,072 USD / 97.6
Free Float	99.5%
Average Daily Value (mn)	42.78 USD
BofA Ticker / Exchange	POR / NYS
Bloomberg / Reuters	POR US / POR.N
ROE (2023E)	8.1%
Net Dbt to Eqty (Dec-2022A)	125.3%
ESGMeter TM	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

iQprofileSM Portland General Electric Company

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	3.9%	3.8%	3.8%	4.2%	4.3%
Return on Equity	9.2%	8.5%	8.1%	9.1%	9.0%
Operating Margin	15.8%	15.0%	18.4%	20.8%	21.7%
Free Cash Flow	(104)	(92)	(951)	(284)	(606)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	2.2x	2.9x	2.1x	2.4x	2.4x
Asset Replacement Ratio	1.6x	1.8x	3.2x	2.2x	2.7x
Tax Rate	8.6%	14.3%	15.0%	15.0%	15.0%
Net Debt-to-Equity Ratio	119.4%	125.3%	105.6%	119.7%	116.2%
Interest Cover	2.8x	2.5x	2.6x	3.0x	2.9x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	2,396	2,647	2,400	2,557	2,714
% Change	11.7%	10.5%	-9.3%	6.5%	6.1%
Gross Profit	NA	NA	NA	NA	NA
% Change	NA	NA	NA	NA	NA
EBITDA	782	814	899	1,016	1,133
% Change	8.2%	4.1%	10.4%	13.0%	11.5%
Net Interest & Other Income	(137)	(156)	(170)	(179)	(202)
Net Income (Adjusted)	244	233	251	320	352
% Change	57.8%	-4.5%	7.8%	27.5%	9.8%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	244	233	251	320	352
Depreciation & Amortization	404	417	457	485	543
Change in Working Capital	(64)	71	(122)	(26)	(22)
Deferred Taxation Charge	5	6	3	2	1
Other Adjustments, Net	(57)	(53)	(65)	(15)	(15)
Capital Expenditure	(636)	(766)	(1,475)	(1,050)	(1,465)
Free Cash Flow	-104	-92	-951	-284	-606
% Change	52.1%	11.5%	-933.5%	70.1%	-113.4%
Share / Issue Repurchase	0	(18)	543	171	381
Cost of Dividends Paid	(150)	(158)	(180)	(207)	(229)
Change in Debt	90	360	652	455	671

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	52	165	715	350	566
Trade Receivables	329	398	442	478	514
Other Current Assets	307	647	650	653	658
Property, Plant & Equipment	8,005	8,465	8,984	10,049	10,971
Other Non-Current Assets	801	784	784	784	784
Total Assets	9,494	10,459	11,576	12,314	13,493
Short-Term Debt	0	260	308	341	389
Other Current Liabilities	768	1,236	1,161	1,174	1,193
Long-Term Debt	3,285	3,386	3,990	4,412	5,035
Other Non-Current Liabilities	2,734	2,798	2,801	2,803	2,803
Total Liabilities	6,787	7,680	8,260	8,729	9,420
Total Equity	2,707	2,779	3,393	3,677	4,180
Total Equity & Liabilities	9,494	10,459	11,654	12,407	13,601

* For full definitions of iQmethodSM measures, see page 10.

Company Sector

Electric Utilities

Company Description

Portland General Electric Company is a vertically integrated electric utility based in Portland, Oregon. POR serves over 925,000 customers with over 3.3GW of generation. POR's goal is to have 100% clean energy by 2040 and -80 reduction in greenhouse gas emissions by 2030.

Investment Rationale

We rate Portland General Electric (POR) shares Neutral with a balanced risk/reward. Portland offers above-average rate base growth that is diluted down by significant dilution required. The embedded discount is appropriate when reflecting the uncertainty for future competition of renewables, and power cost volatility.

Stock Data

Average Daily Volume

1,018,296

Quarterly Earnings Estimates

	2022	2023
Q1	0.67A	0.80A
Q2	0.72A	0.45A
Q3	0.65A	0.46A
Q4	0.56A	0.84E

Reflecting slower growth w/ discount fair

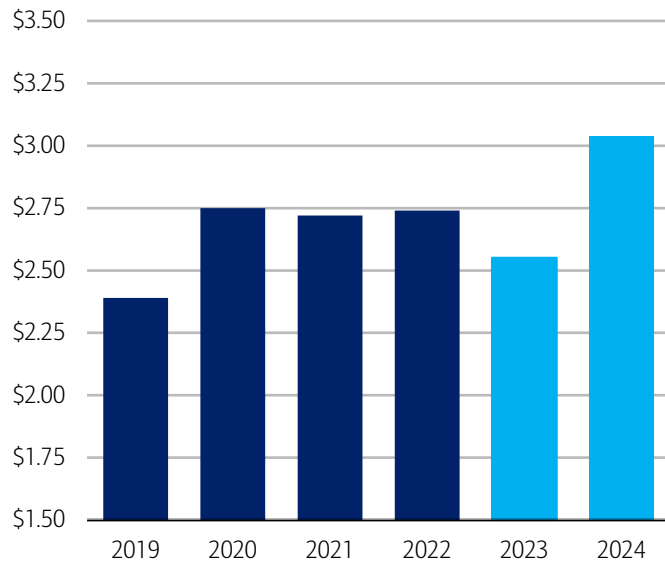
Portland only underperformed the broad utilities sector -1pp in 2023 with outsized volatility: +9pp through May before -15pp into November and a +4pp recovery in December. POR is -2pp relative in early 2024 trading which we attribute to the expected weaker 4Q23/FY23 and FY24 uncertainty. **When compared versus small cap peers (excluding Hawaiian Electric [HE]), POR is approximately flat since January 2023.** If Portland General can achieve our ~\$3 EPS in 2024 with the benefit of the rate case, there will be a ~5% EPS CAGR from 2019 but a period of flat to declining earnings in 2020-2023, if adjusting out the ~\$1/sh 2020 trading loss. We believe our prior estimates were ambitious on the pace of capital expenditures, reduction of regulatory lag, and realized sales growth. As we lower our forecast, we now have estimates that are more consistent with Consensus (see Exhibits 3-6) and view shares as more fairly valued. Drivers for the reduction include the 3Q23 earnings update reduced sales growth outlook, anticipated miss of 4Q23/FY23 guidance, and an overall pushout of renewables development. Our prior view was that the ability to deliver approximately average ~6% EPS growth implied shares traded at too deep of a discount. With below average EPS growth and execution requirements in competitive procurements, the risk/reward is more balanced. We perceive an ongoing fixation on ensuring customer affordability and could very well see some degree of slowing in renewable procurement. In tandem, we perceive transmission spend (clearly a necessary parallel that has been in planning for some time) could very well serve to bolster the outlook. Regardless, even on our moderated ratebase outlook (~11% vs prior of ~12%) could still prove a notch too high relative to a ~double-digit type 'cap'.

Investors lingering concerns about power/wildfire exposure are another factor justifying the discounted valuation. Our credit colleague Antoine Aurimond provides background on peer PacifiCorp's wildfire liabilities arising from jury trials and settlements: [Berkshire Hathaway Energy Company: Initiating on PacifiCorp with OW and on BRKHEC HoldCo with MW 18 January 2024](#). We emphasize that POR does not have wildfire claims pending but the elevated wildfire risk is an unfavorable characteristic for small cap electric utilities in the Western US. We stress a likely mixed 4Q update ahead considering unknown Winter weather power costs as a further downside bias in our current year estimates that are likely 1x in nature: we appreciate much of the elevated costs incurred are likely to be recovered under a novel element of the PCAM cost recovery mechanism. Regardless, likely impact, even though muted, emphasizes the need for further regulatory reform in its subsequent rate case remains a priority.



Exhibit 1: POR Adjusted EPS 2019-2024. 2023-2024 BofAe

Earnings have been flat to down 2020-2023 for a variety of reasons

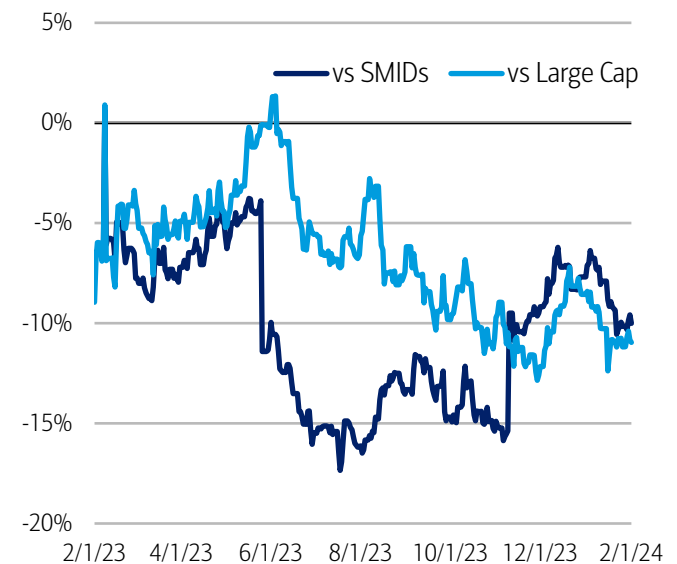


Source: Company Filings, Bloomberg, & BofA Global Research

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Exhibit 2: POR Relative 2025E P/E versus Similar P/E Peers (Dark Blue) and Overall Utilities Index (Light Blue)

The relative valuation has differed significantly depending on comps used



Source: Company Filings, Bloomberg, & BofA Global Research

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Giving credit for robust rate base growth

Our simplified mini-model approach shows that we include ~\$500Mn incremental rate base in 2026 versus management's upside case due to ~\$200Mn additional transmission capex and probability of wins in competitive solicitations. With a lower sales benefit, more regulatory lag, and dilution (~\$41/sh price assumption vs ~\$45/sh price previously) the path to the 6% EPS growth is more difficult to achieve in our view. If management can control costs tighter and return to 3%+ sales growth vs ~2% projections, those would be positive factors. Ability to moderate bill inflation appears as critical as ever considering the robust ratebase growth.

Exhibit 3: Portland General Electric Rate Base Mini Model

11% average rate base growth is diluted down to ~5% EPS growth – but 11% itself may still be robust too

POR Snapshot

	2022	2023	2024	2025	2026	2027	2028	CAGR
Average Rate Base - BofA	5,685	6,330	6,880	7,796	8,723	9,599	10,424	11.0%
Average Rate Base - Guidance Base Case	5,600	5,600	6,800	7,300	7,700	8,000		7.4%
Average Rate Base - Guidance Upside Case	5,600	5,600	6,800	7,400	8,200	8,600		9.0%
Capex (Mgmt Base Forecast) + Transmission	758	1,360	810	800	1,016	1,016	1,016	6.0%
Battery Capex (Seaside)		75	130	155				
Battery Capex (Evergreen)		40	110					
'Base' Capex - BofA	758	1,475	1,050	955	1,016	1,016	1,016	
Total Capex - Guidance Base Case	758	1,475	1,050	955	800	800		
BofA Extra RFP Capex (Renewables + Storage)				510	510	510	510	
Depreciation	417	457	499	550	599	650	701	9.3%
Allowed ROE	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	
Sales Benefit	0.68%	0.86%	0.69%	0.55%	0.50%	0.50%	0.46%	
Regulatory Lag/Power Cost	-1.54%	-2.42%	-0.87%	-1.00%	-1.02%	-0.90%	-0.90%	
Assumed Earned ROE	8.64%	7.94%	9.31%	9.05%	8.98%	9.10%	9.06%	1.0%
Guidance on Equity	8.9-9.4%	8.3-8.5%						
Equity Ratio	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	
Net Income	245.6	251.3	320.4	352.7	391.8	436.6	472.4	12.2%
Mini Model EPS	\$2.74	\$2.55	\$3.04	\$3.18	\$3.31	\$3.52	\$3.71	5.2%
Main Model EPS	\$2.74	\$2.55	\$3.04	\$3.17	\$3.32	\$3.52	\$3.72	5.2%
Consensus	\$2.78	\$2.56	\$3.06	\$3.21	\$3.34	\$3.49	\$3.65	4.6%
BofA vs Consensus	-1.4%	-0.2%	-0.5%	-1.1%	-0.8%	-1.1%	-1.8%	11.5%
Guidance Midpoint	\$2.739	\$2.63	\$3.08	\$3.26	\$3.46	\$3.67	\$3.85	6.0%
BofA vs Guidance	0.0%	-2.8%	-1.3%	-2.7%	-4.4%	-3.9%	-3.7%	
Base Shares Outstanding	89.6	98.5	105.4	105.8	109.5	113.0	116.4	4.7%

Exhibit 3: Portland General Electric Rate Base Mini Mode

11% average rate base growth is diluted down to ~5% EPS growth – but 11% itself may still be robust too

POR Snapshot

	2022	2023	2024	2025	2026	2027	2028	CAGR
Extra RFP Shares				5	9	11	11	
Average Shares Outstanding	89.6	98.5	105.4	111.0	118.4	123.9	127.3	6.7%
GAAP Equity Ratio BofAe: Regulatory ~100bp higher	43.3%	44.1%	43.6%	43.5%	44.5%	45.3%	45.1%	0.9%
FFO / Debt	15.17%	11.47%	15.45%	14.98%	15.82%	16.66%	17.18%	1.9%

Source: Company Filings, Bloomberg, & BofA Global Research

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FY23 Adjusted EPS Drivers

We lower our FY23 adjusted EPS to \$2.55, below the \$2.60 guidance low-end to reflect pressures from higher power costs and less operating cost control than our initial expectations.

Exhibit 4: POR 2023 Earnings Drivers

Less net variable power cost improvement is expected in 4Q23 versus management's guidance

POR 2023 Earnings Drivers	EPS	1Q	2Q	3Q	4Q
Adjusted EPS - Prior Year	2.74	\$0.81	0.72	0.65	0.56
Load Growth	0.55	0.22	0.16	0.09	0.09
Customer Price Mix	(0.22)	0.05	-	(0.27)	
Net Variable Power Costs - Prior	0.27		(0.19)	0.27	0.19
Net Variable Power Costs - Current	(0.09)	(0.18)	(0.04)	(0.07)	0.21
Load Impact on Power Cost	(0.08)	(0.08)		-	
Operating Expense: ~Flat YoY Guide	(0.16)		(0.09)	(0.02)	(0.05)
Clearwater AFUDC	0.06	0.02	0.00	0.00	0.04
Non-Qualified Benefit Trust: Benefit in 2023	0.09	0.04	0.03	0.02	
D&A Expense with Faraday	(0.21)	(0.04)	(0.05)	(0.06)	(0.06)
Interest Expense	(0.16)	(0.05)	(0.03)	(0.03)	(0.05)
Medical Plan Buyout in 3Q22	(0.10)			(0.10)	
Income Tax in 3Q22	0.04			0.04	
Dilution	(0.22)	(0.03)	(0.06)	(0.07)	(0.06)
Other	0.04	0.04	(0.01)	0.02	(0.01)
Adjusted EPS - 2023	\$2.55	\$0.80	\$0.44	\$0.46	\$0.85
Consensus	\$2.56	\$0.79	\$0.49	\$0.46	\$0.89
BofA vs Consensus (%)	-0.1%	2.3%	-9.9%	0.2%	-4.3%
Guidance: FY23 Lowered during 2023	2.60-2.65				\$0.90-\$0.95
BofA vs Guidance (%)	-4.5%	0.2%	9.2%	-13.8%	-8.1%

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

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FY24 Adjusted EPS Drivers

We forecast FY24 within ~1% of \$3.06 Consensus and \$3.08 implied 6% 2022-2024 CAGR guidance (5.4% BofAe). The rate case is the critical driver with +\$0.35-\$0.45 net benefit plus the assumption of return towards more normal power cost conditions. Additional dilution with more upfront equity issuance continues to be a sizable drag from rate base growth, as indicated in Exhibit 3 as well.

Exhibit 5: POR 2024 Earnings Drivers

Strong EPS growth with the benefit of the favorable rate case.

POR 2024 Earnings Drivers	EPS	1Q	2Q	3Q	4Q
Adjusted EPS - Prior Year	\$2.55	\$0.80	0.44	0.46	0.85
Retail Revenue	1.57	0.48	0.32	0.31	0.46
Load Growth: ~2% @ +\$0.06 per 100bp	0.15	0.04	0.04	0.04	0.04
Net Variable Power Costs - Prior	0.09	0.18	0.04	0.07	(0.21)
Net Variable Power Costs - Current	(0.03)	(0.03)			
Load Impact on Power Cost	0.08	0.08	-	-	-
Operating Expense: Revenue Requirement Offset	(0.79)	(0.20)	(0.20)	(0.20)	(0.19)
Operating Expense: Core Inflation vs 1x in 2Q23	0.03	(0.01)	0.07	(0.01)	(0.01)
AFUDC ~Flat YoY	0.03	0.02	-	-	0.02
D&A Expense	(0.26)	(0.07)	(0.07)	(0.06)	(0.06)
Interest Expense	(0.21)	(0.05)	(0.05)	(0.05)	(0.05)
Income Taxes	0.00	0.00	0.00	(0.00)	(0.00)
Dilution	(0.17)	(0.09)	(0.03)	(0.02)	(0.03)
Other	-				



Exhibit 5: POR 2024 Earnings Drivers

Strong EPS growth with the benefit of the favorable rate case.

POR 2024 Earnings Drivers	EPS	1Q	2Q	3Q	4Q
Adjusted EPS - 2024	\$3.04	\$1.15	\$0.56	\$0.53	\$0.80
Consensus	\$3.06	\$0.98	\$0.60	\$0.63	\$0.82
BofA vs Consensus (%)	-0.5%	17.5%	-7.0%	-15.5%	-2.5%
Guidance - 6% midpoint from 2022	\$3.08				
BofA vs Guidance (%)	-1.2%	24.1%	21.2%	-13.5%	4.4%

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

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Adjusted EPS: Reducing estimates across the forecast

We lower FY23 adjusted EPS as discussed to reflect higher operating and power costs. Future years are negatively impacted by a slower pace of rate base development, reduced sales growth, higher regulatory lag (lower earned ROE), and additional dilution from a lower stock price. The 11-12% net income CAGR 2022-2028 is diluted down by 5-6% dilution to support the growth with the equity ratio still needing repair.

Exhibit 6: POR Financial Dashboard

New outlook has EPS growth towards the low-end of the 5-7% guidance range

POR Dashboard	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	'22-'28
Core EPS Estimate	\$2.39	\$1.72	\$2.72	\$2.74	\$2.55	\$3.04	\$3.17	\$3.32	\$3.52	\$3.71	5.2%
Guidance EPS: 5-7% 2022A Base	\$2.35 - \$2.50	\$2.35 - \$2.50	\$2.70 - \$2.85	\$2.74 - \$2.89	2.60 - 2.65	\$3.08	\$3.26	\$3.46	\$3.67	\$3.85	5.9%
BofA vs Guidance	-1.5%	-32.3%	-1.9%	0.0%	-2.8%	-1.3%	-3.0%	-4.1%	-4.0%	-3.8%	
Consensus EPS	\$2.39	\$2.39	\$2.76	\$2.78	\$2.56	\$3.06	\$3.21	\$3.34	\$3.49	\$3.65	4.9%
BofA vs Consensus	-0.1%	-27.9%	-1.3%	-1.5%	-0.2%	-0.6%	-1.5%	-0.6%	1.1%	1.7%	
BofA Change vs Prior					-11.1%	-4.5%	-7.1%	-5.8%	-4.0%	-4.7%	
DPS: 5-7% Guidance	\$1.54	\$1.61	\$1.70	\$1.79	\$1.88	\$1.97	\$2.07	\$2.17	\$2.27	\$2.38	4.9%
Dividend Payout Ratio: 60-70% Target	64.4%	93.2%	62.4%	65.3%	73.6%	64.8%	65.2%	65.3%	64.6%	64.24%	-1.0%
GAAP ROE	8.4%	5.9%	9.2%	9.0%	8.1%	9.1%	9.0%	9.0%	9.0%	8.95%	0.0%
Ratebase ROE	8.7%	6.0%	8.9%	8.5%	7.8%	8.8%	8.8%	8.9%	8.8%	8.81%	0.3%
GAAP Equity Ratio: Regulatory +-100bp	49.8%	45.0%	45.2%	43.3%	44.1%	43.6%	43.5%	44.5%	45.3%	45.0%	1.8%
FFO/Debt	22.1%	15.2%	15.6%	15.2%	11.5%	15.5%	15.0%	15.8%	16.7%	17.2%	2.0%

Source: Company Filings, Bloomberg, & BofA Global Research

BofA GLOBAL RESEARCH

Along with the more modest 5% EPS growth, we reduce our dividend growth expectation to be closer to 5% versus ~6% previously. This leads to a \$2.07 DPS down from \$2.10 previously.

The upcoming datapoints to watch will be the regulatory shortlist of 2023 request for proposal (RFP) submissions with final announcements likely in 3Q24.

Valuation: High single digit discount is fair

We lower our PO from \$55 to \$43 reflecting the decline in utility sector valuations and lower EPS forecasts. Our new \$43 PO is based on a 2026E 13.4x P/E versus 16.3x 2025 previously. We gross-up +5% to reflect capital appreciation across the sector, a consistent approach across the coverage universe. We value shares based on a 2026E P/E methodology applying a -1x discount which we believe is appropriate for the below-average growth profile that is based in part on success in forthcoming competitive generation solicitations. The above-average wildfire risk is a factor in the discount as well. The primary changes to our PO are:

- **Lower EPS -\$3/sh:** Reducing 2026 EPS to \$3.32 from \$3.52
- **Move to 2026 valuation year -\$2/sh:** Rolling to 2026 from 2025 with POR exhibiting below-average 5% EPS growth causing a weaker outlook. A company with average growth would be neutral on a roll-forward versus a company with premium growth would look relatively cheaper.
- **Utilities sector mark-to-market -\$7/sh:** Decline in comparable peer multiples to 13.4x 2026 vs ~15.3x in our last update.

Exhibit 7: Portland General Electric: 2026 Sum of the Parts Valuation

We rolled the valuation forward to 2026 with no change to the -1x discount or underlying valuation methodology.

Portland General Electric: 2026 Sum of the Parts Valuation

Base Electric P/E Calculation	Group Peer P/E		Group EPS CAGR		Group Valuation P/E	
	13.4x		5%		14.1x	
	13.4x	+	0.7x	=	14.1x	
Core Regulated Utilities	2026 EPS	Premium/(Discount)	Multiple Applied		\$/Sh per Share	
Portland General Electric	\$3.32	(1.0x)	13.1x		\$43.36	
Total POR Equity Value per Share	\$3.32	(1.1x)	13.0x	-8%	\$43.00	
POR Current Share Price (As of 02/01/24)					\$41.71	
Potential Price Return					3.1%	
FY1 Dividend Yield					4.7%	
Potential Total Return					7.8%	

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

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[US Utilities & IPPs: PowerPoints: ES Earnings, Brookfield Offshore Wind, & POR Rate Case](#)
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Primary Author

Julien Dumoulin-Smith
 Julien Dumoulin-Smith
 Julien Dumoulin-Smith
 Julien Dumoulin-Smith
 Julien Dumoulin-Smith
 Julien Dumoulin-Smith
 Julien Dumoulin-Smith

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06 November 2023
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 26 July 2023
 21 June 2023
 26 April 2023
 14 March 2023



Price objective basis & risk

Portland General Electric Company (POR)

Our \$43 price objective is based on our 2026E EPS estimate using the 13.4x electric peer P/E base multiple. We gross-up +5% to reflect capital appreciation across the sector, a consistent approach across the coverage universe. We value shares based on a 2025E P/E methodology applying a -1x discount which we believe is appropriate for the below-average growth profile that is based in part on success in forthcoming competitive generation solicitations.

Upside risks 1) constructive political, regulatory, or legislative changes 2) lower volatility in power costs in the PCAM and RCE, 3) no wildfires and other natural disasters, 4) ability to deploy capital, 5) ability to control opex to achieve the allowed rate of return, 6) lower interest rates, 7) favorable changes in equity issuance amounts and pricing, 8) load growth, 9) High RFP approvals, and 9) trading profits, and 10) higher non-qualified benefit trust performance. Downside risks are 1) challenging political, regulatory, or legislative changes 2) higher volatility in power costs in the PCAM and RCE, 3) wildfires and other natural disasters, 4) unable to deploy capital, 5) unable to control opex to achieve the allowed rate of return, 6) higher interest rates, 7) unfavorable changes in equity issuance amounts and pricing, 8) load contraction, 9) Low RFP approvals, and 9) trading or losses, and 10) poor non-qualified benefit trust performance.

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North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
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	Array Technologies	ARRY	ARRY US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	ENLT	ENLT US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	XENLF	ENLT IT	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Paul Zimbardo
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Julien Dumoulin-Smith
	MDU Resources Group, Inc.	MDU	MDU US	Julien Dumoulin-Smith
	Nextracker Inc	NXT	NXT US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Energy Group	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra	SRE	SRE US	Julien Dumoulin-Smith

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
	Vistra Corp	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	Paul Zimbardo
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Paul Zimbardo
	AltaGas	YALA	ALA CN	Cameron Lochridge
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Cameron Lochridge
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	New Fortress Energy	NFE	NFE US	Cameron Lochridge
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
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	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Julien Dumoulin-Smith
	TransAlta Corporation	YTA	TA CN	Julien Dumoulin-Smith
UNDERPERFORM				
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	Avangrid	AGR	AGR US	Paul Zimbardo
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith



iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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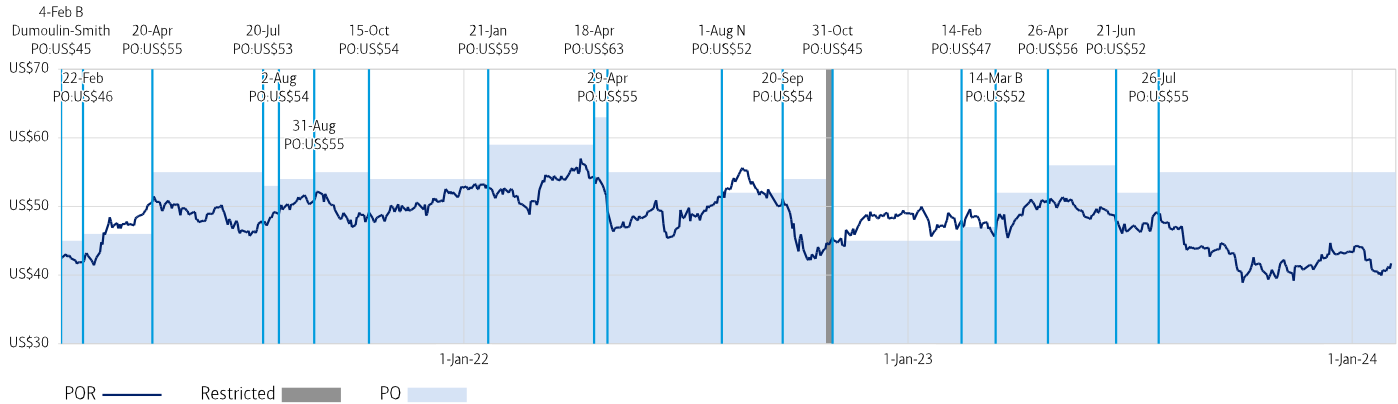
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Portland General (POR) Price Chart



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Equity Investment Rating Distribution: Utilities Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	72	46.45%	Buy	52	72.22%
Hold	45	29.03%	Hold	32	71.11%
Sell	38	24.52%	Sell	21	55.26%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
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Sell	807	22.84%	Sell	383	47.46%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
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Underperform	N/A	≥ 20%

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