

## US Utilities &amp; Clean Tech

**PowerPoints: NWE/MDU Review, HE Bank & Regulatory, and AGR Maine/CT Updates**

Industry Overview

**NWE/MDU: MT investigating cold weather performance**

On January 30, the Montana Public Service Commission (PSC) voted to exercise investigatory authority to obtain information on the performance of its two largest regulated utilities, NorthWestern Energy (NWE) and Montana-Dakota (MDU), during the severe winter weather event in mid-January. The PSC retains investigatory power in accordance with Docket 2022.09.087 to assess resource adequacy and risks to Montana's electric supply. The PSC sent a letter directly to NWE, with similar correspondence to follow to MDU, requesting information during the period from January 8-18 such as hourly balancing area load, hour imports and exports, hourly retail load obligation, hourly energy deliveries of generating plants and their variable expenses, hourly revenue, and other miscellaneous items. A primary item of concern in the Commission's investigation is likely to be the temporary outage of Colstrip, a coal-fired generation facility that NWE co-owns and has previously pointed to as a critical resource to abate out-of-state market purchases in periods of extreme cold. Colstrip's reliability in periods of frigid temperatures was cited as a justification for purchase and transfer of ownership of Colstrip's Units 3 & 4 from Avista Corporation, adding 222MW of dispatchable capacity to NorthWestern's portfolio. *See more details in the full report.*

**HE: Bank performance stabilizes in 4Q23**

American Savings Bank (ASB, Hawaiian Electric Industries [HEI/HE] subsidiary) reported \$3.2Mn 4Q23 earnings or \$16.2Mn excluding \$11Mn loss on investment sales and -\$2Mn on wildfire costs (\$0.15 EPS to HE). This compares with \$9.6Mn 4Q23 net income. Net interest income was \$1-2Mn below our expectations due to higher interest on deposit liabilities, mitigated by +\$1 higher other income. Employee comp and other non-interest expenses were flat YoY versus our expectation for inflationary increases, driving the benefit YoY. FY23 adjusted EPS to HE was \$0.66, at the top-end of the \$0.62-\$0.66 guidance range which was revised lower 2Q23 from \$0.75-\$0.85 initially. 2H23 \$0.31 represents \$0.62 annualized versus \$0.64 FY24 and \$0.65 FY25 BofAe as we assume a modest improvement in financial conditions at the bank over time. Net unrealized losses on securities favorably declined to -\$283Mn from -\$350Mn 9/30/23.

**ETR: \$10Bn data center coming to Mississippi (in the plan)**

Amazon web services (AWS) recently announced a \$10Bn data center investment in Mississippi in Entergy's service territory. Entergy stated that pro-forma this data center project will be not just the largest Entergy Mississippi customer but the most significant for consolidated Entergy. The project has three phases in January 2025 (Madison), January 2026 (Ridgeland), and January 2027 (Madison). Per media reports the increased demand could represent +33% of Entergy Mississippi's system: in 2021-2022 Entergy had ~13TWh of total retail sales and 16-17TWh including sales for resale. In Entergy's EEI presentation they include data center contribution in 2025-2026 but does not disclose the counterparties. Given the long lead time involved, we would suspect that this opportunity is in Entergy's plan but the key will be if there are other peers who follow. We maintain Buy on shares of ETR with a positive risk/reward profile.

31 January 2024

Equity  
United States  
Utilities & Clean Tech

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Timestamp: 31 January 2024 11:45AM EST

## NWE/MDU: Commission review represents short-term risk

According to the outgoing letter to NWE, the company had informed the Commission of a maintenance outage just prior to significant drops in temperature. Stakeholders such as the Montana Environment Information Center have publicly written that Colstrip was offline for at least portions of the severe weather event. Our discussions with management indicate that the length of the outage at Colstrip was not extensive, and that the company was able to secure power via imports from out of state, while also maintaining sufficient margin at other periods of time. Still, in our 4Q23 preview note, we detailed our assumptions for FY24 EPS, incorporating a -6c headwind to 1Q24 EPS for elevated power costs in conjunction with the expectation for elevated power imports during the January weather event.

[NorthWestern Energy Group: 4Q23 Preview: New name, same game for NorthWestern as capex accelerates 24 January 2024](#)

Details of what caused the outage, and to what degree if any the facility or fuel supply could have been mismanaged by any one of Colstrip's owners or operators, could result in elevated scrutiny from the Commission, which could materially impact regulatory outcomes in the near-term. While longer-term this could result in higher willingness of the Commission to consider prudence of new dispatchable natural gas generation to improve resource adequacy, we see this potential benefit as long-dated with no great visibility for several years. On balance, we view the PSC action as a small negative and look to commentary in NWE's reply to the commission and fourth quarter earnings call for more information.

Maintain Buy ratings on NWE and MDU with attractive valuations. Expect the focus on regional reliability in the PacNW to prove a consistent theme in 1H given the challenges highlighted on reliability in the latest winter storm. Expect this to prove a focus area for those with incomplete cost recovery like POR.

## HE: DOE funding delayed (Cont.)

Hawaiian Electric (HECO, HE subsidiary) recently filed about a delay with the Hawaii Public Utilities Commission (PUC) that the approval of the \$95Mn Department of Energy (DOE) grant award related to the Infrastructure Investment and Jobs Act (IIJA). HECO says that it does not expect the DOE grant before the end of February 2024 and plans to file the next update with the Commission by February 12, 2024 in Docket 2022-0135.

*We maintain Underperform on shares of HE where we continue to believe that not enough probability-adjusted potential wildfire liabilities are priced into shares. The bank results were better than expected in 4Q23 but we believe our FY24+ estimates are reasonable.*

[US Utilities & Clean Tech: Regulatory Rundown: Texas, Connecticut, Kentucky, West Virginia, Hawaii, & More 24 January 2024](#)

## AGR: Maine storage opportunity and Connecticut risk

### Maine utilities pursuing storage ownership

In Maine, Central Maine Power (Avangrid [AGR] subsidiary) and Versant Power (Enmax subsidiary - Private) are pursuing utility control or ownership of energy storage (Docket 2023-00316). The utilities stated that utility ownership would be a cost-effective solution and requested financial interests as part of their role. Maine has a goal of 300MW by YE25 and 400MW by YE30. Stakeholder filings have been mixed towards utility ownership as there is a debate whether energy storage is a prohibited generation asset. Avangrid states that the Maine Public Utilities Commission (PUC) does not need to determine whether storage is generation in this proceeding but does not believe that storage is generation. Responsive comments are due to the PUC by February 1<sup>st</sup>.

*PUC approval to own storage assets would represent another capital investment opportunity, although likely small. This would be positive for Avangrid.*

## Connecticut pursues enforcement action related to English Station

### commitments

Separately, Connecticut Attorney General (AG) William Tong filed an enforcement action against United Illuminating (AGR subsidiary) and held a press conference related to failure to remediate the English Station power plant site. Attending the press conference and quoted in the press release announcing the litigation were Katie Dykes (Commissioner of Energy and Environmental Protection), and state Senate President Pro Tempore Martin Looney (New Haven). The enforcement action is seeking a civil penalty of \$25,000 per day for each violation of the partial consent order. AGR released a statement that there were many inaccuracies made by Tong and is reviewing the situation.

*It is unclear what the potential start date for violations accruing and the number of relevant violations but we believe there is the potential for material liabilities from this enforcement action. We maintain Underperform on shares of Avangrid which are relatively expensive.*

[Avangrid: Fireside Chat Feedback: Working to get on EPS growth track – starting with 2024 11 January 2024](#)

### Exhibit 1: Primary stocks mentioned in this report

Prices and ratings for primary stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
NWE	NWE US	NorthWestern Energy	US\$ 48.57	B-1-7
MDU	MDU US	MDU Resources	US\$ 19.7	B-1-7
ETR	ETR US	Entergy Corp.	US\$ 100.25	B-1-7
AGR	AGR US	Avangrid	US\$ 30.67	A-3-7
HE	HE US	Hawaiian Electric	US\$ 13.27	C-3-9

Source: BofA Global Research

BofA GLOBAL RESEARCH

## Price objective basis & risk

### Avangrid (AGR)

Our \$31 PO is based on a 2026 sum of the parts analysis. The core utilities are valued on by applying discounts to the base sector P/E of 14.1x/14.2x for electric/gas due to below average growth and regulatory jurisdictions. Both electric and gas peer P/Es are grossed up +5% to reflect capital appreciation across the sector. The renewables are valued at approximately 10x EV/EBITDA, consistent with peers while offshore wind is valued using discounted cash flows at a 15% discount rate. Future potential value creation from the renewable development 'DevCo' is provided as well. Lastly parent/HoldCo financing offsets are netted-out.

Upside and downside risks to achievement of the PO and estimates are 1) earned ROEs and capital expenditures at the utilities, 2) utility capital expenditure forecasts, 3) regulatory/political/legislative outcomes, 4) equity and debt needs, 5) renewables construction - primarily offshore wind, 6) Iberdrola owns over 80% of AGR common stock, limiting float and presenting a potential for governance conflicts, despite the BoD being majority unaffiliated with Iberdrola. 7) natural disasters, 8) commodity and interest rate fluctuations, and 9) management changes.



**Entergy (ETR)**

Our \$113 price objective is based on a 2026 sum-of-the-parts analysis. The 2026E electric utilities 13.8x average P/E is grossed-up +5%, to reflect capital appreciation across the sector. We apply -1x discounts to Mississippi, New Orleans, and SERI to reflect elevated regulatory uncertainty. We value Louisiana at a -2x discount due to an even more challenging regulatory climate with elevated volatility versus jurisdictions. Texas has a +2x premium applied for premium growth potential. We net out 50% of the parent HoldCo long-term debt and apply a P/E multiple to 50% of the interest expense.

Upside risks are: (1) constructive regulatory, political, and legislative changes, (2) deploy capex consistent with guidance, (3) higher earned rates of returns at the jurisdictions, (4) lower interest rates, (5) equity issuances relative to mgmt's forecast and access to capital markets, (6) higher pension and nuclear decommissioning fund performance.

Downside risks are: (1) negative regulatory, political, and legislative changes, (2) natural or nuclear disasters including hurricanes, (3) inability to deploy capex consistent with guidance, (4) lower earned rates of returns at the jurisdictions, (5) higher interest rates, (6) equity issuances not in sync with mgmt's forecast and inability to access capital markets, (7) lower pension and nuclear decommissioning fund performance (8) nuclear accidents, and (9) mgmt turnover.

**Hawaiian Electric Industries (HE)**

Our \$7.00 PO for Hawaiian Electric Industries is based on a sum of the parts approach. We apply:

Regulated Utility: A 14.3x base 2025E sector peer forward mean P/E multiple is grossed up +5% to reflect capital appreciation across the sector. We apply a -10% discount to incorporate below-average growth profile and performance-based rates uncertainty related to achievement of performance incentive mechanisms (PIMs). We assume an approximate -\$18/sh post-tax liability on an uncertain 50/50 probability of \$5.4Bn property damage liable at the utility. There is no inverse condemnation of strict liability statute in HI, but see ongoing litigation risks from Maui fires.

Bank: A 2023E tangible book value median multiple of 1.2x in-line with small/mid-cap regional banking companies. Tangible book value calculation includes held-to-maturity unrealized gains and (losses).

HoldCo & Other: Pacific Current estimated asset value less associated net debt for Pacific Current and the HEI parent HoldCo.

Upside and downside risks are: 1) wildfire liabilities and litigation, 2) political, regulatory, and legislative changes, 3) capital expenditures, 4) inflation and operating costs, 5) bank loss reserves and margins, 6) non-interest income and interest income at the bank, 7) change in banking deposits, 8) commodity prices, 9) achievement of performance incentive mechanisms [PIMs], 10) pandemics, storms, and natural disasters, and 11) liquidity.

**MDU Resources Group, Inc. (MDU)**

Our \$23 PO is derived from SOTP. At the regulated electric and gas utilities, we use a P/E approach on our 2026 estimates and use peer multiples of 13.3x for electric and 13.9x for gas, we then gross this multiple by +5% to account for sectorwide EPS growth to derive a 12-month forward PO.

We value MDU's stake in publicly-traded Knife River (KNF) based on the latest reported price at the time of publishing, \$47.83.

We value the Construction Services business using a '25 EV/EBITDA estimate, applying a multiple of 9.2x based on an average of several publicly-traded specialty construction

services peers.

We value the Pipeline business using a '25 EV/EBITDA est., applying a multiple of 9.5x based on an average of several publicly-traded midstream peers.

We net out total parent drag and back out remaining non-regulated debt.

Upside risks are higher utility capex, improving margins at the construction business, and infrastructure stimulus. Downside risks are a macro downturn pressuring construction margins, and adverse rate case outcomes.

#### **NorthWestern Energy Group (NWE)**

Our \$55 price objective is based 2026E price/earnings (P/E) methodology. We apply the electric utility small and mid-cap sector P/E of 13.4x as a base then gross-up +5% to reflect capital appreciation across the sector. We value at an in-line multiple given improved regulatory treatment and our forecast for sector-average growth through the five-year planning period.

Risks to our price objective are changes in 1) regulatory, political, and legislative outcomes, 2) ability to recover costs and earn the regulatory allowed return on equity [ROE], 3) differences in future equity needs, 4) capital expenditure forecasts, 5) commodity and interest rates, 6) natural disasters and wildfires, and 7) management changes.

### **Analyst Certification**

We, Julien Dumoulin-Smith and Paul Zimbardo, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

## North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	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
	Portland General Electric Company	POR	POR 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
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	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
<b>NEUTRAL</b>				
	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
	Maxon 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
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW 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

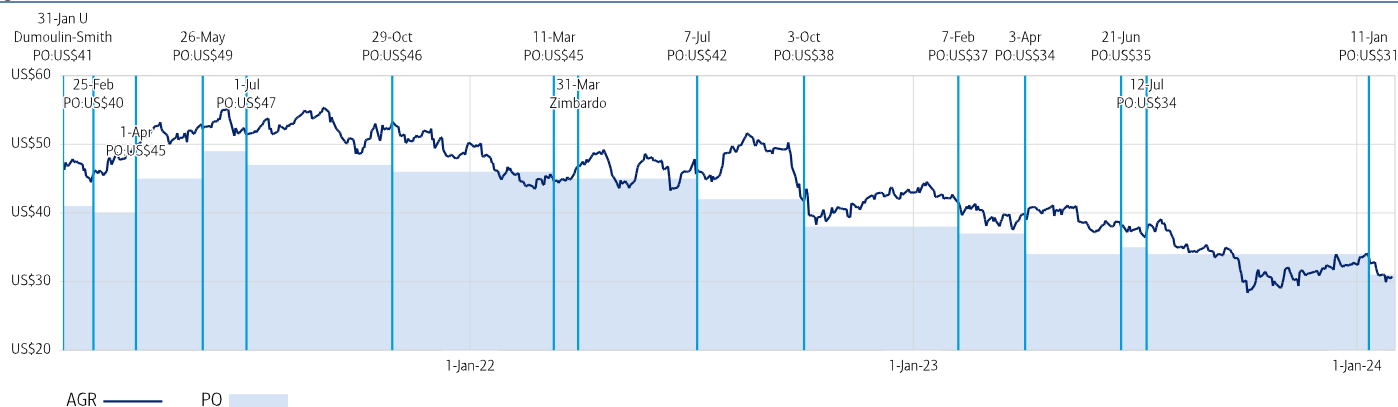
## North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>UNDERPERFORM</b>	Allete Inc	ALE	ALE US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	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

## Disclosures

## Important Disclosures

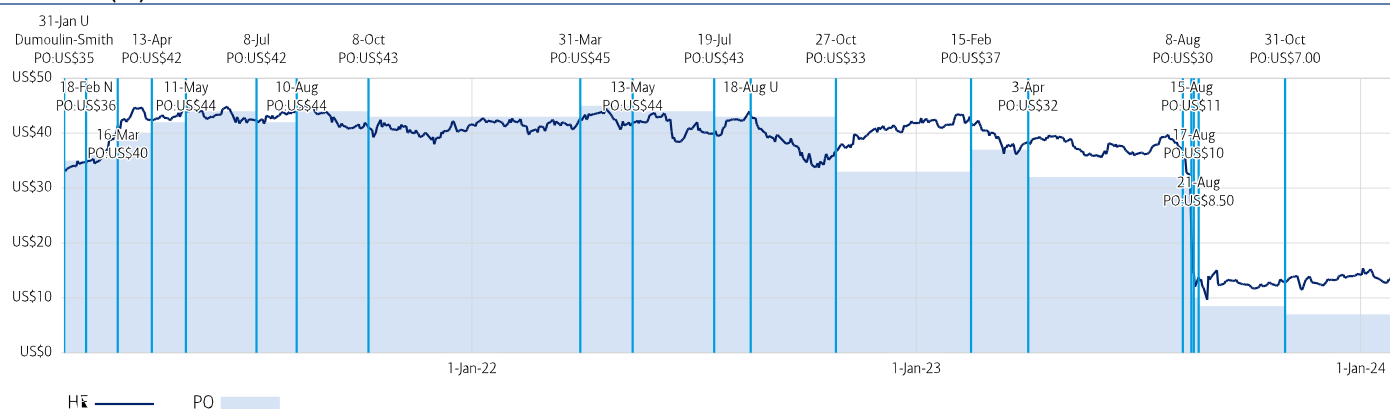
## Avangrid (AGR) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

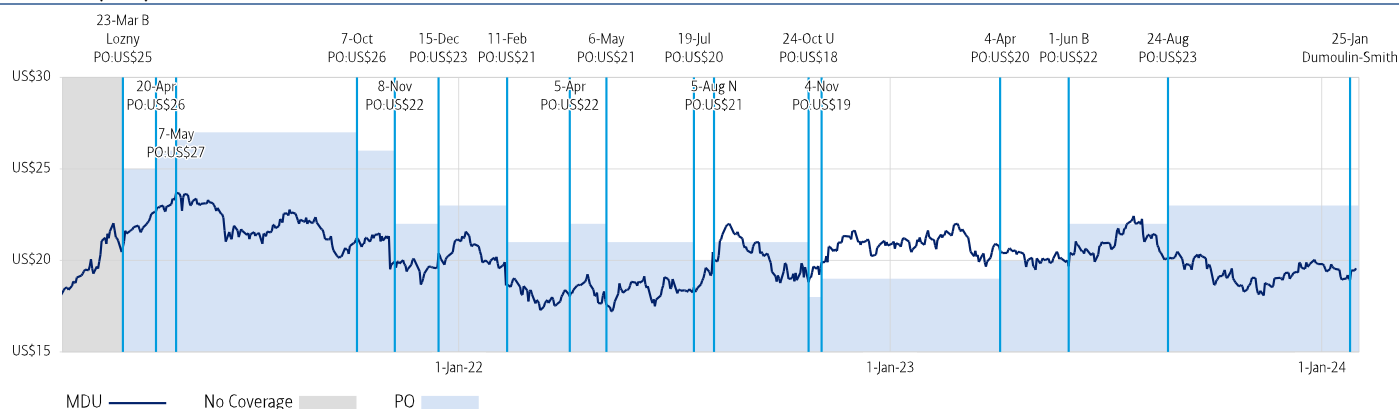
**Entergy Corp. (ETR) Price Chart**

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

**Hawaiian Electric (HE) Price Chart**

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

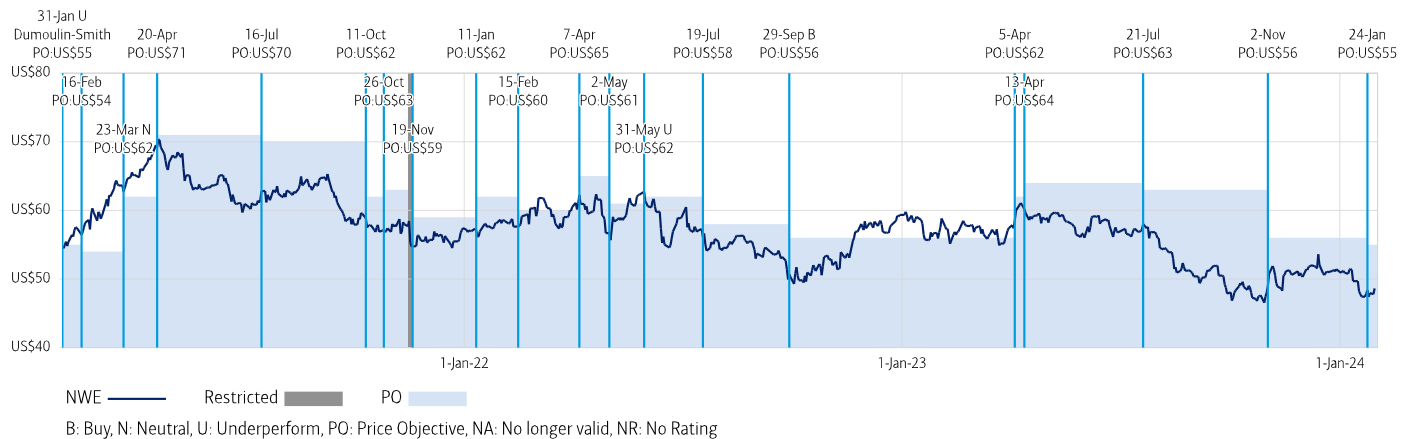
**MDU Resources (MDU) Price Chart**

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.



## NorthWestern Energy (NWE) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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 <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

**FUNDAMENTAL EQUITY OPINION KEY:** Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

**INCOME RATINGS**, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. **Coverage Cluster** is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Price Charts for the securities referenced in this research report are available on the [Price Charts website](#), or call 1-800-MERRILL to have them mailed.

BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: Avangrid, Entergy Corp., Hawaiian Electric, MDU Resources, NorthWestern Energy.

The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one of its affiliates: Avangrid, Entergy, NorthWestern Energy.

BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: Avangrid, Entergy, Hawaiian Electric, MDU Resources, NorthWestern Energy.

The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one of its affiliates: Avangrid, Entergy, Hawaiian Electric, MDU Resources, NorthWestern Energy.

BofAS or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: Avangrid, Entergy, NorthWestern Energy.

BofAS or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer or an affiliate of the issuer within the next three months: Avangrid, Entergy, NorthWestern Energy.

BofAS together with its affiliates beneficially owns one percent or more of the common stock of this issuer. If this report was issued on or after the 9th day of the month, it reflects the ownership position on the last day of the previous month. Reports issued before the 9th day of a month reflect the ownership position at the end of the second month preceding the date of the report: Entergy, NorthWestern Energy.

BofAS or one of its affiliates is willing to sell to, or buy from, clients the common equity of the issuer on a principal basis: Avangrid, Entergy Corp., Hawaiian Electric, MDU Resources, NorthWestern Energy.

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