

US Utilities & IPPs

PowerPoints: SO Rebase & Vogtle, AWK Guide Up, and NWE Earnings Beat

Industry Overview

SO: Lowering FY24 guidance and increase GA capex

Southern Company (SO) reported \$0.64 4Q23 adjusted EPS, a beat vs \$0.60 BofAe/Consensus. \$3.65 FY24 adjusted EPS at the top-end of the \$3.55-\$3.65 guidance range and ahead of \$3.61 BofAe/\$3.60 Consensus. FY24 adjusted EPS was moderated to \$3.95-\$4.05, now assuming new nuclear Vogtle Unit 4 is in-service in April 2024 vs ~March previously (negative -\$0.03 EPS). The 5-7% EPS growth rate was reaffirmed, seemingly from the slightly lower \$4.00 FY24 starting point. SO originally introduced FY24 adjusted EPS guidance of \$4.00-\$4.30 which was subsequently reduced to \$4.00-\$4.10 then \$3.95-\$4.10 and now \$3.95-\$4.05. From our investor conversations, the FY24 was not a surprise after the Vogtle delay but the long-term rebase lower was not expected. FY24 guidance has \$0.07 unfavorably higher parent costs (-\$0.71) versus FY23 guidance as well as -\$0.01 lower energy infrastructure, offset by +\$0.03 higher 'other'. The five-year capex program increased +\$5.5Bn +12% to \$48.5Bn 2024-2028 versus \$43.0Bn 2023-2027 with SO estimating a +6% rate base CAGR. In contrast to prior years, SO did not provide annual rate base by electric and gas segment. SO includes \$350Mn annual equity issuance in 2024-2026 (\$1,050Mn) to finance the +\$5.5Bn capex increase with the balance relating to debt. SO forecasts \$3.0Bn parent debt issuance in 2024, consistent with its 4Q22 projections but up from the \$1,000Bn from 3Q23 disclosure. Parent debt issuances also increase in 2025 to \$2.0Bn from \$1.0Bn and 2026 was initiated at \$2.5Bn. *The 4Q23 update was slightly negative with a rebase along with the introduction of equity versus an unchanged ~6% rate base growth profile. We maintain Neutral with shares trading approximately at fair value. See full report.*

AWK: Strong 4Q23 EPS & FY24 up on interest income

American Water Works (AWK) \$0.88 reported 4Q23 adjusted EPS beating \$0.85 BofAe and \$0.82 Consensus. FY23 similarly exceeded expectations \$4.90 vs \$4.87 BofA/\$4.83 Consensus. Relative to our forecast the FY23 drivers were +\$0.02 higher weather benefit, -\$0.11 O&M, +\$0.06 financing costs, and +\$0.05 other items. FY24 EPS guidance was increased +\$0.10 to \$5.20-\$5.30 vs \$5.20 BofAe and \$5.15 Consensus. The guidance increase is consistent with our expectations with +\$0.08 BofA related to from higher interest income from secured promissory note announced in February. AWK indicated that it will breakout how much of its earnings comes from the interest income on the note versus 'core' operations, indicating that it will not rebase its long-term EPS growth off the new higher level. The Q&A section of the conference call focused on potential for acquisitions, specifically Eversource's Aquarion. Management did not comment directly but stated a focus for constructive jurisdictions that it operates in currently, facts that would not support inorganic growth in a challenging jurisdiction.

The FY24 guidance increase is positive although expected after the 8K disclosure earlier this month. We look to learn more about the incremental lead and copper capital needs as well as related financing costs. We maintain Underperform on shares of AWK which are relatively expensive versus peers although this was a constructive earnings update.

Please see full report for more details on SO, AWK, and NWE.

BofA Securities does and seeks to do business with issuers covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Refer to important disclosures on page 6 to 10. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.

12660175

Timestamp: 15 February 2024 12:52PM EST

15 February 2024

Equity
United States
Utilities

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

Cameron Lochridge
Research Analyst
BofAS
+1 337 962 0696
cameron.lochridge@bofa.com

Tanner W. James, CFA
Research Analyst
BofAS
+1 646 855 2689
tanner.w.james@bofa.com

RCP: Reactor Coolant

SO: Vogtle uncertainty and higher Georgia capex (Cont.)

Vogtle progresses but warns of rework for Units 3 and 4

In the 10K SO disclosed that “In addition, any findings related to the root cause of the motor fault on the single Unit 4 RCP [reactor coolant pump] could require engineering changes or remediation related to the other seven Unit 3 and Unit 4 RCPs. Any further delays could result in a later in-service date and cost increases” SO announced Unit 4 reached self-sustained nuclear fission i.e. initial criticality on February 14th.

Capex increase substantially all Georgia

Southern Company's electric utilities now have a 6% rate base growth profile (+1pp) with natural gas 8% rate base growth (-2pp) leaving the 6% CAGR unchanged. Electric capex excluding Vogtle is +\$6Bn at \$39Bn (+18%) with natural gas -\$200Mn lower at \$8.8Bn. Southern Power is +\$200Mn higher and overall non state-regulated utility capex is minimally changed. **The spending increases are concentrated at Georgia Power +\$5.3Bn (+26%) of the \$5.5Bn total increase.** SO includes \$350Mn annual equity issuance in 2024-2026 (\$1,050Mn) to finance the +\$5.5Bn capex increase with the balance relating to SO forecasts \$3.0Bn parent debt issuance, consistent with its 4Q23 projections but up from the \$1,000Bn from 3Q23. Parent debt issuances also increase in 2025 to \$2.0Bn from \$1.0Bn and 2026 was initiated at \$2.5Bn.

2023 weather adjusted retail sales declined -40bp, similar to many regional peers with -50bp residential from a return-to-office shift. Off the new lower base, SO forecasts +1-2% sales in 2024-2025 followed by a substantial acceleration to 6% 2025-2028.

[Southern: Layering in the Whitespace: Remain Neutral, A Bit Early for Real EPS Upside 08 January 2024](#)

AWK: Capital program has upside (Cont.)

American Water disclosed \$3.1Bn FY24 capex versus \$2.9Bn 2023E and delivering \$2.7Bn actual 2023 capex. FY23 rate base increased +11% YoY to \$19.7Bn despite 2023 capex being below guidance by -\$200Mn. AWK maintained its 2024-2028 capex forecast in the presentation but added a qualifier about potential incremental spending related to Lead and Copper Rule improvements.

[PowerPoints: AWK NY Financing 08 February 2024](#)

NWE: 4Q23 strong performance to end important year

NorthWestern Energy Group (NWE) reported \$1.38 4Q23 adjusted EPS (GAAP \$1.37 including weather and Release of Natural Gas Safe Harbor tax benefit), significantly exceeding \$1.19 BofA and \$1.17 Consensus, as well as prior-year quarter \$1.13 (\$1.16 GAAP). Results include Higher utility margin added +18c to EPS YoY reflecting new permanent customer rates incremental to the interim rates charged in the last prior-year quarter. Mild weather a -6c headwind vs. normal. Lower operating costs (OG&A) a +3c benefit and better than our estimate for cost inflation of -1c EPS impact. Higher interest expense a -3c headwind YoY; higher depreciation a -4c headwind. Quarter included +11c impact from favorable income tax due to lower permanent or flow through adjustments. Higher outstanding share count drove EPS dilution of -5c YoY.

Reaffirmed FY24 guidance despite early 2024 power volatility

Management reaffirmed FY24 guidance of \$3.42-\$3.62 versus BofAe \$3.56 and Street \$3.51. *We are encouraged by the reaffirmed guidance given the extreme January weather event and potential impact of NWE needing to further tap electricity markets at a time of high price spikes and relative non-performance of wind and solar assets.* Recall, a widely reported outage at Colstrip had raised concern that NorthWestern's dependence on the market to meet customer needs could result in higher power costs. The storm prompted an inquiry from the Montana Public Service Commission (PSC) to request operating and financial information relating to resource supply. However, Unit 4's outage in the first few days of the winter storm related to planned maintenance that operator Talen Energy

(TLN – Not Covered) sought to address prior to the storm, with work completed and production fully ramped by January 16, when the hourly market price for electricity began to spike to beyond \$800/MWh. NWE views the PSC inquiry to be an opportunity to demonstrate to Montana's ongoing need for more firm power resources. *We expect this event could be a point of reference for upcoming NWE rate and prudence reviews for generating assets, as it demonstrates the precarious resource adequacy NWE manages to serve customers in periods of intense weather.*

[PowerPoints: Montana NWE/MDU Review 31 January 2024](#)

Other elements of NWE's long-term guidance remain unchanged; the company reiterated EPS and rate base growth of 4-6% from 2022 as specified in its base capital plan. NWE continues to not include equity issuance to fund its current five-year \$2.5Bn plan, and expects to maintain current ratings with funds from operations (FFO) /debt above 14% for 2024. NWE did for the first time formally acknowledge incremental opportunities for 6%+ EPS growth in its 4Q23 presentation slide deck, which include Federal-regulated transmission, incremental generation (subject to successful resource procurement bids), qualifying facility/power purchase agreement (PPA) buyouts, and electrification supporting economic development. We expect to the degree upside capital spending would be affected, NWE would likely need to fund some portion of the incremental capex via equity issuance, a commonality across our small cap utility coverage. *We expect more discussion of the upside opportunities and resource adequacy as it pertains to NWE's performance during January winter storm to follow on the 4Q23 call. Maintain Buy on attractive valuation and high visibility to EPS targets with incremental upside through the plan.*

BofA Global Research Reports

Title: Subtitle

Hydro One: Downgrading to Neutral; peer leading EPS CAGR fully recognized at current valuation
[Eversource Energy: More questions than answers after 4Q call and offshore wind transactions](#)
[US Clean Tech: US Solar and trade latest, Enphase feedback, Tigo reads and Fluence 1Q views](#)
[AES: Debating valuation, catalysts, and more. Can AES catch the datacenter halo?](#)
[US Utilities & Clean Tech: PowerPoints: AEP-Icahn, FE legal update, inflation/rates, Texas power, & AQN news](#)
[Vistra Corp: Yes, we see further upside, but execution is the key – Reiterate Buy](#)
[TransAlta Corporation: Screens attractive but setup complicated by Alberta power market dynamics](#)
[Duke Energy: Shares closer to fair value after strong run: Downgrade to Neutral](#)
[Eversource Energy: Framing the upcoming reset and equity issuances as we wait for offshore wind](#)
[Generac Holdings Inc.: Noodling on segment prospects into '24 – Stay Neutral, Raise PO. Key year to put up](#)
[US Utilities & IPPs: Power Points: FTS beat/MISO complexity; MDU FY24 guide conservative](#)
[FirstEnergy: Dialing up the capex: FE ramps up utility spending to offset coal mining & pension](#)

Primary Author

Julien Dumoulin-Smith
 Paul Zimbardo
 Julien Dumoulin-Smith
 Julien Dumoulin-Smith
 Julien Dumoulin-Smith
 Julien Dumoulin-Smith
 Julien Dumoulin-Smith
 Julien Dumoulin-Smith
 Julien Dumoulin-Smith
 Paul Zimbardo
 Julien Dumoulin-Smith
 Julien Dumoulin-Smith

Date Published

15 February 2024
 15 February 2024
 14 February 2024
 14 February 2024
 13 February 2024
 13 February 2024
 13 February 2024
 12 February 2024
 12 February 2024
 12 February 2024
 09 February 2024
 09 February 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
SO	SO US	Southern Company	US\$ 67.81	A-2-7
AWK	AWK US	American Water	US\$ 120.48	B-3-7
NWE	NWE US	NorthWestern Energy	US\$ 46.7	B-1-7

Source: BofA Global Research

BofA GLOBAL RESEARCH



Price objective basis & risk

American Water Works (AWK)

Our American Water Works (AWK) Price Objective of \$129 is based on a sum-of-the-parts methodology. The market-cap weighted base P/E is the water sector average 2026 19.9x excluding AWK. The base multiple is grossed-up +7% for the sector growth outlook. We apply an in-line multiple to the water utilities as AWK is the primary public water company and has a mix of favorable and unfavorable attributes that largely balance out.

Risks to achievement of the Price Objective (PO) and rating are changes in: 1) regulatory, legislative, and judicial outcomes, 2) ability to execute capital and operating expenditures forecasts, 3) equity needs and credit ratings, 5) pension returns, return on asset assumptions, and discount rates, 6) interest rates, 7) weather and access to water, 8) management changes, 9) military services growth, 10) stock price for exchangeable note, and 11) mergers and acquisitions.

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.

Southern Company (SO)

Our \$70 PO is derived from a sum-of-the-parts analysis (SOTP). We use a P/E valuation approach on 2026 estimates and use peer multiples of 14.2x for electric and 13.8x for gas, respectively (with dis/prem applied per asset depending on growth/risk): we then gross up these multiples by +5% to account for sector wide EPS growth to derive a 12-month forward PO. We also apply an adjustment factor to reflect slightly higher interest rate expectations than Street consensus. We subtract 50% of the 2026 parent interest expense multiple by an electric P/E peer multiple to reflect parent leverage supporting the utilities. We net out total parent drag and add back the remaining parent interest expense with a 50% weighting.

Upside/downside risks to achievement of the PO are: 1) Vogtle construction timing and costs, 2) regulatory, political, and legislative changes, 3) ability to earn the allowed rate of return, 4) changes to the capital expenditure forecast, 5) nuclear incidents, weather, and natural disasters, 6) rate of customer and sales growth, 7) O&M trends, 8) interest rates, 9) environmental policies and regulations, 10) M&A, and 11) interest rates.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my 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
BUY				
	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
	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
	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
	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
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
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	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
	Hydro One	YH	H CN	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	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
	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				
	Allete Inc	ALE	ALE US	Julien Dumoulin-Smith



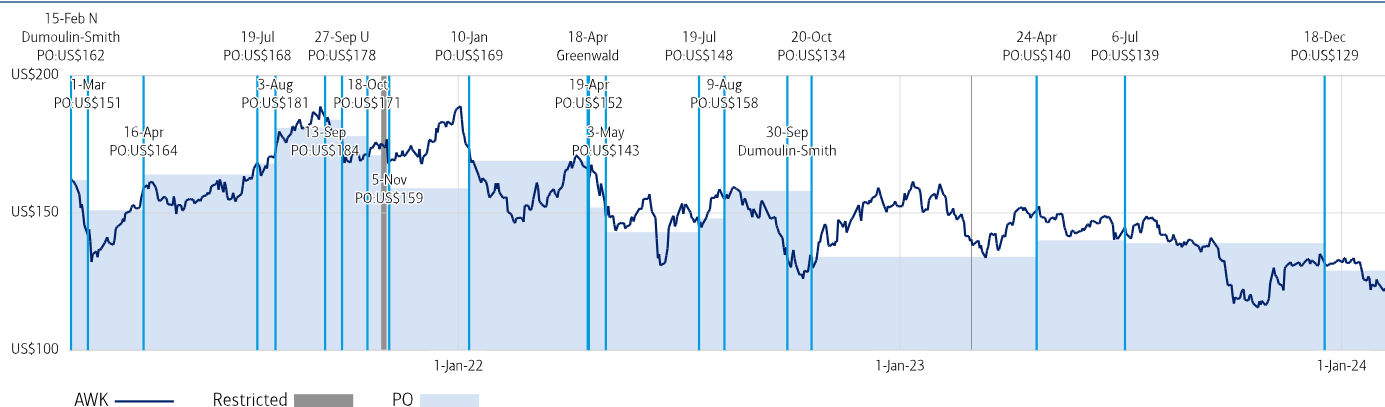
North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
RSTR	New Fortress Energy	NFE	NFE US	Cameron Lochridge

Disclosures

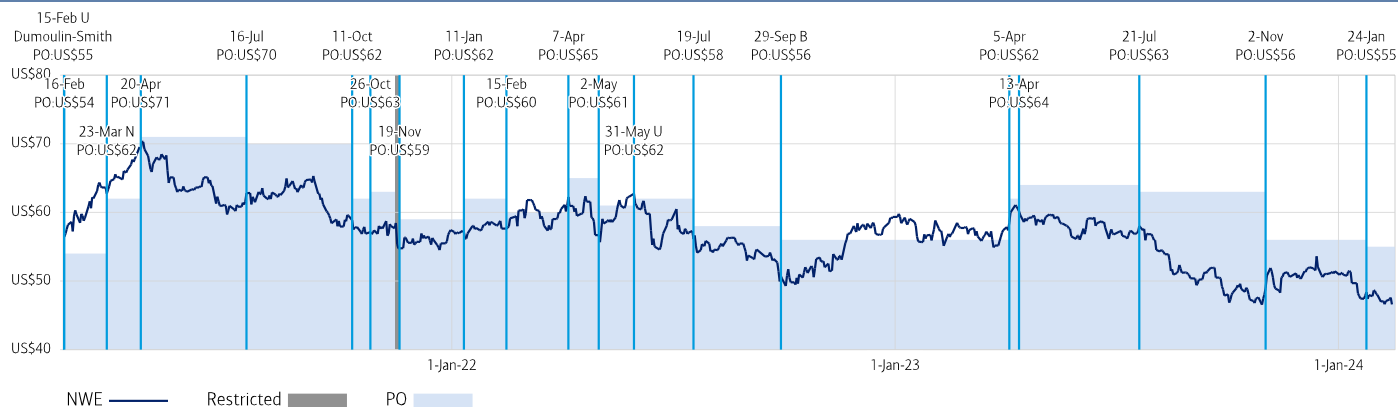
Important Disclosures

American Water (AWK) 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.

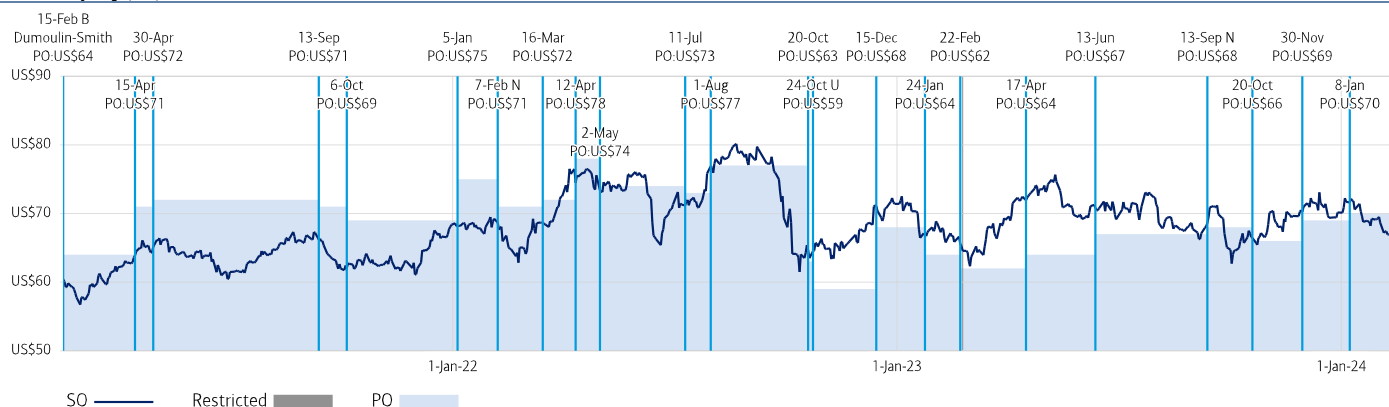
NorthWestern Energy (NWE) Price Chart



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.

Southern Company (SO) 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.

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
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} 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 ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}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: American Water, NorthWestern Energy, Southern Company.

BofAS or an affiliate was a manager of a public offering of securities of this issuer within the last 12 months: American Water Works, Southern Company.

The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: American Water Works, NorthWestern Energy, Southern Company.

BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: American Water Works, NorthWestern Energy, Southern Company.

The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: American Water Works, NorthWestern Energy, Southern Company.

BofAS or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: American Water Works, NorthWestern Energy, Southern Company.

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: American Water Works, NorthWestern Energy, Southern Company.

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: American Water Works, NorthWestern Energy, Southern Company.

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: American Water, NorthWestern Energy, Southern Company.

The issuer is or was, within the last 12 months, a securities business client (non-investment banking) of BofAS and/or one or more of its affiliates: American Water Works, NorthWestern Energy, Southern Company.

BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.

Other Important Disclosures

From time to time research analysts conduct site visits of covered issuers. BofA Global Research policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits.

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.

The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.

Officers of BofAS or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

Refer to [BofA Global Research policies relating to conflicts of interest](#).

"BofA Securities" includes BofA Securities, Inc. ("BofAS") and its affiliates. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. "BofA Securities" is a global brand for BofA Global Research.

Information relating to Non-US affiliates of BofA Securities and Distribution of Affiliate Research Reports:

BofAS and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by The Financial Service Board; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BofASE (France): BofA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF). BofA Securities Europe SA ("BofASE") with registered address at 51, rue La Boétie, 75008 Paris is registered under no 842 602 690 RCS Paris. In accordance with the provisions of French Code Monétaire et Financier (Monetary and Financial Code), BofASE is an établissement de crédit et d'investissement (credit and investment institution) that is authorised and supervised by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers. BofASE's share capital can be found at www.bofam.com/BofASEdisclaimer; BofA Europe (Milan): Bank of America Europe Designated Activity Company, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BofA Europe (Frankfurt): Bank of America Europe Designated Activity Company, Frankfurt Branch regulated by BaFin, the ECB and the CBI; BofA Europe (Madrid): Bank of America Europe Designated Activity Company, Sucursal en España, regulated by the Bank of Spain, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSF); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Canadian Investment Regulatory Organization; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; Merrill Lynch (Argentina): Merrill Lynch Argentina SA, regulated by Comisión Nacional de Valores; BofAS Japan: BofA Securities Japan Co., Ltd., regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; BofAS India: BofA Securities India Limited, regulated by the Securities and Exchange Board of India (SEBI); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai

Financial Services Authority (DFS); Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority.

This information has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BofASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has been considered and distributed in Japan by BofAS Japan, a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSF; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by BofAS India; and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this information in Australia only to 'Wholesale' clients as defined by s.761G of the Corporations Act 2001. With the exception of Bank of America N.A., Australia Branch, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA conduct of business rules. BofA Europe (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBL. BofA Securities entities, including BofA Europe and BofASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BofA Securities group. You may be contacted by a different BofA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider. Please refer to the [Electronic Communications Disclaimers](#) for further information.

This information has been prepared and issued by BofAS and/or one or more of its non-US affiliates. The author(s) of this information may not be licensed to carry on regulated activities in your jurisdiction and, if not licensed, do not hold themselves out as being able to do so. BofAS and/or MLPF&S is the distributor of this information in the US and accepts full responsibility for information distributed to BofAS and/or MLPF&S clients in the US by its non-US affiliates. Any US person receiving this information and wishing to effect any transaction in any security discussed herein should do so through BofAS and/or MLPF&S and not such foreign affiliates. Hong Kong recipients of this information should contact Merrill Lynch (Asia Pacific) Limited in respect of any matters relating to dealing in securities or provision of specific advice on securities or any other matters arising from, or in connection with, this information. Singapore recipients of this information should contact Merrill Lynch (Singapore) Pte Ltd in respect of any matters arising from, or in connection with, this information. For clients that are not accredited investors, expert investors or institutional investors Merrill Lynch (Singapore) Pte Ltd accepts full responsibility for the contents of this information distributed to such clients in Singapore.

General Investment Related Disclosures:

Taiwan Readers: Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument. No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or any other person without the express written consent of BofA Securities.

This document provides general information only, and has been prepared for, and is intended for general distribution to, BofA Securities clients. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of, and is not directed to, any specific person(s). This document and its content do not constitute, and should not be considered to constitute, investment advice for purposes of ERISA, the US tax code, the Investment Advisers Act or otherwise. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.

Securities and other financial instruments referred to herein, or recommended, offered or sold by BofA Securities, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. Digital assets are extremely speculative, volatile and are largely unregulated. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

This report may contain a short-term trading idea or recommendation, which highlights a specific near-term catalyst or event impacting the issuer or the market that is anticipated to have a short-term price impact on the equity securities of the issuer. Short-term trading ideas and recommendations are different from and do not affect a stock's fundamental equity rating, which reflects both a longer term total return expectation and attractiveness for investment relative to other stocks within its Coverage Cluster. Short-term trading ideas and recommendations may be more or less positive than a stock's fundamental equity rating.

BofA Securities is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned herein. Investors in such securities and instruments, including ADRs, effectively assume currency risk.

BofAS or one of its affiliates is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. BofAS or one of its affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

BofA Securities, through business units other than BofA Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented herein. Such ideas or recommendations may reflect different time frames, assumptions, views and analytical methods of the persons who prepared them, and BofA Securities is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this information.

In the event that the recipient received this information pursuant to a contract between the recipient and BofAS for the provision of research services for a separate fee, and in connection therewith BofAS may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BofAS has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BofAS). If such recipient uses the services of BofAS in connection with the sale or purchase of a security referred to herein, BofAS may act as principal for its own account or as agent for another person. BofAS is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

BofA ESGMeter Methodology:

ESGMeter is a proprietary metric based on quantitative analysis and fundamental analyst inputs that reflects our assessment of a company's Environmental, Social and Governance-related attributes. The ESGMeter is intended to indicate a company's likelihood of experiencing stronger financial stability (higher return on equity and lower earnings and price volatility) over the next three years relative to peer group. There are three ESGMeter levels - Low, Medium, and High - which indicate whether a company has attributes most likely to translate into superior financial stability (in the case of a High level) or weaker financial stability (in the case of a Low level) over the next three years relative to its peer group. A Medium level suggests that a company exhibits ESG characteristics that are likely associated with financial stability results in line with its peer group over the next three years. Full details of our methodology, financial stability definition and disclaimers are available at [BofA ESGMeter methodology](#). ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of the BofA Global Research fundamental equity analyst's investment rating, volatility risk rating, income rating or price objective for that company.

Copyright and General Information:

Copyright 2024 Bank of America Corporation. All rights reserved. iQDatabase® is a registered service mark of Bank of America Corporation. This information is prepared for the use of BofA Securities clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of BofA Securities. BofA Global Research information is distributed simultaneously to internal and client websites and other portals by BofA Securities and is not publicly-available material. Any unauthorized use or disclosure is prohibited. Receipt and review of this information constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained herein (including any investment recommendations, estimates or price targets) without first obtaining express permission from an authorized officer of BofA Securities.

Materials prepared by BofA Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information

known to, professionals in other business areas of BofA Securities, including investment banking personnel. BofA Securities has established information barriers between BofA Global Research and certain business groups. As a result, BofA Securities does not disclose certain client relationships with, or compensation received from, such issuers. To the extent this material discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this material. BofA Global Research personnel's knowledge of legal proceedings in which any BofA Securities entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving issuers mentioned in this material is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BofA Securities in connection with the legal proceedings or matters relevant to such proceedings.

This information has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of BofAS any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BofA Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to BofA Securities and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This information may contain links to third-party websites. BofA Securities is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by or any affiliation with BofA Securities. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BofA Securities is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices also are subject to change without notice. BofA Securities is under no obligation to update this information and BofA Securities ability to publish information on the subject issuer(s) in the future is subject to applicable quiet periods. You should therefore assume that BofA Securities will not update any fact, circumstance or opinion contained herein.

Subject to the quiet period applicable under laws of the various jurisdictions in which we distribute research reports and other legal and BofA Securities policy-related restrictions on the publication of research reports, fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.

Certain outstanding reports or investment opinions relating to securities, financial instruments and/or issuers may no longer be current. Always refer to the most recent research report relating to an issuer prior to making an investment decision.

In some cases, an issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BofAS or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither BofA Securities nor any officer or employee of BofA Securities accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this information.