

Xcel Energy Inc

Long-Term Reset Still In Place for 4Q Despite Setbacks. Reit Buy

Reiterate Rating: BUY | PO: 69.00 USD | Price: 63.27 USD

How dominant will the Marshall Fire theme be in 2024?

Year-end 2023 brought the formal two-year deadline of the Marshall Fire with news reports of a pickup in suits filed just ahead of the deadline. Notable new plaintiffs include Target – which is also suing two telecom providers – and also the commissioners of Boulder County. XEL's Q4 disclosures will be closely-watched for number of plaintiffs with news reports suggesting upwards of 250 additional filers since November. While CO caps noneconomic damages at \$1.2m per plaintiff, this still leaves a wide zone of uncertainty given the facts released thus far and number of plaintiffs. Wildfire exposure was a theme for XEL that in part drove underperformance in mid-2023; we continue to see the positive capex inflection in CO and TX as more salient drivers into 2024.

EPS CAGR inflection is supported by CO and TX upside

While the late 2023 Colorado Public Utility Commission (PUC) decision on resource planning was modestly below our estimates, we continue to expect that XEL will still be in a position to increase its long-term EPS CAGR forecast from 5-7% to 6-8% in Feb given the updated CO capex expectations as well as further upside from generation investment, in particular at TX and NM. Capex timing in CO should follow the pattern of MW additions, while SPS will likely be weighted toward the back part of the decade given RFP timing. One open question on the CAGR that remains is to what extent does XEL mgmt. want to draw the attention of stakeholders by highlighting improving financial prospects in an environment where bill impacts are drawing increased scrutiny.

2024 EPS preview: Visibility, but load growth risk

We break out our \$3.57 EPS (expect guide range of \$3.50-3.60) forecast with approved and pending rate increases driving the bulk of the upside, with XEL having previously disclosed negative drivers including interest expense, depreciation, etc. In contrast with prior years the guidance range calls for normalized load growth of 2-3%, a positive inflection but also one that introduces a degree of risk to the near-term outlook. Long-term we continue to like the setup for shares of XEL with the premium valuation more than justified by capex and earnings upside. PO remains \$69 and we reiterate our Buy rating given the total return implied by our valuation.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	2.96	3.17	3.36	3.57	3.84
GAAP EPS	2.96	3.17	3.31	3.57	3.84
EPS Change (YoY)	6.1%	7.1%	6.0%	6.3%	7.6%
Consensus EPS (Bloomberg)			3.36	3.58	3.84
DPS	1.82	1.95	2.09	2.23	2.39
Valuation (Dec)					
P/E	21.5x	20.1x	18.9x	17.8x	16.6x
GAAP P/E	21.5x	20.1x	19.2x	17.8x	16.6x
Dividend Yield	2.9%	3.1%	3.3%	3.5%	3.8%
EV / EBITDA*	17.0x	15.2x	14.5x	13.4x	12.2x
Free Cash Flow Yield*	-5.9%	-2.0%	-0.3%	-4.6%	-10.5%

* For full definitions of *IQmethod*SM measures, see page 9.

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Stock Data

Price	63.27 USD
Price Objective	69.00 USD
Date Established	20-Dec-2023
Investment Opinion	B-1-7
52-Week Range	53.73 USD - 72.97 USD
Mkt Val (mn) / Shares Out	34,913 USD / 551.8 (mn)
Free Float	99.6%
Average Daily Value (mn)	266.05 USD
BofA Ticker / Exchange	XEL / NAS
Bloomberg / Reuters	XEL US / XEL.OQ
ROE (2023E)	10.8%
Net Dbt to Eqty (Dec-2022A)	147.9%
ESGMeter™	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"](#).

CO: Colorado

MW: Megawatt

NM: New Mexico

RFP: Request for Proposal

SPS: Southwestern Public Service

TX: Texas

iQprofileSM Xcel Energy Inc

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	3.8%	3.9%	4.1%	4.2%	4.3%
Return on Equity	10.6%	10.7%	10.8%	11.0%	11.3%
Operating Margin	16.5%	16.0%	17.9%	18.9%	20.3%
Free Cash Flow	(2,055)	(706)	(106)	(1,604)	(3,687)

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.4x	2.3x	2.9x	2.5x	2.4x
Asset Replacement Ratio	2.0x	1.9x	2.2x	2.6x	3.2x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	148.7%	147.9%	147.3%	150.0%	153.7%
Interest Cover	2.7x	2.6x	2.4x	2.5x	2.5x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	13,337	15,203	14,742	15,107	15,726
% Change	16.6%	14.0%	-3.0%	2.5%	4.1%
Gross Profit	7,579	8,351	8,680	9,045	9,664
% Change	4.0%	10.2%	3.9%	4.2%	6.8%
EBITDA	4,324	4,841	5,083	5,469	6,047
% Change	6.4%	12.0%	5.0%	7.6%	10.6%
Net Interest & Other Income	(681)	(814)	(968)	(1,033)	(1,152)
Net Income (Adjusted)	1,595	1,734	1,853	1,999	2,228
% Change	8.5%	8.7%	6.9%	7.9%	11.5%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	1,597	1,736	1,828	1,996	2,230
Depreciation & Amortization	2,143	2,436	2,449	2,614	2,851
Change in Working Capital	0	0	0	0	0
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(1,551)	(240)	1,017	486	317
Capital Expenditure	(4,244)	(4,638)	(5,400)	(6,700)	(9,085)
Free Cash Flow	-2,055	-706	-106	-1,604	-3,687
% Change	18.5%	65.6%	85.0%	NM	-129.9%
Share / Issue Repurchase	366	322	150	500	1,218
Cost of Dividends Paid	(935)	(1,012)	(1,151)	(1,250)	(1,386)
Change in Debt	2,714	1,371	1,080	2,354	3,855

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	166	111	85	85	85
Trade Receivables	1,880	2,478	1,930	1,887	1,963
Other Current Assets	2,193	2,555	2,533	2,539	2,593
Property, Plant & Equipment	45,457	48,253	51,204	55,290	61,524
Other Non-Current Assets	8,155	7,791	7,791	7,791	7,791
Total Assets	57,851	61,188	63,544	67,591	73,956
Short-Term Debt	1,606	1,964	1,964	1,964	1,964
Other Current Liabilities	3,440	4,114	4,114	4,114	4,114
Long-Term Debt	21,779	22,813	23,893	26,247	30,103
Other Non-Current Liabilities	15,414	15,622	16,070	16,518	16,966
Total Liabilities	42,239	44,513	46,041	48,843	53,147
Total Equity	15,612	16,675	17,502	18,748	20,810
Total Equity & Liabilities	57,851	61,188	63,544	67,591	73,956

* For full definitions of iQmethodSM measures, see page 9.

Company Sector

Electric Utilities

Company Description

Xcel Energy is Midwest-based regulated utility company with operations in Minnesota, Michigan, North Dakota, South Dakota, Wisconsin, Colorado, Texas, and New Mexico. It provides electric and gas distribution, as well as electric transmission services to over 3.5 million customers.

Investment Rationale

We rate XEL Buy based on substantial growth opportunities into the balance of the decade given resource planning in Colorado, New Mexico, and Texas. Following rate case resolutions in MN and CO XEL now has low-9s authorized ROEs in place, consistent with past precedent, with ongoing regulatory lag. Upside risks include an inflection higher in capex from renewable generation and transmission. Downside risks include cautious regulatory outcomes and equity needs.

Stock Data

Average Daily Volume 4205,034

Quarterly Earnings Estimates

	2022	2023
Q1	0.70A	0.76A
Q2	0.60A	0.52A
Q3	1.18A	1.23A
Q4	0.69A	0.84E

2024 EPS preview: In line with range of \$3.50-3.60

We expect that EPS will be \$3.57 with the following drivers. Rate increases are approved/pending including \$121m in MN (Minnesota), \$63m at CO electric, and \$51m interim rates of MN gas. SPS NM has a \$25m increase approved and TX has a pending settlement for an additional \$60m. Load growth has historically not been highlighted as a key driver but 2024 assumes +2-3% electric growth which suggests meaningful upside given the sensitivity metric of +\$25m per 100 bps of growth. The other drivers have been disclosed as part of XEL's earnings drivers. We also embed an assumption of additional equity issuance which is reflected in our model supporting incremental capital.

Exhibit 1: XEL EPS walk

We see '24 EPS of \$3.57 and corresponding EPS guide range anticipated at \$3.50-3.60, also inline with Street of \$3.58.

XEL Earnings Walk	EPS	1Q	2Q	3Q	4Q
FY23A Adjusted EPS	3.36	0.76	0.52	1.23	0.84
NSPM electric	0.16	0.04	0.04	0.04	0.04
NSPM gas rates - pending	0.07	0.01	0.02	0.02	0.02
NSP ND gas rates - pending	0.01	0.00	0.00	0.01	0.00
PSCo electric rates - Sep 2023	0.09	0.05	0.04	0.00	0.00
PSCo gas - 2024 filing	0.05	0.00	0.00	0.00	0.05
SPS NM electric rates - Oct 2023	0.03	0.01	0.01	0.01	0.00
SPS TX electric rates - Jul 2023	0.08	0.03	0.03	0.02	0.00
NSPW WI electric & gas rates - Jan 2024	0.03	0.01	0.01	0.01	0.00
Weather	0.04	0.02	0.01	0.01	0.00
Electric retail sales (+2-3%)	0.08	0.02	0.02	0.02	0.02
Gas retail sales (+1%)	0.01	0.00	0.00	0.00	0.00
Capital riders (\$35-40m)	0.05	0.01	0.01	0.01	0.01
O&M	-0.03	-0.01	-0.01	-0.01	-0.01
D&A	-0.29	-0.07	-0.07	-0.07	-0.07
Property tax	-0.05	-0.01	-0.01	-0.01	-0.01
Interest	-0.16	-0.04	-0.04	-0.04	-0.04
AFUDC	0.08	0.02	0.02	0.02	0.02
Other	0.00	0.00	0.00	0.00	0.00
Equity dilution	-0.05	-0.01	-0.01	-0.01	-0.02
XEL Consolidated EPS	3.57	0.84	0.59	1.26	0.87
2024 Consensus	3.58	0.82	0.56	1.33	0.90
BofA Beat (Miss) vs. Consensus	0%	3%	6%	-5%	-3%

Source: BofA Global Research, Bloomberg

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Marshall Fire latest: Target and Boulder County sue

A news report by 9 News in Colorado on Jan 3 disclosed that “roughly 255” new suits have been filed against Xcel in Boulder County in relation to the Marshall Fire since Nov 10. Among the most prominent is a suit by fellow Minnesota corporation Target which also names telecom providers CenturyLink and Teleport as their data lines shared the same pole as an Xcel power line. The Target suit blames the telecom lines for contributing to electric arcing by the Xcel line which ultimately ignited the fire, according to the suit. Another prominent suit was filed Dec 28 by the Board of Commissioners of Boulder County, along with the affected towns of Superior, Louisville, and local school districts (Case no. 23-CV-138). Recall that CO law places a two year statute of limitations on filing for damages, incentivizing suits ahead of the Dec 30 deadline.

XEL’s Q3 10-Q filing disclosed that the company is aware of suits on behalf of 675 plaintiffs having been filed as of Oct 24. Assuming another 255 suits filed as per the news report cited above would bring the total number to over 900 plaintiffs. While the total number of *potential* plaintiffs is not known, the sheriff’s office report on the fire cited “over 1000” structures as having been damaged. The state caps *noneconomic* damages at \$0.6m per defendant which can be doubled in cases of clear and convincing evidence.

Marshall Fire exposure remains a tail risk for XEL and will likely remain one for the foreseeable future as data points emerge from a myriad of legal proceedings, which may or may not be consolidated in the future. Shares underperformed in the first half of 2023 in part due to investors reading across from Pacificorp’s Oregon wildfire legal exposure. Look for this to be an ongoing and emerging debate in 2024.

“Upside to the upside” should come in to focus in 2024

XEL provided investors with a positive surprise in the form of its Colorado Resource Plan (CRP) which led to a second-half rerating in shares, with the late-Dec approval by the commission largely affirming the estimated MW additions and planned capex which mgmt. rolled out in Nov. While owned MWs were a modest downside surprise, the speedy approval and magnitude of the upside were well-telegraphed positives that helped XEL shares maintain their momentum as one of 2023’s top large cap names.

In addition to Colorado, the SPS utility has flagged the need to add between 5-10 GW of new owned generation through 2030 in part to backfill the retiring Tolk coal plant and also to meet the electrification needs of industrial customers. The latest timeframe provided by the company sees key data points coming later in 2024 including a decision on SPS’ IRP around midyear, a decision on the pending 648 MW RFP early in the second half, and an additional RFP issued to address 2028-2030 needs before the end of the year with a commission decision likely in Q2 2025. While the latter data point will likely fill in most of the uncertainties around the opportunity to add a majority of the upside MWs, 2024 should provide investors with much-needed clarity as to this additional upside opportunity.

Estimates

Our estimates are below – we continue to reflect our latest views on updated capital outlined above with associated 50-50 equity and debt funding which is now incrementally lower than previously forecast following the PUCO's approval in CO. While growth is non-linear, reflecting equity issuance and somewhat lumpy additions of MWs in the middle years of the forecast period, our consolidated EPS CAGR for XEL moves to +7.3% through 2030 from the original 2023 midpoint of \$3.35.

Accordingly, we expect that XEL will update its long-run CAGR target to 6-8% from the current 5-7%, potentially as soon as its typical Q4 long-term plan refresh.

We also note that our numbers preserve some upside particularly at the TX/NM jurisdiction where XEL has flagged substantial generation needs in order to backfill the retirement of the Tolk plant as well as ongoing load growth from industrial customers' electrification needs.

Exhibit 2: XEL estimates

Our ests continue to point to accelerating growth as PSCo invests in back half of the decade

Subsidiary	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E
Northern States Power Minnesota (NSPM)	1.12	1.12	1.23	1.33	1.40	1.48	1.54	1.60	1.67
Southwestern Public Service (SPS)	0.56	0.59	0.64	0.70	0.75	0.79	0.82	0.83	0.89
Public Service Colorado (PSCo)	1.12	1.22	1.33	1.41	1.49	1.64	1.74	1.95	2.23
Northern States Power Wisconsin (NSPW)	0.20	0.20	0.23	0.24	0.25	0.25	0.27	0.27	0.28
Parent (Excl Mankato)	(0.21)	(0.18)	(0.26)	(0.32)	(0.32)	(0.33)	(0.35)	(0.40)	(0.48)
Consolidated	2.79	2.96	3.17	3.36	3.57	3.84	4.03	4.25	4.60
EPS Growth (%)	6%	6%	7%	5.9%	6.1%	7.8%	4.8%	5.6%	8.2%
Prior Estimates				3.36	3.57	3.86	4.05	4.29	4.67
Guidance				3.32-3.37	3.50-3.60				
Consensus				3.36	3.58	3.84	4.09	4.38	
Growth off 2023 midpoint (\$3.35)									
BofA					6.4%	7.1%	6.3%	6.1%	6.5%
Street Consensus					6.7%	7.0%	6.9%	6.9%	

Source: BofA Global Research, Bloomberg

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Valuation

We mark to market to the peer multiple of 13.8x. Previously we had applied a 13.7x peer multiple to 2026 estimates. As a result of the refresh applied to our updated estimates, our PO shifts remains \$69 and we accordingly reiterate our Buy rating on XEL given double-digit total return implied by our valuation.

Exhibit 3: XEL valuation

PO \$69, reiterate Buy

2026E SotP Analysis - BofA

All figures in USD millions except per share

Regulated Utilities	2026 Net Income	EPS	P/E Multiple			
			Peer	Prem/ Discount	Base	Base
Group Peer Multiple - Electric			13.8x			
Group EPS CAGR - Electric			5.00%			
<i>Relative Utility Group P/E Multiple</i>			14.5x			
Northern States Power Minnesota (NSPM)	\$932	\$1.54	14.5x	2.0x	16.5x	\$25.44
Southwestern Public Service (SPS)	\$498	\$0.82	14.5x	3.0x	17.5x	\$14.41
Northern States Power Wisconsin (NSPW)	\$160	\$0.27	14.5x	3.0x	17.5x	\$4.64
Public Service Colorado (PSCo)	\$1,054	\$1.74	14.5x	3.0x	17.5x	\$30.51
Total/Average Utility Earnings (excl Mankato)	\$2,644	\$4.38		2.6x		
Parent/Unallocated (excl Mankato)	-\$211	-\$0.33	14.5x	0.0x	14.5x	-\$4.79
Add back 50% of HoldCo interest	\$174	\$0.31	14.5x	0.0x	14.5x	\$4.50
Less: 50% of HoldCo Debt	-\$3,178					-\$5.68
Total	\$2,433	\$4.05				\$69
<i>Shares Outstanding (2024e)</i>						<i>560</i>
Total Equity Value Per Share						\$69
Dividend FY23						2.23
Dividend Yield						3.5%
Total Potential Return Projected						12.6%

Source: BofA Global Research, Bloomberg

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Price objective basis & risk

Xcel Energy Inc (XEL)

Our PO is \$69. We value Xcel Energy using a sum of the parts (SOTP) approach. Given the difference in geography, earnings strength, growth opportunity and risk profile, we divide the segments by subsidiary.

We use 2026E forward P/E multiple of 13.8x to derive a value for the different business segments, including the parent segment. Electric peer P/E multiple is grossed up for a year to reflect capital appreciation across the sector. We make an additional adjustment to reflect the difference in interest rate forecasts between BofA and Street as well as historical valuation sensitivity to rates.

We apply a 2x premium to XEL subsidiaries in MN and 3x for CO, 3x for NM/TX, and 3x for WI as both utilities present solid or improving regulatory treatment with tangible investment upside. We see this multiple as appropriate as the company has growth opportunities, resolving regulatory drag and resolving uncertainty around rate cases. We also net back 50% of the parent interest expense and instead subtract out 50% of parent debt to more accurately reflect HoldCo leverage.

Risks to achievement of the price objective are interest rate changes, regulatory risk, such as lower authorized ROEs or less favorable riders/trackers for renewables and transmission, inability to deploy capital at guided levels, adverse legislation, execution delays, and weather/natural disasters

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
	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	Dariusz Lozny, CFA
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	Nextracker Inc	NXT	NXT US	Julien Dumoulin-Smith
	NISource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith



North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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 Energy	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 Energy	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	Dariusz Lozny, CFA
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Dariusz Lozny, CFA
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Cameron Lochridge
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	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
	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	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
UNDERPERFORM				
	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
	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	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	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

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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IQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

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

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

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

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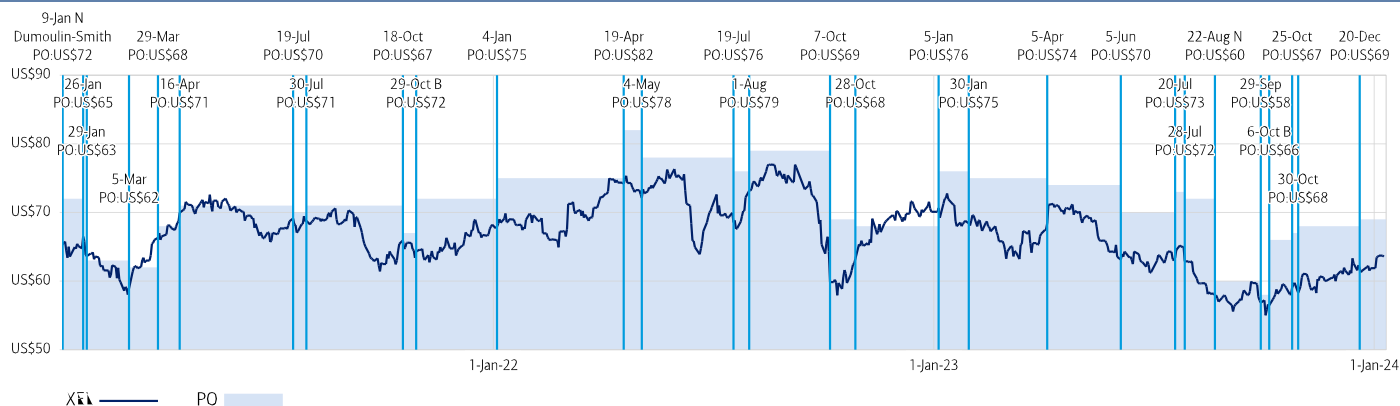
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B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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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
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.

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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}
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.

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