

North American Utilities & IPPs

Refinancing pressures quantified: Who has needs, how much, when, & what offsets?

Industry Overview

Quantifying refinancing risks: what mark to market shows

We present a deep dive into existing debt stacks for Premium, Value, SMID, and Gas LDC utilities under our coverage. Refinancing needs, particularly at the HoldCo level where interest expense for utilities is not recoverable through customer rates, have been an acute focus for investors in 2022-2023 as utilities broadly have underperformed other sectors, with rates a key driver. Our analysis focuses on existing debt as reported by FactSet and does not incorporate future funding needs of regulated rate base or at the HoldCo level. We assess absolute post-tax interest expense and as a percentage of EPS based on our published estimates. Refinancing assumptions for existing debt embed a rate of 6.7%, reflecting 200 bps premium to 30Yr and in line with the Moodys Baa utility index. This approach does attempt to bifurcate between Utility Operating company debt and Holding company (presumably unrecoverable) expenses intentionally to capture which companies face additional customer rate pressure as well. We have previously focused extensively on HoldCo refinancings in our [4Q23 preview \(see note\)](#).

Premium Utilities: Higher quality balance sheets

A common thread across the premium group is generally higher quality balance sheets and better credit metrics than value and SMID peers, though we see some elevated needs ahead. **DTE** screens as having the highest near-term burden driven in part by an \$800m refi at 1.05% in 2025 along with \$1.3B at 4.22% in 2024. [We reflected these pressures in our recent update on DTE \(see note\)](#). The other premium names that screen highly on EPS exposure are **WEC** with 3% in 2024 and **NEE** in 2025; however, NEE has interest rate hedges which defers ~\$0.15 impact: [see our 3Q23 NEE recap for details](#).

Value Utilities: Higher needs on average

Total refi needs for the value group average 2.5% of our forecast EPS, higher than 1.5% for the premium group – slightly more than half of this represents HoldCo needs. On the high end of exposure are **ETR** in 2024 at 4.2% of EPS, dampened by \$1.1Bn cash on the balance sheet. **EIX**, **ES**, and **PNW** among more exposed as a percentage of EPS. **NI** typically issues debt at the HoldCo and injects debt/equity into its utilities, complicating OpCo/HoldCo breakdown; however, at 7%+ of '25 EPS headwind is one of the highest. Watch broadly for further converts to offset impact of higher coupon issuances.

SMID Utilities: BKH stands above the rest

BKH has a meaningful \$600m HoldCo debt due in Aug 2024 at 1.0% coupon, a mark-to-market represents ~\$0.40 EPS (~10%) and a likely ~\$0.07 headwind vs guidance plan (+100bp in coupons) The other SMID utilities have comparably lower HoldCo exposures based on our analysis, with **ALE** screening somewhat elevated in 2024-26.

Gas LDCs: OGS and SR see elevated holdco needs

Our recent downgrade of **OGS** to Underperform included a recognition of ~40c of refi-related headwinds in 2024, the biggest need across the LDCs in the near term. **SR** has elevated needs in 2024 and 2026 as well, but with the 2024 impact at below 1.5% of EPS this appears far more manageable than OGS' refis: [see details on OGS here](#).

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Glossary

SMID: Small- and mid-capitalization
LDC: Local distribution company
HoldCo: Holding company
OpCo: Operating company

For a list of company names of tickers used in this report, please see page 9.

Debt refi: Multi-faceted impacts for utilities

Refinancing risk has become the single biggest debate subject across the sector across many investors we speak to – and is the single biggest variable likely to be debated in the annual forward financial planning cycle this Fall/Winter across the space. **When asking questions of management, it will be critical to ask whether they embed the current trading yields of debt or if they reflect an assumption of interest rate moderation.**

Below we flag general first and second-order impacts of higher cost of financing for utilities. We see liability management and pro-active rolling of maturities in the current high interest rate environment as broadly representative of companies that have EPS latitude to absorb elevated interest costs sooner within their earnings plans. Conversely, we see a broad relationship between those with more challenging near-year EPS backdrops and having deferred a more pro-active refinancing plan for 2024 & 2025 maturities. If companies had the latitude many acted to reduce this refi risk. This highlights a growing gap in the sector between companies that have been challenged and those that have been able to achieve growth without relying as much on short duration debt at low interest rates.

Our methodology attempts to levelized assumptions across the sector

We caution the tables below attempt to simplify refinancing assumptions and should not be taken as specific expectations for term & precise level of interest rate delta, but rather as a way to 'levelize' these decisions applying a specific refinancing cost across all companies to contrast in a similar manner. We appreciate differing terms for refinancing, terming out debt, and differing credit quality/spreads may well impact each discrete financing activity.

Be careful on Opco vs Holdco issuances – and regulatory recovery.

Further our tables specifically breakdown both Total refinancing risk (across OpCos and HoldCos) as well as Holding company debt. We acknowledge that some of this holding company debt may well be captured within the rate constructs of utility subsidiaries. Timing of rate activity to recoup this elevated interest expense within operating companies remains a key further nuance to watch with likely implications to accelerate rate activity as well as potentially 'crowd out' further investments too.

What debt matters? We're focused mostly on refinancing maturities

While the interest rate debate last year in the run-up with rates initially focused on short-term debt, we see this as less of a relevant factor considering much of this has already been 'absorbed' into the earnings plans for companies. Incremental refinancing headwinds for longer-dated maturities appear the clear impediment, particularly where it appears the planning assumptions for at least some utilities from last 4Q23/EEI had assumed some reduction ('normalization') in rates. As for short-term debt, balances appear to be declining across the space in tandem with reductions in commodity balances/prices. On balance, less of an issue than in 2022 earnings reset cycle.

Variable rate debt is a further twist to the calculations we are not including.

Our methodology also does not account for the use of variable (rather than fixed price) debt, nor the existence of interest rate swaps. We note a multitude of utilities employ a range of fixed income instruments with variable rate reset components (DUK, D, EIX) for instance, that add to an outsized y/y impact still.

Converts could very well come back – in various flavors

As we already saw thru the year companies have assessed a variety of financing structures to mitigate the near-year EPS impacts of elevated coupons. Given the further step-up in EPS and still elevated volatility of the sector, we could see coupons re-appear in capital structures in various forms. We readily admit more equity appears a clear trend in EEI updates this Fall given capex acceleration backdrop. Net earnings accretion in

near-term is admittedly muted given valuations suggesting some reason to leveraging converts with equity-content (vs trend towards 0% equity content issuances earlier this year).

Value Utilities

We scrubbed our published forecasts and existing debt stacks for companies under our coverage. The exhibits below break out potential impacts in aggregate, by opco, and by HoldCo. Note that we assume refinancing to a spread of approximately 200 bps above the prevailing 10Y US Treasury for an effective rate of 6.7%, which tracks with recent levels seen in the Moody's Baa index.

Total downside peaks in 2025 at 10c on average

Below we estimate refi expense on a consolidated basis in terms of EPS and also % of our forecast estimates. On the high end of exposure are **ETR** in 2024 at 4.2% of EPS and **NI** at 7.4% in 2024. **EIX**, **ES**, and **PNW** also are among the more exposed names as a percentage of EPS. For Entergy the cash on the balance sheet pending natural gas utility asset sale significantly reduces exposure. [Entergy: SERI Settlement and Natural Gas LDC Sales with a busy management team 30 October 2023](#). Dominion Energy (D) similarly benefits from its pending asset sales which will allow the company to significantly reduce leverage.

Exhibit 1: Tax adj Total Negative/(Positive) impact from refi at current yield

2025 is biggest EPS impact on average

	2023	2024	2025	2026	2027	2028
AEP	0.05	0.07	0.17	0.10	0.06	0.11
AGR	0.00	0.04	0.06	0.05	0.04	0.02
D	0.00	0.06	0.07	0.08	0.05	0.03
DUK	0.03	0.05	0.10	0.13	0.07	0.11
EIX	0.00	0.17	0.10	0.05	0.05	0.11
ES	0.05	0.14	0.15	0.12	0.18	0.06
ETR	0.22	0.30	0.26	0.31	0.13	0.28
EVRG	0.01	0.12	0.07	0.05	0.05	0.00
EXC	0.01	0.02	0.06	0.05	0.05	0.04
FE	0.00	0.03	0.08	0.11	0.08	0.09
SRE	0.00	0.02	0.03	0.06	0.07	0.07
PPL	0.02	0.02	0.02	0.04	0.01	0.05
NI	0.01	0.00	0.14	0.00	0.06	0.03
PNW	0.00	0.11	0.26	0.07	0.08	0.00
PCG	0.02	0.02	0.02	0.04	0.04	0.03
PEG	0.07	0.09	0.07	0.07	0.03	0.04
OGE	0.00	0.00	0.02	0.00	0.01	0.05
SO	0.01	0.05	0.06	0.10	0.03	0.04
Average	0.03	0.07	0.10	0.08	0.06	0.06

Source: BofA Global Research estimates

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Exhibit 2: Tax adj Total Negative/(Positive) impact from refi at current yield - % of Consolidated EPS

2025 biggest % of EPS, 2024 still meaningful

	2023	2024	2025
AEP	1.0%	1.4%	3.0%
AGR	0.2%	2.1%	2.8%
D	0.0%	2.0%	2.0%
DUK	0.5%	0.8%	1.6%
EIX	0.0%	3.4%	2.0%
ES	1.3%	3.1%	3.4%
ETR	3.3%	4.2%	3.4%
EVRG	0.3%	3.2%	1.7%
EXC	0.5%	0.8%	2.0%
FE	0.0%	1.3%	2.9%
SRE	0.0%	0.5%	0.7%
PPL	1.3%	0.9%	1.1%
NI	0.7%	0.0%	7.4%
PNW	0.0%	2.2%	5.2%
PCG	1.8%	1.8%	1.5%
PEG	2.0%	2.3%	1.8%
OGE	0.0%	0.0%	0.7%
SO	0.2%	1.4%	1.5%
Average	0.7%	1.7%	2.5%

Source: BofA Global Research estimates

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Holdco impacts approximately half, NI an outlier

As with overall, the relative impacts of holdco debt peak in 2025 and taper thereafter on a notional and % basis. **NI** has the largest reported percentage at 7.4% in 2025, however the company issues debt at the parent and injects debt/equity down into the utilities, complicating the analysis. For utilities that issue opco debt separately, **AGR** is somewhat elevated in 2024-25, **EVRG** peaks in 2024 at 3.2% but is limited otherwise, and **PNW** is relatively high with 3.7% exposure in 2025.



Exhibit 3: Tax adj HoldCo Negative/(Positive) impact from refi at current yield

Holdco debt approximately half of overall impact

	2023	2024	2025	2026	2027	2028
AEP	0.05	0.06	0.11	0.00	0.03	0.04
AGR	0.00	0.04	0.05	0.00	0.00	0.00
D	0.00	0.05	0.03	0.04	0.01	0.01
DUK	0.01	0.04	0.07	0.11	0.04	0.05
EIX	0.00	0.03	0.03	0.00	0.01	0.05
ES	0.03	0.09	0.06	0.07	0.08	0.06
ETR	0.06	0.00	0.17	0.10	0.00	0.12
EVRG	0.00	0.12	0.00	0.00	0.00	0.00
EXC	0.00	0.00	0.02	0.02	0.04	0.01
FE	0.00	0.00	0.02	0.08	0.06	0.00
SRE	0.00	0.00	0.02	0.01	0.03	0.04
PPL	0.00	0.00	0.00	0.00	0.00	0.00
NI	0.01	0.00	0.14	0.00	0.00	0.03
PNW	0.00	0.05	0.19	0.00	0.00	0.00
PCG	0.00	0.00	0.00	0.00	0.00	0.01
PEG	0.07	0.05	0.05	0.00	0.01	0.01
OGE	0.00	0.00	0.00	0.00	0.00	0.00
SO	0.00	0.04	0.04	0.04	0.01	0.02
Average	0.01	0.03	0.06	0.03	0.02	0.02

Source: BofA Global Research estimates

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Exhibit 4: Tax adj HoldCo Negative/(Positive) impact from refi at current yield - % of Consolidated EPS

AGR, EVRG, PNW stand out with elevated impact

	2023	2024	2025
AEP	0.9%	1.1%	1.9%
AGR	0.0%	2.0%	2.4%
D	0.0%	1.5%	0.9%
DUK	0.2%	0.7%	1.1%
EIX	0.0%	0.7%	0.6%
ES	0.6%	2.0%	1.5%
ETR	0.9%	0.0%	2.3%
EVRG	0.0%	3.2%	0.0%
EXC	0.0%	0.0%	0.6%
FE	0.0%	0.0%	0.7%
SRE	0.0%	0.0%	0.4%
PPL	0.0%	0.0%	0.0%
NI	0.7%	0.0%	7.4%
PNW	0.0%	1.0%	3.7%
PCG	0.0%	0.0%	0.0%
PEG	2.0%	1.2%	1.3%
OGE	0.0%	0.0%	0.1%
SO	0.0%	1.0%	0.9%
Average	0.3%	0.8%	1.4%

Source: BofA Global Research estimates

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Exhibit 5: Tax adj OpCo Negative/(Positive) impact from refi at current yield

Opco needs tend to track with rate base growth, less risky

	2023	2024	2025	2026	2027	2028
AEP	0.01	0.02	0.06	0.10	0.03	0.07
AGR	0.00	0.00	0.01	0.05	0.04	0.02
D	0.00	0.02	0.04	0.04	0.04	0.02
DUK	0.02	0.01	0.03	0.02	0.04	0.06
EIX	0.00	0.13	0.07	0.05	0.04	0.06
ES	0.03	0.05	0.09	0.05	0.10	0.00
ETR	0.16	0.30	0.08	0.21	0.13	0.16
EVRG	0.01	0.00	0.07	0.05	0.05	0.00
EXC	0.01	0.02	0.04	0.03	0.01	0.03
FE	0.00	0.03	0.06	0.03	0.02	0.09
SRE	0.00	0.02	0.02	0.05	0.03	0.02
PPL	0.02	0.02	0.02	0.04	0.01	0.05
NI	0.00	0.00	0.00	0.00	0.06	0.00
PNW	0.00	0.06	0.07	0.07	0.08	0.00
PCG	0.02	0.02	0.02	0.04	0.04	0.03
PEG	0.00	0.04	0.02	0.07	0.02	0.03
OGE	0.00	0.00	0.01	0.00	0.01	0.05
SO	0.01	0.01	0.02	0.06	0.02	0.02
Average	0.02	0.04	0.04	0.05	0.04	0.04

Source: BofA Global Research estimates

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Exhibit 6: Tax adj OpCo Negative/(Positive) impact from refi at current yield - % of Consolidated EPS

More balanced across the years than holdco issuances

	2023	2024	2025
AEP	0.1%	0.3%	1.1%
AGR	0.2%	0.0%	0.4%
D	0.0%	0.5%	1.1%
DUK	0.3%	0.1%	0.5%
EIX	0.0%	2.7%	1.4%
ES	0.7%	1.1%	2.0%
ETR	2.3%	4.2%	1.1%
EVRG	0.3%	0.0%	1.7%
EXC	0.5%	0.8%	1.4%
FE	0.0%	1.3%	2.2%
SRE	0.0%	0.5%	0.3%
PPL	1.3%	0.9%	1.1%
NI	0.0%	0.0%	0.0%
PNW	0.0%	1.2%	1.5%
PCG	1.8%	1.8%	1.5%
PEG	0.0%	1.1%	0.5%
OGE	0.0%	0.0%	0.7%
SO	0.2%	0.4%	0.5%
Average	0.4%	0.9%	1.0%

Source: BofA Global Research estimates

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Premium Utilities

Below we screen Premium utility names by the same metrics. As with the other groups we assume refinancing to a spread of approximately 200 bps above the prevailing 10Y US Treasury for an effective rate of 6.7%, which tracks with recent levels seen in the Moody's Baa index.

Total needs more modest than Value utility peers

DTE screens as having the highest near-term burden in the near term, driven in part by an \$800m refi at 1.05% in 2025 along with \$1.3B at 4.22% in 2024 – we had previously reflected these pressures in our recent update: [DTE Energy: EPS preview: Trending to bottom half of the range 10 October 2023](#). The other premium names that screen highly on EPS exposure are **WEC** with 3% in 2024 and **NEE** in 2025. We attribute these rate pressures in part to our [recent downgrade of WEC](#).

While the use of meaningful interest rate swaps across utilities appears limited, we stress NEE & AES both appear to employ a meaningful quantum. NEE appears to have the most with ~\$20 Bn notional for varying 5-10 year tenors. Overall, we see this as an eventual ~15c headwind avoided thru the full forecast period with a likely gradual reset to prevailing rates the time. By contrast the extent of such hedges has not been clearly disclosed but mgmt. has been outspoken in emphasizing its EPS guidance range is not impacted due to fluctuation in higher rates since its May Analyst Day.

Exhibit 7: Tax adjusted Total Negative/(Positive) impact from refinancing at current yield

Needs are relatively steady through the forecast period

	2023	2024	2025	2026	2027	2028
LNT	0.00	0.05	0.03	0.08	0.03	0.06
AEE	0.00	0.09	0.03	0.03	0.12	0.11
ED	0.09	0.02	0.00	0.02	0.03	0.06
CNP	0.00	0.04	0.01	0.09	0.01	0.04
CMS	0.00	0.05	0.03	0.03	0.07	0.12
DTE	0.01	0.16	0.35	0.11	0.05	0.19
NEE	0.00	0.06	0.13	0.01	0.10	0.05
WEC	0.00	0.15	0.09	0.06	0.09	0.15
XEL	0.04	0.03	0.04	0.02	0.04	0.04
AWK	0.00	0.05	0.07	0.16	0.09	0.08
WTRG	0.00	0.00	0.00	0.00	0.00	0.00
Average	0.01	0.06	0.07	0.06	0.06	0.08

Source: BofA Global Research estimates

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Exhibit 8: Tax adjusted Total Negative/(Positive) impact from refinancing at current yield - % of Consolidated EPS

WEC screens relatively high, DTE needs grow in 2025

	2023	2024	2025
LNT	0.0%	1.8%	0.8%
AEE	0.0%	2.0%	0.6%
ED	1.8%	0.4%	0.0%
CNP	0.1%	2.4%	0.9%
CMS	0.1%	1.4%	0.7%
DTE	0.1%	2.5%	4.9%
NEE	0.1%	1.7%	3.6%
WEC	0.0%	3.0%	1.7%
XEL	1.3%	0.7%	1.1%
AWK	0.0%	0.9%	1.3%
WTRG	0.0%	0.0%	0.0%
Average	0.3%	1.5%	1.5%

Source: BofA Global Research estimates

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Holdco needs: WEC and CNP in 2024, DTE and NEE in 2025 stand out

Parsing out holdco and opco needs below, **CNP** and **WEC** have the relatively biggest exposure from refinancing in 2024, while **DTE** and **NEE** see the highest needs in 2025.

Exhibit 9: Tax adjusted HoldCo Negative/(Positive) impact from refinancing at current yield

Roughly half at the opco level

	2023	2024	2025	2026	2027	2028
LNT	0.00	0.00	0.00	0.05	0.00	0.00
AEE	0.00	0.06	0.00	0.03	0.07	0.07
ED	0.00	0.00	0.00	0.00	0.00	0.01
CNP	0.00	0.04	0.00	0.07	0.00	0.00
CMS	0.00	0.02	0.02	0.03	0.07	0.07
DTE	0.00	0.11	0.30	0.09	0.02	0.16
NEE	0.00	0.00	0.10	0.00	0.05	0.00
WEC	0.00	0.09	0.03	0.06	0.08	0.08
XEL	0.04	0.00	0.03	0.02	0.04	0.02
AWK	0.00	0.00	0.00	0.00	0.00	0.00
WTRG	0.00	0.00	0.00	0.00	0.00	0.00
Average	0.00	0.03	0.04	0.03	0.03	0.04

Source: BofA Global Research estimates

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Exhibit 10: Tax adjusted HoldCo Negative/(Positive) impact from refinancing at current yield - % of Consolidated EPS

DTE, NEE highest as % of EPS

	2023	2024	2025
LNT	0.0%	0.0%	0.0%
AEE	0.0%	1.2%	0.0%
ED	0.0%	0.0%	0.0%
CNP	0.0%	2.3%	0.0%
CMS	0.0%	0.6%	0.6%
DTE	0.0%	1.6%	4.2%
NEE	0.1%	0.0%	2.7%
WEC	0.0%	1.8%	0.6%
XEL	1.3%	0.0%	0.7%
AWK	0.0%	0.0%	0.0%
WTRG	0.0%	0.0%	0.0%
Average	0.1%	0.7%	0.8%

Source: BofA Global Research estimates

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Exhibit 11: Tax adjusted OpCo Negative/(Positive) impact from refinancing at current yield

Opco needs relatively steady

	2023	2024	2025	2026	2027	2028
LNT	0.00	0.05	0.03	0.03	0.03	0.06
AEE	0.00	0.03	0.03	0.00	0.04	0.04
ED	0.09	0.02	0.00	0.02	0.03	0.05
CNP	0.00	0.00	0.01	0.02	0.01	0.04
CMS	0.00	0.03	0.01	0.00	0.00	0.05
DTE	0.01	0.06	0.05	0.02	0.03	0.03
NEE	0.00	0.06	0.03	0.01	0.05	0.05
WEC	0.00	0.06	0.06	0.00	0.01	0.07
XEL	0.00	0.03	0.01	0.00	0.00	0.02
AWK	0.00	0.05	0.07	0.16	0.09	0.07
WTRG	0.00	0.00	0.00	0.00	0.00	0.00
Average	0.01	0.03	0.03	0.02	0.03	0.04

Source: BofA Global Research estimates

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Exhibit 12: Tax adjusted OpCo Negative/(Positive) impact from refinancing at current yield - % of Consolidated EPS

2024 biggest need as EPS percentage

	2023	2024	2025
LNT	0.0%	1.7%	0.8%
AEE	0.0%	0.7%	0.6%
ED	1.8%	0.4%	0.0%
CNP	0.1%	0.1%	0.9%
CMS	0.1%	0.9%	0.2%
DTE	0.1%	0.8%	0.7%
NEE	0.1%	1.7%	0.9%
WEC	0.0%	1.2%	1.1%
XEL	0.0%	0.7%	0.3%
AWK	0.0%	0.9%	1.3%
WTRG	0.0%	0.0%	0.0%
Average	0.2%	0.8%	0.6%

Source: BofA Global Research estimates

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SMID Utilities

Refinancing impacts on SMID utilities are below. On balance the estimated impacts are modest across the coverage with the exception of **BKH** where we see up to 10% of EPS exposure in 2024 across both holdco and the opcos. Mgmt has already indicated its intent to accelerate rate activity for instance to help mitigate this outsized rate impact. Look for updated plans with EEl conf in November. **ALE** and **PNM** also screen relatively high with exposure ticking up in 2024 and 2025. PNM will have proceeds from securitizations that substantially dampen exposure. Note that for BKH a \$600m maturity at 1.037% is the biggest driver of higher interest expense on our forecast – this is a holdco refi need as shown in ex. 15-16,

Exhibit 13: Tax adjusted Total Negative/(Positive) impact from refinancing at current yield

2024 biggest impact for SMID caps

	2023	2024	2025	2026	2027	2028
ALE	0.00	0.03	0.10	0.04	0.05	0.02
AVA	0.00	0.01	0.00	0.00	0.00	0.00
BKH	0.15	0.40	0.00	0.10	0.17	0.03
HE	0.02	0.00	0.02	0.03	0.01	0.04
IDA	0.00	0.04	0.00	0.09	0.00	0.00
MDU	0.00	0.00	0.00	0.01	0.00	0.00
MGEE	0.00	0.00	0.00	0.01	0.04	0.00
POR	0.00	0.02	0.00	0.00	0.06	0.04
PNM	0.00	0.04	0.10	0.08	0.02	0.04
Average	0.02	0.06	0.02	0.04	0.04	0.02

Source: BofA Global Research estimates

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Exhibit 14: Tax adjusted Total Negative/(Positive) impact from refinancing at current yield - % of Consolidated EPS

BKH clear outlier with 2024 maturity

	2023	2024	2025
ALE	0.0%	0.9%	2.3%
AVA	0.0%	0.2%	0.0%
BKH	4.0%	10.3%	0.0%
HE	0.9%	0.0%	0.8%
IDA	0.0%	0.8%	0.0%
MDU	0.0%	0.0%	0.0%
MGEE	0.0%	0.0%	0.0%
POR	0.0%	0.6%	0.0%
PNM	0.0%	1.4%	3.3%
Average	0.5%	1.6%	0.7%

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 15: Tax adjusted HoldCo Negative/(Positive) impact from refinancing at current yield

ALE and POR have holdco needs in 2025+

	2023	2024	2025	2026	2027	2028
ALE	0.00	0.02	0.10	0.04	0.05	0.02
AVA	0.00	0.01	0.00	0.00	0.00	0.00
BKH	0.15	0.40	0.00	0.10	0.17	0.03
HE	0.00	0.00	0.01	0.00	0.00	0.03
IDA	0.00	0.00	0.00	0.00	0.00	0.00
MDU	0.00	0.00	0.00	0.01	0.00	0.00
MGEE	0.00	0.00	0.00	0.00	0.00	0.00
POR	0.00	0.02	0.00	0.00	0.06	0.04
PNM	0.00	0.00	0.00	0.06	0.00	0.00
Average	0.02	0.05	0.01	0.02	0.03	0.01

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 16: Tax adjusted HoldCo Negative/(Positive) impact from refinancing at current yield - % of Consolidated EPS

EPS impact is most pronounced for BKH

	2023	2024	2025
ALE	0.0%	0.6%	2.3%
AVA	0.0%	0.2%	0.0%
BKH	4.0%	10.3%	0.0%
HE	0.0%	0.0%	0.3%
IDA	0.0%	0.0%	0.0%
MDU	0.0%	0.0%	0.0%
MGEE	0.0%	0.0%	0.0%
POR	0.0%	0.6%	0.0%
PNM	0.0%	0.0%	0.0%
Average	0.4%	1.3%	0.3%

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 17: Tax adjusted OpCo Negative/(Positive) impact from refinancing at current yield

Opco needs more modest on average, IDA remains elevated

	2023	2024	2025	2026	2027	2028
ALE	0.00	0.01	0.00	0.00	0.00	0.01
AVA	0.00	0.00	0.00	0.00	0.00	0.00
BKH	0.00	0.00	0.00	0.00	0.00	0.00
HE	0.02	0.00	0.01	0.03	0.01	0.01
IDA	0.00	0.04	0.00	0.09	0.00	0.00
MDU	0.00	0.00	0.00	0.00	0.00	0.00
MGEE	0.00	0.00	0.00	0.01	0.04	0.00
POR	0.00	0.00	0.00	0.00	0.00	0.00
PNM	0.00	0.04	0.10	0.02	0.02	0.04
Average	0.00	0.01	0.01	0.02	0.01	0.01

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 18: Tax adjusted OpCo Negative/(Positive) impact from refinancing at current yield - % of Consolidated EPS

IDA and PNM have largest exposures

	2023	2024	2025
ALE	0.0%	0.2%	0.0%
AVA	0.0%	0.0%	0.0%
BKH	0.0%	0.0%	0.0%
HE	0.9%	0.0%	0.5%
IDA	0.0%	0.8%	0.0%
MDU	0.0%	0.0%	0.0%
MGEE	0.0%	0.0%	0.0%
POR	0.0%	0.0%	0.0%
PNM	0.0%	1.4%	3.3%
Average	0.1%	0.3%	0.4%

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Gas Utilities

On the gas LDC side, **OGS** has upwards of a 40c headwind coming in 2024 – see our recent downgrade note for detailed discussion: [ONE Gas, Inc.: Refinancing Headwind Renders Long-Term EPS CAGR Even More Back-Loaded 25 October 2023](#). Our mark to market also suggests that **SR** has meaningful refinancing needs to come in 2024 and 2026. We have stressed our [Underperform rating here](#) previously as well.

By contrast our [preferred call on ATO](#) shows diligent management of maturity towers out to 2028, among the single best positioned gas LDCs. We perceive its premium valuation as merited, particularly with parallel renewed confidence as it gains a handle on outsized inflation in recent years too.

Exhibit 19: Tax adjusted Total Negative/(Positive) impact from refinancing at current yield

SR needs largest beyond 2026, OGS in 2024

	2023	2024	2025	2026	2027	2028
ATO	0.00	0.00	0.00	0.00	0.08	-0.01
NJR	0.00	0.04	0.01	0.02	0.02	0.03
NWN	0.00	0.02	-0.01	0.03	0.01	0.00
SWX	0.00	0.03	0.00	-0.02	0.00	0.10
SR	0.00	0.07	0.02	0.20	0.03	0.02
OGS	0.02	0.44	0.00	0.00	0.00	0.00
UGI	0.00	0.00	0.02	0.05	0.01	-0.06
Average	0.00	0.09	0.01	0.04	0.02	0.01

Source: BoFA Global Research estimates

BoFA GLOBAL RESEARCH

Exhibit 20: Tax adjusted Total Negative/(Positive) impact from refinancing at current yield - % of Consolidated EPS

OGS up to 10% exposure leads the group

	2023	2024	2025
ATO	0.0%	0.0%	0.0%
NJR	0.0%	1.3%	0.5%
NWN	0.2%	0.7%	-0.3%
SWX	0.0%	1.3%	0.0%
SR	0.0%	1.7%	0.3%
OGS	0.5%	10.3%	0.0%
UGI	0.0%	0.0%	0.5%
Average	0.1%	2.2%	0.1%

Source: BoFA Global Research estimates

BoFA GLOBAL RESEARCH

Exhibit 21: Tax adjusted HoldCo Negative/(Positive) impact from refinancing at current yield

OGS and SR needs are at holdco level

	2023	2024	2025	2026	2027	2028
ATO	0.00	0.00	0.00	0.00	0.08	-0.01
NJR	0.00	0.02	0.00	0.02	0.02	0.02
NWN	0.00	0.02	0.00	0.00	0.00	0.00
SWX	0.00	0.03	0.00	0.00	0.00	0.00
SR	0.00	0.06	0.00	0.20	0.03	0.00
OGS	0.02	0.44	0.00	0.00	0.00	0.00
UGI	0.00	0.00	0.00	0.00	0.00	0.00
Average	0.00	0.08	0.00	0.03	0.02	0.00

Source: BoFA Global Research estimates

BoFA GLOBAL RESEARCH

Exhibit 22: Tax adjusted HoldCo Negative/(Positive) impact from refinancing at current yield - % of Consolidated EPS

OGS 10% exposure

	2023	2024	2025
ATO	0.0%	0.0%	0.0%
NJR	0.0%	0.8%	0.0%
NWN	0.0%	0.7%	0.0%
SWX	0.0%	1.3%	0.0%
SR	0.0%	1.4%	0.0%
OGS	0.5%	10.3%	0.0%
UGI	0.0%	0.0%	0.0%
Average	0.1%	2.1%	0.0%

Source: BoFA Global Research estimates

BoFA GLOBAL RESEARCH

Exhibit 23: Tax adjusted OpCo Negative/(Positive) impact from refinancing at current yield

Opco refs generally manageable

	2023	2024	2025	2026	2027	2028
ATO	0.00	0.00	0.00	0.00	0.00	0.00
NJR	0.00	0.01	0.01	0.00	0.00	0.01
NWN	0.00	0.00	-0.01	0.03	0.01	0.00
SWX	0.00	0.00	0.00	-0.02	0.00	0.10
SR	0.00	0.01	0.02	0.00	0.00	0.02
OGS	0.00	0.00	0.00	0.00	0.00	0.00
UGI	0.00	0.00	0.02	0.05	0.01	-0.06
Average	0.00	0.00	0.01	0.01	0.00	0.01

Source: BoFA Global Research estimates

BoFA GLOBAL RESEARCH

Exhibit 24: Tax adjusted OpCo Negative/(Positive) impact from refinancing at current yield - % of Consolidated EPS

Opco refs generally manageable

	2023	2024	2025
ATO	0.0%	0.0%	0.0%
NJR	0.0%	0.5%	0.5%
NWN	0.2%	0.0%	-0.3%
SWX	0.0%	0.0%	0.0%
SR	0.0%	0.3%	0.3%
OGS	0.0%	0.0%	0.0%
UGI	0.0%	0.0%	0.5%
Average	0.0%	0.1%	0.1%

Source: BoFA Global Research estimates

BoFA GLOBAL RESEARCH

List of tickers used in this report

AEE Ameren Corp
AEP American Elec Power

AGR	Avangrid
ALE	Allete Inc
ATO	Atmos Energy
AVA	Avista Corp
AWK	American Water
BKH	Black Hills
CMS	CMS Energy
CNP	CenterPointEnergy
D	Dominion Energy
DTE	DTE Energy
DUK	Duke Energy
ED	Consolidated Edison
EIX	Edison Intl
ES	Eversource Energy
ETR	Entergy Corp.
EVRG	Evergy
EXC	Exelon Corp
FE	FirstEnergy
HE	Hawaiian Electric
IDA	Idacorp
LNT	Alliant Energy Corp
MDU	MDU Resources
MGEE	MGE Energy
NEE	NextEra Energy
NI	NiSource Inc
NJR	New Jersey Resources
NWN	Northwest Natural
OGE	OGE Energy Corp
OGS	ONE Gas, Inc.
PCG	PG&E Corp.
PEG	Public Service
PNM	PNM Resources Inc.
PNW	Pinnacle West Capit
POR	Portland General
PPL	PPL Corp.
SO	Southern Company
SR	Spire
SRE	Sempra Energy
SWX	Southwest Gas
UGI	UGI Corp.
WEC	WEC Energy Group Inc
WTRG	Essential Utilities
XEL	Xcel Energy

Exhibit 25: Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
ATO	ATO US	Atmos Energy	US\$ 106.44	A-1-7
OGS	OGS US	ONE Gas, Inc.	US\$ 61.32	B-3-7
SR	SR US	Spire	US\$ 54.99	B-3-7

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

Atmos Energy Corporation (ATO)

Our \$120 PO is based on our 2025E sum-of-the-parts (SOTP) analysis, based on the gas LDC peer group multiple of 14.7x.

Our gas peer P/E multiple is grossed up to reflect the group's 5% CAGR (2021-26E) to reflect capital appreciation across the sector. We then apply a 2.0x premium across jurisdictions to reflect the high-quality nature of the assets given a sustainable runway for capex/EPS underpinned by constructive regulatory mechanisms and jurisdictions.

For the Pipeline & Storage segment we apply a 9.0x EV/EBITDA multiple as a base to our '25E EBITDA. We then apply a 2.0x premium to the assets given their fully regulated



nature and unique ability for APT to benefit from the spread differentials.

Upside risks: 1) improving regulatory relationships, 2) decrease in interest rates, 3) incremental capital spending, 4) constructive rate case outcomes, 5) less equity needs. Downside risks: 1) deteriorating regulatory relationship, 2) increase in interest rates, 3) less or deferred capital spending, 4) poor rate case outcomes, 5) more equity needs.

ONE Gas, Inc. (OGS)

We use a sum-of-the-parts analysis to calculate our \$60 price objective for OGS, applying a FY25E Gas LDC peer multiple of 14.4x (grossed up by 5% to reflect capital appreciation across the space). We use a 1x discount to the group to reflect below-average utility growth rates and inherent lag that limits actual returns relative to those authorized.

Upside and downside risks are: 1) political, regulatory, and legislative changes, 2) capital expenditures, 3) inflation and operating costs, 4) commodity prices, 5) pandemics, natural disasters, and weather, 6) policy changes for natural gas investments.

Spire (SR)

Our \$66 PO for SR is based on a sum-of-the-parts analysis. Consistently across our coverage universe we apply the peer gas 2025 P/E multiple (16.8x) as a starting point and 'gross-up' by five percent to account for growth across the sector. We include a 3x discount for Missouri given a less-constructive regulatory environment and an in-line multiple for Mississippi/Gulf and AL assets given their location and de-risked nature. For the midstream assets, we use a base 9.5x EV/EBITDA multiple with a 4x discount for storage given uncertainty, and a 2x discount for marketing due to volatility. We weight STL pipeline as 75% in our valuation given uncertainty with the pipe's future.

Upside risks: 1) favorable regulatory and/or legislative outcomes, 2) lower interest rates, 3) ability to earn the regulatory allowed rate of return, 4) lower equity needs, 5) higher capital expenditures, 6) Favorable FERC ruling on STL pipeline commercial operations, and 7) favorable unregulated performance.

Downside risks:

1) adverse regulatory and/or legislative outcomes, 2) higher interest rates, 3) inability to earn the regulatory allowed rate of return, 4) higher equity needs, 5) lower capital expenditures, 6) unfavorable ruling from FERC on STL pipeline commercial operations, and 7) natural disaster

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.

Special Disclosures

BofA Securities is currently acting as exclusive financial advisor to Constellation Energy Corp in connection with its proposed acquisition of NRG Energy Inc's 44 percent ownership stake in the South Texas Project Electric Generating Station, which was announced on June 1, 2023.

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
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC 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
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Alex Vrabel
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWENA 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
	Exelon	EXC	EXC US	Paul Zimbardo
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI 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
	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
	ReNew Power	RNW	RNW 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
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC 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
	Northwest Natural Holdings	NWN	NWN 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

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

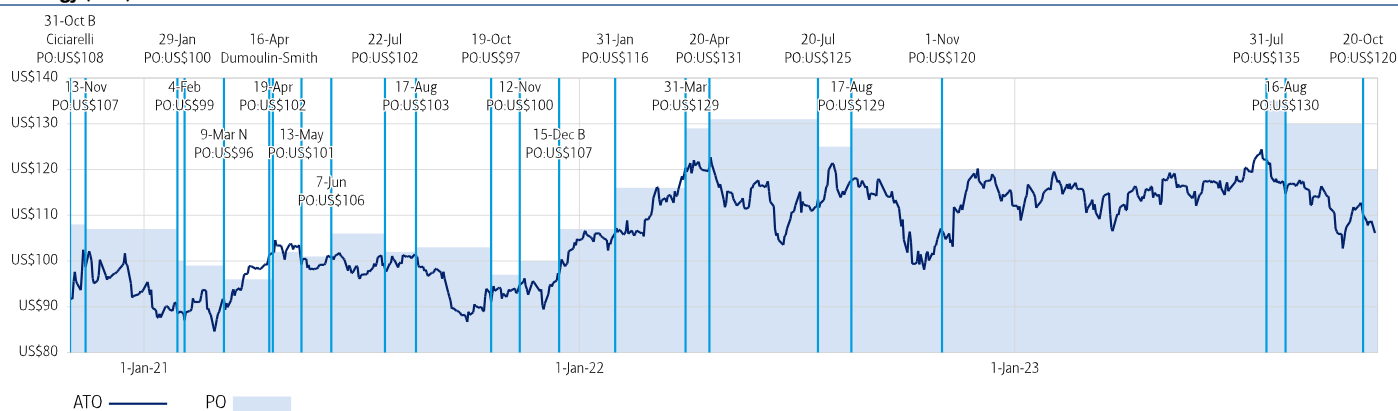
UNDERPERFORM

	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
	Generac Holdings Inc.	GNRC	GNRC 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
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith

Disclosures

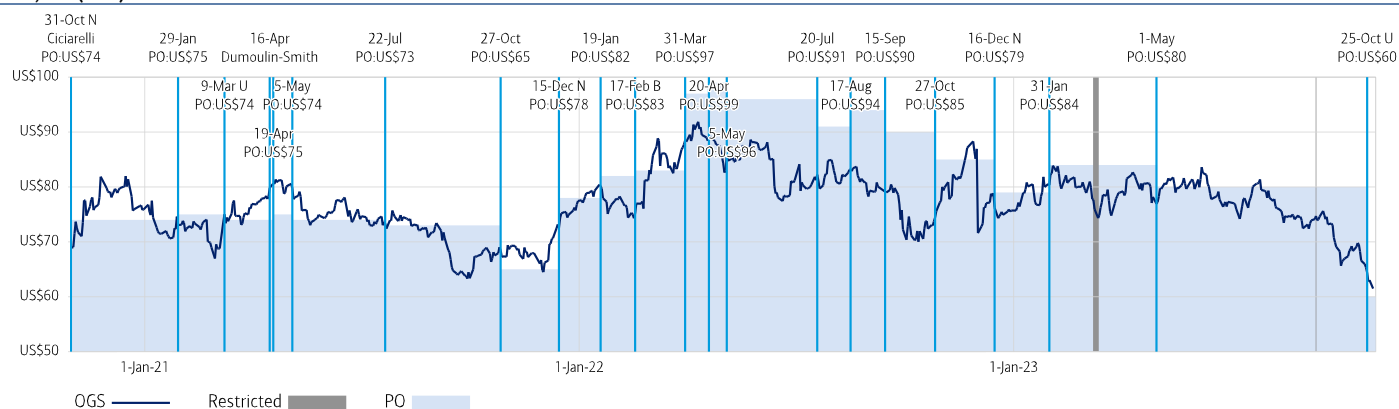
Important Disclosures

Atmos Energy (ATO) Price Chart

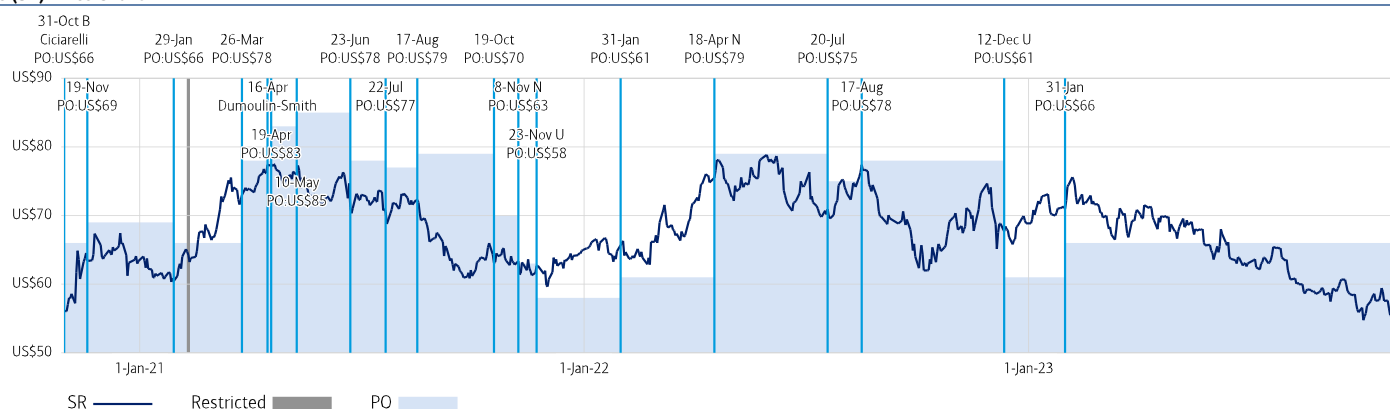


B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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.

ONE Gas, Inc. (OGS) 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.

Spire (SR) 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 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	80	51.28%	Buy	51	63.75%
Hold	42	26.92%	Hold	32	76.19%
Sell	34	21.79%	Sell	22	64.71%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1869	53.48%	Buy	1046	55.97%
Hold	828	23.69%	Hold	461	55.68%
Sell	798	22.83%	Sell	370	46.37%

^{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%

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