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US Utilities & Clean Tech

4Q23 Earnings Preview: Utilities Micro Debates Meet Interest Rates Macro

Price Objective Change

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Price objective changes:
Alliant Energy Corp: $55 from $53
American Elec Power: $78 from $77
Avista Corp: $32 from $33
CMS Energy: $66 from $63
DTE Energy: $115 from $122
ONE Gas: $58 from $60
Spire: $56 from $58

A less restrictive interest rate backdrop but still tough

The outlook for US utilities has improved in recent months but it is hardly easy for the relatively new management teams across the sector to navigate the current backdrop. The interest rate pressures looming over companies in October-November when the US Treasury 30Yr yield was 5%+ have significantly eased but have steadily grown as rates crept back to 4.3-4.4%. Most investors have recalibrated for the new environment, but the question is whether some companies had not yet fully reflected the pressures of higher interest rates, inflation, and other macro elements.

More debates than the eye can see: Illinois & D/ES are ripe

We highlight the most topical updates in the full report led by Illinois utilities Exelon and Ameren, but many utilities are poised for larger updated after a more subdued Edison Electric Institute (EEI) financial conference in November. Other big refreshes forthcoming include Constellation, Dominion, Eversource, Algonquin, Avangrid, and OGE Energy. Collectively these long-term growth updates will be powerful enough to drive the sector. As we have been writing for some time, the 'micro' debates are as important to understand as the 'macro'. Utilities have underperformed the implied move in interest rates in recent weeks which we attribute to some of these stock-specific challenges as well as growing investor unease about the 2024 elections and clean energy policies.

'Democratization of data centers': many questions to ask

The single biggest utilities sector theme recently and potentially in years is the rise of artificial intelligence related data centers and the associated increase in electrical load. Dominion Energy's (D) Northern Virginia service territory is the clear US market share leader for data centers. We are steadily seeing data centers growth diversify away from Virginia and traditional centers throughout the United States. A prime example is the $10Bn Amazon web services (AWS) Mississippi announcement for Entergy. The new data centers are increasingly being powered by natural gas and sometimes coal, a contrast to many customer-facing technology companies prioritizing renewables and low carbon. Further, the subsidization of some of the largest technology companies in the world by residential customers who see less economic benefit from data centers is an emerging topic. We see a growing contrast in just what 'economic development' tariffs mean. Historically we have seen utilities play a sharp role in encouraging new manufacturing and bringing jobs to regions – the latest pivot to data centers may see a need for them to 'pay their own way', driving a further pivot to direct contracting.

Top picks remain PCG, ETR, and PPL

We continue to prefer PG&E Corp (PCG), Entergy (ETR), and PPL Corp (PPL) among regulated utilities (all Buy rated). PPL has an under-the-radar positive update ahead with the rate base growth profile set to increase to 6-7% from 5-6% currently, closing the gap to 6-8% EPS. Although PCG has lagged to start 2024, we believe it will ultimately shine with a quieter regulatory calendar.

Refer to important disclosures on page 125 to 128. Analyst Certification on page 123. Price Objective Basis/Risk on page 111. 12652537

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Summarizing the key debates to watch

4Q23 earnings is perhaps the most action-packed in years. While the Edison Electric Institute (EEI) financial conference was relatively light on updates, we see a variety of earnings growth rate moderations. We highlight some of the major updates:

- **Exelon (EXC) EPS CAGR step-down priced in:** We expect Exelon to reduce the long-term EPS CAGR -100bp to 5-7% versus previously 6-8% expecting to be at the midpoint of better. 2024 EPS is forecasted to be flat/down before assuming a successful reconsideration of the Illinois rate case which could add back $0.04-$0.08 EPS. Shares have underperformed and we believe are pricing in that reality already so we continue to view as fairly valued. Extent of balance sheet fix remains an ongoing point to watch given what appears an evolving plan to Illinois 'reset'.

Exelon: Recalibrating the Growth Rate Down to 5-7% - but not lower. Discount is fair. 19 January 2024

- **Ameren (AEE) Hold the line on growth rate:** Unlike with Exelon above where we see the growth rate declining, we believe that Ameren will actually maintain its current growth profile despite the new meaningful pressures. Ameren *does* have more readily apparent offset areas and a stronger balance sheet that Exelon so can weather the challenges, if it chooses to pursue offsets and more leverage. That said, the key angle to watch is re-leveraging.

Ameren: Downgrade to Neutral: Lower capital coming post Illinois decision 04 Jan 2024

- **Dominion Energy (D) Will the business review end by the Feb 22 call?:** Our investor conversations point to *most* expecting a 6-7% EPS CAGR off a $3.45-$3.50 2025 EPS starting point versus us modeling 4-5% from $3.40 2025. In the interim, we are waiting for an update on the efforts to divest a stake in the offshore wind project.

Dominion Energy: The Final Countdown: Will Business Review End in 1Q24? Offshore Wind Key. 29 January 2024

- **Eversource Energy (ES) Questions across the board:** ES is one of the worst-performing regulated utilities in 2024, continuing an adverse 2023 trend related to disappointing offshore wind and credit datapoints. We forecast 2023-2025 EPS as approximately flat with 2023 benefiting from a series of positive non-recurring items and assumption that YE24 is the termination of interest capitalization. We see a significantly negative EPS rebase from the 'solidly in the upper half of 5-7%' off 2022 currently. The three questions are (1) how much equity is needed to stabilize the credit rating [Moody's Baa2 negative outlook and S&P A- negative watch]; (2) how fast is the equity issuances; and (3) how does management opt to recalibrate the long-term EPS growth rate lower. We model a 1-2% 2023-2027 EPS CAGR with -9% downside to $4.96 2026 consensus.

Exhibit 1: ES 2026 Consensus EPS Trailing Twelve Months

We forecast -9% downside to ES 2026 Consensus – despite the sharp reduction to date

Source: Bloomberg

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Eversource Energy: Offshore Wind Goes from Bad to Worse: Latest impairment leaves little value 09 January 2024

- **Avangrid (AGR) Will 2024 come:** We do not anticipate the multi-year EPS guidance reduction to come with the 4Q23 earnings update but rather at a March 2024 Capital Markets Day (CMD). Parent company Iberdrola (IBE) is hosting its own CMD on March 21st and we would expect Avangrid's event to be adjacent.

  Avangrid begins to face more renewables earnings and cash flow roll-offs deeper in the 2020s as well as the step-down from New England Clean Energy Connect (NECEC) transmission upon commercial operations. These factors make the length of the growth rate more important than for most companies with more linear earnings profiles.

Avangrid: Fireside Chat Feedback: Working to get on EPS growth track – starting with 2024 11 January 2024

- **Xcel Energy (XEL) Opting to point to top-end (or better) of 5-7% versus 6-8%:** The 4Q23 earnings update had a bullish tone with the company opting to rebase off actuals to deliver what is more akin to a 7-8% long-term outlook. With a lighter regulatory schedule and 'upside to the upside' capex opportunities, we see a compelling setup still. Watch fire datapoints on Marshall into year-end as the principle investor hangup. We also note that investors appear to be confusing the initial 'upside' plan of $5 Bn (principally still further Colorado renewable spend) with the 'upside to the upside' plan of $5Bn+ tied to its West Texas SPS business, and its 5-10GW buildout ahead.

PowerPoints: XEL Growth 29 January 2024

- **WEC Energy (WEC) Do not expect a change in the long-term profile:** WEC has reaffirmed its long-term EPS growth rate in recent filings despite the delayed initiation of calendar year EPS guidance. We expect that management will find offsets to the near-term challenges to deliver continued ~7% EPS growth YoY but the driver will be important to review.

WEC Energy Group Inc: EPS Preview: Upside levers, but business mix could move away from regulated 17 January 2024

- **OGE Energy (OGE) Finalizing the 5-7% consolidated vs utility outlook:** 5-7% consolidated EPS growth appears to have been management's unofficial target to match the 5-7% historically and current utility level growth rate. With further incremental utility capex and a moderation of interest rates off their peak, we see a path for 5-6% EPS growth with upside optionality if capex and rate base continue to acceleration. After the update, the pending Oklahoma rate case will be the clear focus.

OGE Energy Corp: Higher visibility to 5-7% consolidated EPS CAGR. OK rate case has a difficult comp. 23 January 2024

- **NextEra Energy (NEE) Anticlimactic update as focus shifts to peers:** The 4Q23 earnings and renewables origination update was a bit light of some elevated expectations but was entirely reasonable. We will look for the next clues to the outlook with the 2023 10K (likely late in February) followed by the Florida development 'workshop' March 14th and Investor Day June 11th. On balance, the outlook is acutely tied to the 'next' build out.

NextEra Energy: A Quarter of Relative Calm to End a Turbulent Year. Maintain Neutral. 25 January 2024

- **Consolidated Edison (ED) Payout ratio down as growth accelerates:** The stage is set for ED to deliver a positive surprise with FY24 and rebase its long-term EPS growth rate higher. ED is an increasingly rare, high quality premium utility. We see an implicit trend ongoing across the space with reducing div payouts emphasizing an implicitly bullish backdrop on growth. Watch for more beyond just ED, XEL and others thru 4Q given the ongoing sharp acceleration in spend across multiple large utilities.

- **California utilities – Edison International, PG&E Corp, and Sempra:** Despite the cost of capital revenue and earnings increase, we do not anticipate long-term guidance changes. For PCG we anticipate management will use the new revenues to de-risk pending regulatory items and increase confidence in the existing plan. At EIX, management described the higher cost of capital potential as a 'hedge' to interest rates and we believe that there are offsets within the plan that will lead to the guidance 'only' being reaffirmed rather than upside. This is mostly consensus from our conversations. Finally at Sempra, there are more positive tailwinds at Texas where we anticipate Oncor's capex to increase by more than 20% relative to the 10-20% guidance. We see the most merits for Sempra to increase its long-term EPS outlook but believe that management will exercise more conservatism with the California rate cases ending.

- **Portland General Electric (POR) Another year of power volatility, but not the last:** 2023 and 2024 earnings have been pressured by power costs. The questions are (1) whether the addition of 'base' transmission capex can solidify the EPS CAGR; and (2) investors give credit after another year in 2023 of failing to achieve EPS guidance?

- **PNM Resources (PNM) long-term still on track:** We expect management to reaffirm the 5% long-term EPS growth profile that was extended in November 2023, before the worse than expected New Mexico rate case.

PNM Resources Inc.: EPS CAGR non-linear but still intact; is there any more earnings upside? 04 January 2024

- **MDU Resources (MDU) Setting the standalone stage:** MDU deferred its Analyst & Investor Day from November 21st into 1Q24 to provide additional details on the Constructive Services Group (CSG) spin. A new pro forma outlook and details on the core utility growth trajectory, as well as rate base growth acceleration opportunities, is due.

- **PPL rate base growth set to accelerate +1pp to ~6.5%** PPL is expected to introduce 2027 capex and extend its growth rate. The primary area of pushback we receive on our positive PPL view is the large reliance on cost cuts to deliver 6-8% EPS growth versus 5.6% 2022-2026 rate base growth. Within the current 5.6% outlook is 4.1% 2022-2024 and 7.2% 2024-2026 rate base growth profiles with a material acceleration. Simply rolling forward to 2023-2027 with unchanged capex $3.4Bn capex extended to 2027 would lead to the rate base CAGR increasing to 6.4% from 5.6%. We see upward pressure on long-term transmission capex in Pennsylvania (we expect $800Mn 2027 vs $650-775Mn annually), Kentucky ($100-200Mn annually could double), and Rhode Island ($225-250Mn annually could have modest increases). This could lift the rate base CAGR further to 6.5-6.8%, further closing the EPS vs rate base bridge.

- **Idacorp (IDA) No long-term EPS guidance but capex set to meaningfully expand:** Idacorp management previewed a large long-term capex increase on the 3Q23 call and we believe there could be even further capital spending added to the medium-term plan. With shares trading at one of the highest 2025-2026 P/E multiples in the electric sector already, the stock already embeds a fair degree of the positivity already.

Idacorp: 4Q23 Preview: capex upside from RFP drives estimates yet higher 19 January 2024

What are some other names with quieter updates coming?

- **American Electric Power (AEP) Discount is warranted for lackluster regulatory progress:** We continue to see FY24 EPS below the guidance range and long-term pressures on the EPS growth trajectory; however, we do not anticipate a recalibration at this time. Management has pursued some layoffs to offset adverse regulatory outcomes but we believe the series of small setbacks will ultimately dampen the earnings profile. We see offsets to the latest setbacks, at least on a cash basis as management was able to get approval for its ~$400 Mn Kentucky securitization to offset other cash flow pressures from fuel disallowance. Still, watching carefully the repositioning thru '24.

- **Algonquin (AQN) Remaining in the holding pattern:** It remains to be seen whether AQN will provide FY24 guidance with the renewables review pending. Management provided qualitative updates on potential asset sale process on the 3Q23 call and now that the review has progressed, we will look to see if there are any accounting charges recorded for the renewables segment. We have seen many utilities including Duke, Eversource, and others record charges during their asset sale processes to reset the book value down towards market value. *A lack of charges at renewables would be a positive.*

Algonquin Power & Utilities Corp: Are we at peak uncertainty? Reset and management key questions ahead 26 January 2024

- **CenterPoint (CNP) Waiting for the 2025 Analyst Day:** In contrast to Texas peer Sempra, we do not expect CenterPoint to provide an extensive preview of its long-term Texas infrastructure needs ahead of the forthcoming electric rate case. Yes more equity will come with the capex increase, direct and/or indirectly. 2024 will be a year of regulatory execution and table setting before the more favorable investment outlook is unveiled in 2025. While tempting to believe four major high profile rate cases could dislodge shares from its premium position, we note few clear lingering risks to any case that is likely to reset the outlook.

CenterPoint Energy: A Lot More Regulatory Clarity Than Meets the Eye– Derisking '24 & Adding to '25+ 18 January 2024

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

Algonquin Power & Utilities Corp (AQN)

Originally published on 01/26/24

The big questions remain open heading into 2024

AQN enters 2024 with among the most uncertain outlooks in the space. The sale of its unregulated renewables business is the single largest unknown, specifically with respect to timing, price, and buyer. Mgmt has indicated that a deal could be signed by midyear with financial close possible by year end. The proceeds ultimately received will drive forward expectation on remainco balance sheet, the security of the dividend, and capex / rate base growth for the core regulated business. Sales of large renewables portfolios have slowed down in recent months with fewer publicly available comps – AEP, DUK, and ED remain the most commonly-cited benchmarks suggesting a 9.5-11.0x EBITDA range. We reiterate our Neutral rating on AQN with PO C$8 for AQN CN and $6 for AQN US

Atlantica stake, CEO, among the key open items too

Messaging around the Atlantica Sustainable (AY) stake has been unclear with AQN mgmt sticking to reiterating the goal of becoming 100% regulated but also not including the stake as part of the formal renewables process. Expect AY's strategic review to drive timing with a fairly protracted time frame thus far. The search for top mgmt remains in progress having kicked off last August, we expect a successor to come in with substantial regulated utility experience (similar to current interim CEO).

Estimates

Note that AQN began reporting lower earnings due to sharply higher borrowing rates one year ago with Q3 – as we lap these effects the y/y impacts might be lessened, but still are expected to drag particularly as rates move higher vs prior expectations. Note that our base estimates continue to not reflect a sale of the renewables business or AY stake given challenging market conditions and uncertain timeframe.

We also increase the expected dilution from the convert settlement in 2024 to ~76.6m shares, the upper end of the range reflecting the current equity valuation, having used the average of the range (~70m) previously. This has an incrementally lower impact on our estimates of 0-1c.

AQN continues to have one of the most opaque earnings and growth outlooks in the sector with substantial uncertainty as to when a reset may enable the company to pivot back to sustainable growth. While far from a consensus long (or short) based on our recent investor conversations, we note a distinct lack of consensus on the next leg for shares with most watching for potential renewable asset sale updates as the next catalyst, with incremental detail not expected until mid-year based on the latest mgmt messaging.

Exhibit 2: AQN estimates – remain below Street across forward years

EPS growth continues to be challenged across the forecast period

EPS	2017A	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Renewable Energy Group	0.03	0.08	0.21	0.16	0.13	0.13	0.10	0.12	0.11	0.11
Regulated Services	0.54	0.46	0.33	0.31	0.44	0.47	0.43	0.43	0.42	0.45
Corporate & Other	-0.01	0.12	0.09	0.17	0.14	0.08	-0.01	-0.04	-0.04	-0.02
AQN Consolidated EPS	0.57	0.66	0.63	0.64	0.71	0.69	0.53	0.51	0.49	0.53
Y/Y Growth		*15%*	*-4%*	*1%*	*11%*	*-3%*	*-23%*	*-4%*	*-5%*	*9%*
CAGR from 2021 ($0.71)						*-3%*	*-13%*	*-10%*	*-9%*	*-5%*
CAGR from 2023 ($0.58)								*-4%*	*-4%*	*0.2%*
Consensus						0.70	0.51	0.54	0.53	0.55
Consensus CAGR off 2021 ($0.71)						*-1%*	*-15%*	*-9%*	*-7%*	*-5%*
Full Year EPS Guidance						0.66-0.69	0.55-0.61			
Prior EPS Estimates		0.66	0.63	0.64	0.71	0.69	0.53	0.51	0.49	

Source: BofA Global Research, Bloomberg

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Valuation

We have refreshed our valuation to reflect the latest peer group multiples of 13.3x for Electric, 13.9x for Gas, and 18.9x for Water. Applied to our 2026 EPS estimates, the resulting PO is $6.00 for AQN US (C$8.00 for AQN CN). We reiterate Neutral given the total return implied by our valuation.

Exhibit 3: AQN valuation

PO $6.00, reiterate Neutral

	Base Year	PE Multiple	Group EPS CAGR	Effective Base Multiple	
Group Peer Multiple - Electric	2026	13.3x	5.0%	13.9x	
Group Peer Multiple - Gas	2026	13.9x	5.1%	14.6x	
Group Peer Multiple - Water	2026	18.9x	5.0%	19.8x	
Contracted Generation EV/EBITDA	2025	10.0x	0.0%	10.0x	
Regulated Valuation	2026 EPS	Effective Base Multiple	Premium / Discount	Applied Multiple	Equity Value ($m)
Liberty Utilities - Electric	0.25	13.9x	-3.0x	10.9x	2097
Liberty Utilities - Gas	0.05	14.6x	-3.0x	11.6x	478
Liberty Utilities - Water	0.05	19.8x	-3.0x	16.8x	694
Liberty Power Valuation	2025 EBITDA	Effective Base Multiple	Premium / Discount	Applied Multiple	Enterprise Value ($m)
Hydro	28	10.0x	-2.0x	8.0x	226
Thermal	12	10.0x	-2.0x	8.0x	94
Wind EBITDA w/o PTCs (ex asset sales)	134	10.0x	-2.0x	8.0x	1073
Solar EBITDA w/o ITCs	51	10.0x	-2.0x	8.0x	411
Renewable DevCo DCF Value					272
Atlantica Sustainable Infrastructure	AY Share Price	Shares (m) Held by AQN			Equity Value ($m)
Stake in Atlantica Sustainable Infrastructure	19.10	48.963			935
Less: Non-Utility Net Debt					Debt Value ($m)
Non-Utility Implied Net Debt + Pref Shares					-1495
					Equity Value ($m)
Algonquin Power & Utilities Equity Value					4786
AQN shares outstanding (m shs)					*766.267*
AQN Price Objective					*6.00*

Source: BofA Global Research, Bloomberg

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Title: Subtitle	Primary Author	Date Published
Algonquin Power & Utilities Corp: Are we at peak uncertainty? Reset and management key questions ahead	Paul Zimbardo	26 January 2024
Algonquin Power & Utilities Corp: Mgmt Meeting Takes: No closer to strategic certainty + our latest metrics		23 October 2023

Alliant Energy (LNT)

We forecast Alliant's 2024 EPS at $3.07, in line with Street consensus at $3.07 and near the midpoint of the guidance range of $2.99-3.13.

- **Key drivers –** The biggest upside driver is expected to be new approved rates at WPL at +19c, reflecting authorized increases at both the electric and gas utility. IPL's contribution is expected to be smaller with new rates in effect by Oct 1. Weather normalization will likely be a +6c tailwind as well.

- **Wildcards** – Expect the contribution from AFUDC to be lower in 2024 than in prior years given 600+ MW of solar assets placed in service in late 2023. We also see a modestly higher contribution from retail sales at +2c though LNT tends to guide conservatively.

Exhibit 4: LNT EPS walk
We see $3.07 EPS in 2024

	EPS	1Q	2Q	3Q	4Q
FY 2023 EPS	**2.89**	**0.65**	**0.59**	**0.94**	**0.70**
WPL	**0.19**	**0.02**	**0.05**	**0.10**	**0.02**
IPL	**0.05**	**0.00**	**0.00**	**0.00**	**0.05**
D&A	**-0.10**	**-0.03**	**-0.03**	**-0.03**	**-0.03**
Weather	**0.06**	**0.04**	**0.01**	**-0.02**	**0.03**
Retail sales	**0.02**	**0.01**	**0.01**	**0.01**	**0.01**
O&M	**0.02**	**0.00**	**0.00**	**0.00**	**0.02**
AFUDC	**0.08**	**0.02**	**0.02**	**0.02**	**0.02**
Interest expense	**-0.12**	**-0.03**	**-0.03**	**-0.03**	**-0.03**
Other	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Dilution	**-0.03**	**-0.01**	**-0.01**	**-0.01**	**0.01**
FY 2024 EPS	**3.07**	**0.67**	**0.61**	**0.98**	**0.81**
FY24 Consensus	3.07	0.64	0.59	0.97	0.86
BofA Above (Below) Street %	0%	4%	3%	1%	-6%
FY23 Adj EPS Guidance	**2.99-3.13**				

Source: BofA Global Research, Bloomberg

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Estimates

We continue to forecast an EPS CAGR in the high 6s through 2026-27 using the original 2023 midpoint of $2.89. This is consistent with the EPS CAGR range of 5-7% which LNT has historically achieved with relatively little volatility.

Downside risks to our estimates, which remain slightly elevated above Street consensus include 1) O&M inflation and 2) slowdown or reversal of sales growth. O&M inflation is a sector-wide risk and not company-specific to LNT. The 2024 EPS guidance range is comparably less risky than 2023, without relying on substantial O&M reductions.

We remain slightly ahead of Street consensus estimates which are generally near the midpoint of the range through 2026. We note that we do not assume an ROE premium for solar generation projects pending for IPL, so a modest upside risk is embedded in the ongoing advance ratemaking proceeding.

Exhibit 5: LNT estimates

CAGR trending in the upper half of the guidance range

	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E
Interstate Power & Light (IPL)	$1.30	$1.40	$1.43	$1.45	$1.53	$1.65	$1.73	$1.85
Wisconsin Power & Light (WPL)	$1.00	$1.07	$1.25	$1.26	$1.41	$1.54	$1.73	$1.87
American Transmission Co (ATC)	$0.13	$0.13	$0.15	$0.16	$0.17	$0.18	$0.18	$0.18
Parent/Other	$0.00	$0.03	-$0.11	-$0.03	-$0.04	-$0.09	-$0.13	-$0.18
Total	$2.43	$2.63	$2.73	$2.85	$3.07	$3.28	$3.52	$3.72
Prior Estimates			$2.73	$2.84	$3.06	$3.30		
Guidance			2.67-2.81	*2.85-2.93*	*2.99-3.13*			
Consensus			$2.80	$2.89	$3.07	$3.27	$3.48	$3.68
Consensus CAGR				5.6%	5.9%	6.1%	6.2%	6.1%
CAGR off 2023 midpoint of $2.89					6.2%	6.6%	6.8%	6.5%

Source: BofA Global Research, Bloomberg

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PO $55, reiterate Buy on valuation

We mark to market our valuation, applying the peer multiple of 13.6x to our updated 2026 estimates. As a result the PO moves to $55 from $53. We reiterate Buy on LNT given the double-digit total return implied by our valuation.

Exhibit 6: LNT valuation

PO $55, reiterate Buy

Regulated Utilities	2026 Net Income	EPS	P/E Multiple: Peer	Prem/ Discount		Base
Group Peer Multiple - Electric			13.6x			
Group EPS CAGR - Electric			5.00%			
Relative Utility Group P/E Multiple			14.3x		Applied multiple	
Interstate Power & Light (IPL)	$444	$1.76	14.3x	1.0x	15.3x	$6,791
Wisconsin Power & Light (WPL)	$444	$1.75	14.3x	2.0x	16.3x	$7,223
American Transmission Co (ATC)	$47	$0.18	14.3x	4.0x	18.3x	$854
EPS (w/o Parent)	$935	$3.69				$14,868
Parent NI	-$44	-$0.18	14.3x	0.0x	14.3x	($634)
Total Implied					20.0x	$13,831
Shares Outstanding (2023E)						253
Total Equity Value Per Share						$55.0
Total Return Analysis						
Price Objective						$55.0
Implied Return						12.5%
Dividend Yield						3.9%
Total Return						16.4%

Source: BofA Global Research, Bloomberg

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Title: Subtitle	Primary Author	Date Published
US Utilities & IPPs: Earnings: ED Guide Up, AES EPS Top-End plus M&A, LNT Beat w/ 2024 In-Line, BE	Julien Dumoulin-Smith	03 November 2023
US Utilities & IPPs: PowerPoints: LNT New CEO, XEL Guide, FE Pension, FTS Earnings, NWE & PNM CAGRs	Julien Dumoulin-Smith	27 October 2023
US Utilities & IPPs: PowerPoints: AGR Mgmt, AEP Kentucky, LNT Iowa, NWE Montana, EIX Cali, & More	Julien Dumoulin-Smith	23 October 2023
US Utilities & IPPs: PowerPoints: Wisconsin LNT & XEL, TA M&A, HE latest, and AEP OH settlement	Julien Dumoulin-Smith	07 September 2023
Alliant Energy Corporation: Upgrade to Buy: Regulatory clouds parting in the Midwest	Julien Dumoulin-Smith	26 June 2023

Ameren Corp (AEE)

We forecast Ameren's 2024 EPS at $4.54, slightly ahead of Street consensus at $4.58.

- **Key drivers –** New MO electric rates will be +8c through the first three quarters. We forecast an incremental +4c from retail sales normalized growth and +6c from additional deferrals under Plant in Service Accounting (PISA). We also expect that mgmt will initiate an O&M reduction program with +5c for MO and +4c in IL. Expect Ameren Transmission to be the largest single upside driver in 2024 based on rate base growth and unchanged ROE at +16c. Ameren IL electric will be a drag at -6c based on the new authorized ROE at 8.7% and lower approved rate base with an as-yet unapproved grid plan.

- **Wildcards –** Ameren IL electric is likely to be a downside driver y/y following a punitive rate case outcome, with the -6c ROE contribution unlikely to be reversed/mitigated. Rate base upside could still materialize in future years following an approved grid plan – our -8c contribution is based on the 2022 rate base that is approved per the commission's order. Adjusted parent equity issuance may also be a positive vs the previous forecast (depending on how much capex is reduced) with our walk reflecting the full $600m in the company's plan.

Exhibit 7: Ameren EPS

Transmission is top upside driver, IL will be a drag in 2024

	EPS	Q1	Q2	Q3	Q4
FY23A EPS	4.36	1.00	0.90	1.87	0.58
Weather	0.02	0.05	0.00	-0.03	0.00
Ameren Missouri					
Electric new rates '23 rate case	0.08	0.04	0.03	0.01	0.00
Retail sales + weather	0.04	0.01	0.01	0.01	0.01
PISA	0.06	0.01	0.01	0.02	0.02
Energy efficiency incentives	0.00	0.00	0.00	0.00	0.00
O&M ex COLI	0.05	0.01	0.01	0.02	0.01
Interest	-0.04	-0.01	-0.01	-0.01	-0.01
Ameren Transmission					
Higher rate base	0.16	0.04	0.04	0.04	0.04
Ameren Illinois					
Electric ROE 8.7% authorized, from 9.9%	-0.06	-0.02	-0.02	-0.02	-0.01
Electric rate base change	-0.08	-0.01	-0.01	-0.01	-0.07
Ameren IL Gas	0.02	0.01	0.01	0.01	0.00
O&M ex COLI	0.04	0.01	0.01	0.01	0.01
Parent/Other					
Share count dilution	-0.11	-0.03	-0.03	-0.03	-0.03
Parent drag / interest / COLI	0.00	0.00	0.00	0.00	0.00
FY24E Adjusted EPS	4.54	1.12	0.96	1.91	0.55
FY 24 Consensus	4.58	1.14	0.92	1.99	0.73
BofA Beat (Miss) vs Consensus	-1%	-1%	4%	-4%	-24%

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Estimates

We had previously adjusted our estimates of parent drag in order to reflect a run rate similar to 2023, along with a notch lower in IL capex as expected. Ameren's parent has debt refis coming which will provide incremental drag of ~5c through 2026.

Based on our estimates, Ameren Missouri provides solid 6-7% EPS growth while transmission leads at +9% given robust investment opportunities in the existing plan. We expect continued momentum for capex growth here in coming updates given the Missouri resource planning process and MISO's long-term transmission buildout.

Growth at Ameren Illinois Electric is understandably under significant pressure, with 2023 providing a tough comp given the last year of formula rates benefitting from rising 30Y yields. In future years the drivers laid out above are expected to drive IL electric growth of -7.9% from 2023-2028, though transmission and gas offset this somewhat across the broader Illinois footprint.

On our updated estimates, Ameren's EPS CAGR points to 4-5% growth, making it highly unlikely that the current 6-8% EPS CAGR is maintained. Note that our forecast does not include new equity on top of the issuances currently in the plan, as discussed above. Our estimates are below Street across the forecast period. Upside risks include approval of an updated grid plan and further upward inflection in investment in non-IL jurisdictions.

Exhibit 8: AEE estimates

We see ~5% growth from 2024 as a potential scenario – upside potentially still to be announced

	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E
Ameren Missouri	$1.74	$1.77	$2.02	$2.17	$2.17	$2.43	$2.60	$2.77	$2.89	$3.00
Ameren Illinois Electric	$0.59	$0.58	$0.64	$0.78	$0.98	$0.73	$0.70	$0.69	$0.67	$0.65
Ameren Illinois Gas	$0.34	$0.40	$0.42	$0.47	$0.49	$0.50	$0.52	$0.53	$0.55	$0.57
Ameren Transmission	$0.75	$0.88	$0.90	$1.02	$1.02	$1.21	$1.29	$1.38	$1.47	$1.57
Other	-$0.07	-$0.13	-$0.14	-$0.29	-$0.30	-$0.31	-$0.35	-$0.36	-$0.35	-$0.34
Total EPS	$3.35	$3.50	$3.84	$4.14	$4.36	$4.54	$4.77	$5.02	$5.23	$5.45
Guidance			*3.75-3.95*	*4.00-4.15*	*4.30-4.45*					
EPS CAGR off 2023 ($4.35)						4.5%	4.7%	4.9%	4.7%	4.6%
YoY Growth	-0.5%	4.5%	9.7%	7.7%	5.3%	4.3%	4.9%	5.3%	4.2%	4.2%
EPS CAGR off 2024 BofAe							4.9%	5.1%	4.8%	4.7%
Prior Estimates				*4.14*	*4.36*	*4.54*	*4.77*	*5.02*		
Consensus				$4.08	$4.37	$4.58	$4.91	$5.23	$5.49	

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

PO stays $77 on mark to market, reiterate Neutral

We mark to market our valuation, applying the peer multiple of 13.6x for electric and 13.9x for gas to our updated 2026 estimates. As a result the PO remains $77. We reiterate Neutral on AEE as valuation is offset by risks to the capital plan and uncertain regulatory treatment in the key Illinois jurisdiction.

Exhibit 9: AEE valuation

PO stays $77, reiterate Neutral

All figures in $Mn except per share

Regulated Utilities	2026 EPS	P/E Multiple			
		Peer	Prem/ Discount	Adjusted Multiple	Base
Group Peer Multiple - Electric		13.6x			
Group EPS CAGR - Electric		5.00%			
Effective Multiple - Electric		14.3x			
Group Peer Multiple - Gas		13.9x			
Group EPS CAGR - Gas		5.10%			
Effective Multiple - Gas		14.6x			
Ameren Missouri	$2.77		1.0x	15.3x	$42.39
Ameren Illinois Electric	$0.69		-3.0x	11.3x	$7.76
Ameren Illinois Gas	$0.53		-3.0x	11.6x	$6.19
Ameren Transmission	$1.38		4.0x	18.3x	$25.27
Parent/Unallocated Items	-$0.36		0.0x	14.3x	-$5.07
Total Implied Utilities	**$5.02**				**$76.54**
Shares outstanding	287				
Implied P/E	15.3x				
Valuation					$77
BofAe Implied Multiple					15.3x
Upside/Downside					11.0%
NTM Dividend Yield					3.9%
Total Return					14.9%

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
Ameren Corporation: Downgrade to Neutral: Lower capital coming post Illinois decision	Julien Dumoulin-Smith	04 January 2024
US Utilities & IPPs: PowerPoints: AEE & EXC Illinois Feedback. Capex cuts, rehearing, & legislation?	Julien Dumoulin-Smith	19 December 2023
Ameren Corporation: Illinois delivers downside surprise	Julien Dumoulin-Smith	15 December 2023
US Utilities & Clean Tech: PowerPoints: EXC/AEE Illinois, CEG Buybacks, 45X Tax Credits, & BKH	Julien Dumoulin-Smith	15 December 2023
Ameren Corporation: Illinois rate case outcomes could drive a moderated outcome; reiterate Buy	Julien Dumoulin-Smith	13 December 2023
US Electric Utilities & IPPs: Power Points: AEE and WEC IL Gas orders, UGI FQ4 beat, NY State EV funding	Julien Dumoulin-Smith	17 November 2023
US Utilities & IPPs: PowerPoints: WEC Chair, TX Turnover, AEE /ATO/ORA EPS, D Latest + M&A, & EXC NJ	Julien Dumoulin-Smith	09 November 2023

American Electric Power (AEP)

We forecast AEP's 2024 EPS at $5.39, below Street consensus of $5.60 and the guidance range of $5.53-5.73.

- **Key drivers** – We model a +28c increase at the Vertically Integrated (VI) utilities, led by a +49c increase in gross margin vs +55c in company guidance. Our Transmission & Distribution (T&D) upside is also lower with a gross margin contribution of +9c vs +15c from AEP's guidance. While nominally lower, we are still modeling a substantial earned ROE rebound at both segments with 9.3% (up from 8.6%) at VI and 8.3% (from 7.3%) at T&D.

- **Wildcard** – Our model assumes normal weather which has been a driver of volatility in recent years. We also assume that O&M is a negative driver y/y in line with company guidance, though the ability to execute on cost controls remains a key wild card.

Exhibit 10: AEP EPS walk

We are below Street consensus with $5.39 in 2024

AEP Earnings Walk		1Q23	2Q23	3Q23	4Q23	AEP Guide
Prior Period	5.21	1.11	1.13	1.77	1.19	5.29
Weather	0.14	0.05	0.02	0.04	0.03	0.12
Gross Margin	0.49	0.20	0.15	0.10	0.04	0.55
Retail/Wholesale Load	-0.03	-0.01	-0.01	-0.01	0.00	-0.03
Transmission Revenue	0.05	0.01	0.01	0.01	0.02	0.05
O&M	-0.11	-0.03	-0.03	-0.03	-0.03	-0.11
D&A	-0.18	-0.05	-0.05	-0.05	-0.05	-0.18
Income Taxes	-0.02	-0.01	-0.01	-0.01	-0.01	-0.02
Interest	-0.01	0.00	0.00	0.00	0.00	-0.01
Other/Financing	-0.05	-0.01	-0.01	-0.01	-0.01	-0.05
Total Vertically Integrated	0.28	0.16	0.08	0.05	0.00	0.32
Weather	0.03	0.01	0.01	0.01	0.01	0.03
Rate Changes	0.09	0.05	0.01	0.02	0.01	0.15
Retail Load	0.05	0.01	0.01	0.01	0.01	0.05
Transmission Revenue	0.12	0.03	0.03	0.03	0.03	0.12
O&M	-0.01	0.00	0.00	0.00	0.00	-0.01
D&A	-0.12	-0.03	-0.03	-0.03	-0.03	-0.12
Interest	-0.04	-0.01	-0.01	-0.01	-0.01	-0.04
Other/Financing	0.05	0.01	0.01	0.01	0.01	0.05
Trans./Dist. Utilities	0.17	0.07	0.03	0.04	0.03	0.24
Invest Growth	0.04	0.01	0.01	0.01	0.01	0.08
Other/Financing	-0.03	-0.01	-0.01	-0.01	-0.01	-0.03
AEP Transmission HoldCo	0.01	0.00	0.00	0.00	0.00	0.05
Renewables	-0.12	-0.03	-0.03	-0.03	-0.03	-0.12
Generation	-0.03	-0.01	-0.01	-0.01	-0.01	-0.03
Wholesale	-0.02	-0.01	-0.01	-0.01	0.00	-0.02
Retail	-0.06	-0.01	-0.01	-0.01	-0.04	-0.06
Other/Financing	-0.03	-0.01	-0.01	-0.01	-0.01	-0.03
Generation & Marketing	-0.26	-0.06	-0.06	-0.06	-0.08	-0.26
Interest	-0.04	-0.01	-0.01	-0.01	-0.01	-0.04
Other/Financing	0.12	0.03	0.03	0.03	0.03	0.03
Dilution	-0.11	-0.03	-0.03	-0.03	-0.03	
Corp & Other	-0.03	-0.01	-0.01	-0.01	-0.01	-0.01
Current Period EPS	5.39	1.27	1.17	1.80	1.14	5.63
FY24 Diluted Share Count	530	528	529	531	532	
FY23 Diluted Share Count	519	514	515	521	527	
EPS Consensus	5.60	1.33	1.22	1.84	1.25	
Delta vs Consensus	*-3.8%*	*-3.9%*	*-3.5%*	*-2.3%*	*-8.9%*	

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Estimates

We update our forecast as outlined below. Consistent with the recent West Virginia order, we remove the assumption previously embedded in our forecast of APCo securitization having previously reflected securitization of the Amos and Mountaineer assets in ApCo's West Virginia jurisdiction in 2025, replaced with $1.2B in securitization proceeds. We had assumed redeployed capex in the same amount across three better-performing opcos - SWEPCO, AEP Texas, and the transmission business, which we also now undo in our forecast.

Other key earnings drivers remain including incremental interest expense at the parent from refi pressures (see more detail here: [American Electric Power: Reset lower likely coming with 2024 guidance 12 October 2023]). We also embed a modest improvement in ROEs consistent with mgmt messaging though note that *execution* against these goals remains the single largest unknown in the forecast.

Exhibit 11: AEP estimates

We still see EPS below 2023 and 2024 guidance ranges, albeit incrementally higher than previously

	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
APCo	$0.74	$0.70	$0.82	$0.66	$0.87	$0.92	$0.96	$0.96	$0.97	$0.97	$0.98
I&M	$0.61	$0.56	$0.63	$0.66	$0.66	$0.68	$0.72	$0.73	$0.73	$0.73	$0.73
SWEPCO	$0.38	$0.55	$0.57	$0.66	$0.67	$0.77	$0.77	$0.84	$0.86	$0.87	$0.89
PSO	$0.26	$0.28	$0.33	$0.36	$0.40	$0.48	$0.57	$0.62	$0.65	$0.67	$0.70
Other Utes	$0.20	$0.23	$0.21	$0.16	$0.18	$0.19	$0.19	$0.20	$0.20	$0.21	$0.21
Vertically Integrated	$2.21	$2.25	$2.56	$2.50	$2.78	$3.03	$3.21	$3.35	$3.41	$3.46	$3.51
Guidance	$2.19	$2.16	$2.39	$2.53	$2.85						
Ohio	$0.56	$0.52	$0.56	$0.60	$0.66	$0.70	$0.72	$0.74	$0.78	$0.80	$0.82
Texas	$0.49	$0.58	$0.60	$0.65	$0.76	$0.79	$0.82	$0.86	$0.89	$0.93	$0.96
T&D	$1.03	$1.10	$1.16	$1.25	$1.42	$1.49	$1.54	$1.60	$1.67	$1.73	$1.78
Guidance	$1.03	$1.11	$1.27	$1.26	$1.50						
Transmission HoldCo	$1.03	$1.34	$1.32	$1.43	$1.44	$1.50	$1.56	$1.64	$1.72	$1.78	$1.85
Guidance	$1.08	$1.24	$1.27	$1.46	$1.51						
AEP Energy Supply	$0.36	$0.26	$0.50	$0.51	$0.24	$0.24	$0.25	$0.25	$0.25	$0.26	$0.26
Guidance	$0.35	$0.35	$0.31	$0.51	$0.25						
Corp & Eliminations	($0.18)	($0.23)	($0.45)	($0.47)	($0.48)	($0.51)	($0.56)	($0.56)	($0.59)	($0.60)	($0.59)
Guidance	($0.30)	($0.21)	($0.27)	($0.47)	($0.48)						
CONSOLIDATED EPS	$4.44	$4.73	$5.09	$5.21	$5.39	$5.76	$5.99	$6.28	$6.46	$6.63	$6.80
Guidance			4.97-5.07	5.24-5.34	5.53-5.73						
EPS Growth (%)	*4.6%*	*6.6%*	*7.6%*	*2.4%*	*3.4%*	*6.8%*	*4.1%*	*4.9%*	*2.8%*	*2.7%*	*2.6%*
Previous EPS			*$5.09*	*$5.20*	*$5.36*	*$5.67*					
Consensus			$5.01	$5.27	$5.60	$5.96	$6.31	$6.73			
BofAe CAGR (vs '23 mid)					1.9%	4.3%	4.2%	4.4%	4.1%	3.8%	

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

PO to $78, reiterate Neutral

We mark to market our valuation, applying the peer multiple of 13.6x to our updated 2026 estimates. As a result the PO moves to $78 from $77. We reiterate Neutral on AEP given the modest total return implied by our valuation.

Exhibit 12: AEP valuation
PO $78, reiterate Neutral

AEP SOTP	2026 EPS	P/E Multiple	Premium/ Discount	Value ($mn)	Value ($/Sh)
Group Peer Multiple - Electric		13.6x			
Group EPS '18-'22 CAGR - Electric		5.0%			
Vertically Integrated Utilities		14.3x			
APCo	$0.96	14.3x	-3.0x	$5,830	$10.82
I&M	$0.72	14.3x	-2.0x	$4,747	$8.81
SWEPCO	$0.77	14.3x	-4.0x	$4,270	$7.92
PSO	$0.57	14.3x	-3.0x	$3,442	$6.39
Other Utilities (including KY Power)	$0.19	14.3x	-2.0x	$1,278	$2.37
T&D Utilities (Principally D) - TNC/TCC, Ohio Power					
Texas	$0.82	14.3x	1.0x	$6,759	$12.54
Ohio	$0.72	14.3x	0.0x	$5,515	$10.23
Transmission-Only Utilities - Mostly FERC	$1.56	14.3x	1.0x	$12,865	$23.88
Parent & Other - Principally HoldCo Debt	($0.56)	14.3x	0.0x	($4,339)	($8.05)
Total Regulated & HoldCo Value	$5.74			$40,367	$74.91
Renewables					
Legacy Energy Supply + Marketing (ex-Renewables)	$0.25	14.3x	-3.5x	$1,446	$2.68
Total AEP Equity Value					$77.60
Shares Outstanding					539
Total Equity Value Per Share					$78.0
				Price Appreciation	0.3%
				+2023 Dividend Yield	4.3%
				Total Potential Return	4.6%

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
US Electric Utilities & IPPs: Power Points: CA CoC; AEP securitization; XEL settlement; FSLR tax credits	Julien Dumoulin-Smith	28 December 2023
US Utilities & IPPs: PowerPoints: ES MA, EXC Labor, FE/AEP Ohio, Texas Earned ROEs, and NEP Latest	Julien Dumoulin-Smith	05 December 2023
US Utilities & IPPs: PowerPoints: DTE Update, Power/Carbon, PNM/AEP Asset Sale, PCG/EIX Cali Latest	Julien Dumoulin-Smith	04 December 2023
US Utilities & IPPs: PowerPoints: PNW AZ, AEP KY, TX Power, PCG Update/Dividend, PPL, OGE, SRE LNG	Julien Dumoulin-Smith	27 November 2023
American Electric Power: Reset lower likely coming with 2024 guidance	Julien Dumoulin-Smith	12 October 2023
American Electric Power: Louisiana delivers much-needed renewables win & where to next	Julien Dumoulin-Smith	03 July 2023

American Water (AWK)

FY23: Favorable weather and higher rate relief

Exhibit 13: American Water FY23 Earnings Walk
FY23 is above the guidance high-end. FY23 including +$0.11 weather would be $4.88 vs $4.87 BofAe

American Water Earnings Walk	Guide	FY23	1Q	2Q	3Q	4Q
FY22A Adjusted EPS	$4.51	$4.51	$0.870	$1.200	$1.630	$0.810
Regulated						
Rate Cases		1.05	0.21	0.33	0.28	0.23
Infrastructure Riders & Other		0.37	0.08	0.12	0.08	0.08
Acquisitions: $335Mn 2022 & $326Mn 2023		0.05	0.02	0.02	0.01	0.01
CA Cost of Capital		0.00			0.00	0.00
Total Revenue	$1.40	1.48	0.31	0.47	0.37	0.32
O&M Offset in Revenue		(0.33)	(0.07)	(0.11)	(0.08)	(0.07)
O&M Cost inflation		(0.10)	(0.04)	(0.02)	0.00	(0.04)
O&M Cost inflation - offsets		-				-
Total O&M	-$0.40	(0.43)	(0.11)	(0.13)	(0.08)	(0.11)
Weather	$0.01	0.05	-	0.07	(0.02)	-
Other	-$0.09	(0.13)	(0.02)	-	(0.09)	(0.02)
D&A	-$0.25	(0.25)	(0.06)	(0.06)	(0.06)	(0.07)
Military	$0.00	0.01			0.01	
Debt & Equity Financing						
ST Interest Expense	$0.03	0.05	(0.04)	0.01	0.05	0.03
LT Interest Expense	-$0.08	(0.13)	(0.02)	(0.02)	(0.03)	(0.06)
Dilution	-$0.29	(0.29)	(0.02)	(0.10)	(0.12)	(0.05)
FY23E Adjusted EPS	$4.84	$4.87	$0.91	$1.44	$1.66	$0.85
FY23 Consensus		4.81	0.93	1.30	1.65	0.79
BofA Forecasted Beat/(Miss) vs Consensus		1.1%	-1.4%	10.5%	0.8%	8.2%
FY23 Adj EPS Guidance		4.72-4.82				
BofA Forecasted Beat/(Miss) vs Guidance		2.1%	-0.7%	13.5%	-3.6%	-0.5%

Source: Company Filings, Bloomberg, & BofA Global Research

BofA GLOBAL RESEARCH

FY24: Benefits from lower financing costs

Our FY24 earnings drivers are below and we are -$0.05 lower on rate relief but +$0.11 favorably lower on financing & other costs which we attribute to the moderation in interest rates since the November 2nd guidance initiation with a full -100bp fall in 30Yr US Treasury rates leading to **~$0.05 financing savings. This should support FY24 at the top-end of the guidance range.** Pension income should also have a corresponding increase as financial markets have rallied in recent weeks and discount rates fallen.

Exhibit 14: American Water FY24 Earnings Walk
We forecast FY24 is at the top-end of the guidance range due to a decline in financing costs

American Water Earnings Walk	Guide	FY24	1Q	2Q	3Q	4Q
FY23A Adjusted EPS	$4.88	$4.87	$0.914	$1.440	$1.662	$0.853
Regulated						
Rate Cases		0.68	0.13	0.15	0.16	0.23
Infrastructure Riders & Other		0.31	0.08	0.05	0.10	0.08
Acquisitions: $611Mn under agreement		0.10	0.02	0.03	0.03	0.02
CA Cost of Capital		0.01	0.005	0.005	0.005	-
Total Revenue	$1.15	1.10	0.24	0.24	0.29	0.34
O&M Cost inflation		(0.12)	(0.02)	(0.02)	(0.04)	(0.03)
Total O&M	-$0.10	(0.12)	(0.02)	(0.02)	(0.04)	(0.03)
Weather	-$0.11	(0.11)	-	(0.07)	(0.04)	-
Other	$0.06	0.06	0.02		0.02	0.02
D&A	-$0.33	(0.33)	(0.07)	(0.08)	(0.08)	(0.09)
Military	$0.00	0.01			0.01	
Debt & Equity Financing						
ST Interest Expense	$0.01	0.01	0.04	(0.01)	(0.01)	(0.01)
LT Interest Expense	-$0.35	(0.26)	(0.06)	(0.04)	(0.08)	(0.08)
Dilution	-$0.06	(0.04)	(0.04)	(0.00)	-	-
FY24E Adjusted EPS	$5.15	$5.20	$1.02	$1.45	$1.73	$1.00
FY23 Consensus		5.15	0.93	1.30	1.65	0.79

Exhibit 14: American Water FY24 Earnings Walk
We forecast FY24 is at the top-end of the guidance range due to a decline in financing costs

American Water Earnings Walk	Guide	FY24	1Q	2Q	3Q	4Q
BofA Forecasted Beat/(Miss) vs Consensus		0.9%	9.8%	11.0%	5.3%	26.9%
FY24 Adj EPS Guidance	5.10-5.20					
BofA Forecasted Beat/(Miss) vs Guidance		1.0%	13.6%	2.6%	6.6%	19.7%

Source: Company Filings, Bloomberg, & BofA Global Research

BofA GLOBAL RESEARCH

2024 EPS growth is 4Q23 weighted +$0.15 vs +$0.11 1H24 due to the expected benefit of the Pennsylvania rate case expected to be effective in August 2024.

Adjusted EPS: In-line with 8% EPS CAGR

Exhibit 15: American Water Financial Profile
AWK continues to offer premium earnings growth and we are within 1% of FY24 guidance and long-term 8% implied guidance midpoint

American Water Adjusted EPS	2021A	2022A	2023E	2024E	2025E	2026E	2027E	'24-'27 CAGR
Regulated Water EPS	**4.34**	**4.69**	**4.97**	**5.29**	**5.69**	**6.11**	**6.64**	**7.9%**
Market Based/Military Services EPS	0.40	0.17	0.19	0.21	0.23	0.25	0.26	8.4%
Parent and Other EPS	(0.49)	(0.36)	(0.29)	(0.30)	(0.30)	(0.31)	(0.40)	10.6%
AWK Adjusted EPS	**4.25**	**4.51**	**4.87**	**5.20**	**5.61**	**6.05**	**6.50**	**8.1%**
Guidance: 7-9% CAGR	**4.18-4.28**	**4.39-4.49**	**4.72-4.82**	**5.10-5.20**	5.56	6.01	6.49	**8.0%**
BofA vs Guidance Midpoint (%)	*0.5%*	*1.5%*	*2.1%*	*1.0%*	*0.9%*	*0.6%*	*0.2%*	
Consensus	**4.24**	**4.47**	**4.81**	**5.15**	**5.61**	**6.03**	**6.49**	**8.0%**
BofA vs Consensus (%)	*0.4%*	*0.9%*	*1.1%*	*0.9%*	*0.1%*	*0.2%*	*0.3%*	
Dividend per Share: 7-9% Guidance	2.36	2.57	2.78	3.00	3.24	3.50	3.78	8.0%
Dividend Payout Ratio (%): 55-60% Target	55.5%	57.0%	57.1%	57.7%	57.7%	57.9%	58.1%	*0.4%*
Average FFO / Debt Credit Metrics	12.7%	8.6%	12.6%	12.0%	11.5%	12.7%	12.9%	*0.9%*

Source: Company Filings, Bloomberg, & BofA Global Research

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BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
US Utilities & Clean Tech: PowerPoints: ES Credit & CT, WEC Capex, PJM Power, AWK NJ, and New Nuclear	Julien Dumoulin-Smith	10 January 2024
American Water Works: Valuation the main holdback. Improving near-term EPS on weather & int. rates	Julien Dumoulin-Smith	18 December 2023
US Utilities & IPPs: PowerPoints: FE Regulatory, MDU Capex, ED Resiliency, PEG/CEG NJ, AWK/UGI WV	Julien Dumoulin-Smith	22 November 2023
US Utilities & IPPs: PowerPoints: NJR EPS, ETR Upgrade, AWK Cali, EIX Tx, ED Gas, Power M&A + NY Gas	Julien Dumoulin-Smith	21 November 2023
US Utilities & IPPs: PowerPoints: AWK EPS & LT roll, NRG nuclear, NFE permit risk, BKH earnings	Julien Dumoulin-Smith	02 November 2023
American Water Works: Increasing EPS estimates on convert issuance but stock still at a big premium	Julien Dumoulin-Smith	06 July 2023

Avangrid Inc (AGR)

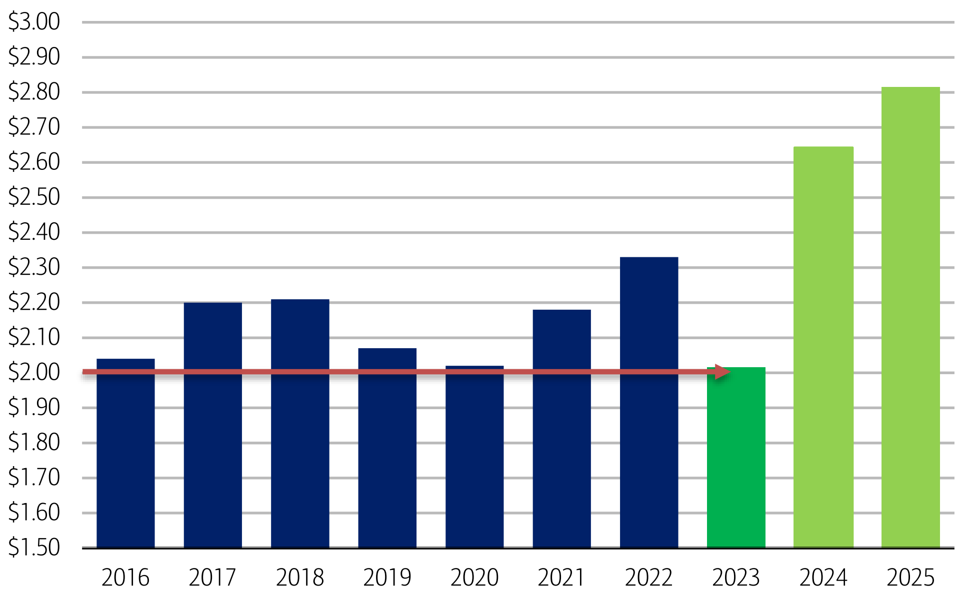
Originally Published on 01/11/24

After years of including gains on sales in earnings, the CEO affirmed the 3Q23 call message that the plan prospectively is to grow without including "extraordinary gains". The new lowered 2023 EPS guidance was described as double digits from a comparable 2022 base without gains. 2024 guidance was not provided and is expected to come with 4Q23 earnings or the March CMD but was not described as double digits like 2023 was and is implied from the 6-7% EPS CAGR off 2022A. We currently model 7-8% YoY in 2024.

Can Avangrid grow EPS? Yes, but still below average

Avangrid has historically not had EPS growth. EPS has been in a $2.00-$2.35 range and $2.13 average since the company's inception. Management's 6-7% EPS growth guidance implies $2.64 2024 and $2.81 2025 at the midpoint. We expect the long-term growth to be reset at the March 2024 Capital Markets Day. Parent company Iberdrola (IBE) has its own CMD on March 21, 2024 and we anticipate Avangrid's update to be adjacent. While Consensus estimates are already well below the 6-7% level at ~4%, we still see downside and see a challenging update ahead. In a break from its historical pattern, management did not reaffirm the long-term EPS CAGR after terminating the PNM Resources transaction on January 2nd.

Exhibit 16: Avangrid Historical 2016-2022 and Guided 2023 (Range) and 2024-2025 (CAGR)
Avangrid EPS has declined from 2016 to 2023 guidance midpoint. Implied significant growth in 2024+



Source: Company Filings. * Note 2019 EPS was revised down from $2.17 in original presentation due to management identified corrections

BofA GLOBAL RESEARCH

Wind repowering plan is upside but no details yet

We will critically look for details at the Capital Markets Day how Avangrid grows EPS, specifically the wind repowering plan. The $5-6Bn wind repowering plan represents upside to our forecasts and should help prevent the core renewables EPS CAGR from declining. We do not include the repowering program given the lack of disclosures and the company's track record of delays and inconsistent execution: we openly acknowledge this is the upside surprise at Analyst Day considering earlier preview of 4.6GW scope of repowering under consideration. However, we perceive much of this is outside of the 3-year guidance likely rolled out/forward with the Analyst Day. This includes delays in one of the company's initial repowering projects, Colorado Green (December 2020 commercial operations vs 1H20 target). Bottom line, we believe investors have not been focused enough on this area of potential upside as a moving item in EPS: admittedly with PNM and so many other pieces moving for '23, expect focus to shift in runup to the A-Day now.

The repowering wind investment is still not cheap at $1,200/kW and comes with project development uncertainty. Overall, the company is targeting an internal rate of return (IRR) that is +2pp higher than the weighted average cost of capital. We estimate a 7-8% WACC which would result in a 9-10% targeted IRR. *See our earlier specific math on this subject from last Fall.*

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
US Utilities & Clean Tech: Investigating wind repowering: More compelling than we initially appreciated	Julien Dumoulin-Smith	05 October 2023
US Utilities & Clean Tech: 2023 Wind Conference: At Risk of Being Blown Away? Key Takeaways	Julien Dumoulin-Smith	22 September 2023

2023 Adjust EPS Drivers: Still Street low

We increase our FY23E EPS to $2.00 from $1.98 which now includes +$0.07 NECEC contribution versus none previously. This is below the midpoint of the reduced $1.95-$2.08 guidance, down from $2.20-$2.35 originally. We have removed ~$0.20 gain on offshore wind sale which did not occur in 2023. FY23 Consensus has declined -1.5% to $2.10 but likely moderates more to reflect the lack of the extraordinary gain. Our estimates give credit for the guided ~$0.05 cost cuts and assume strong renewables asset performance.

Exhibit 17: AGR FY23 Adjusted EPS Drivers

Giving credit for cost cuts and favorable assumptions can support $2.00 FY23 EPS

AGR Earnings Walk	EPS	1Q23	2Q23	3Q23	4Q23
FY22A Adjusted EPS	**$2.33**	**$1.16**	**$0.46**	**$0.31**	**$0.39**
Networks					
Rate Changes	0.43	0.04	0.04	0.06	0.29
Arrears/Uncollectibles	0.13		(0.07)	0.02	0.18
O&M	(0.30)	(0.06)	(0.13)	(0.08)	(0.03)
Depreciation	(0.08)	(0.02)	(0.02)	(0.02)	(0.02)
Interest Costs	(0.06)	(0.02)	(0.01)	(0.01)	(0.02)
Taxes	-	(0.06)	0.02	0.02	0.02
NECEC AFUDC	0.07			0.02	0.05
Other	-	(0.03)	0.03	-	
Total Networks	**0.19**	**(0.15)**	**(0.14)**	**0.01**	**0.47**
Renewables					
2022 Offshore Restructuring Gain	(0.47)	(0.47)			
Onshore Operating Performance	0.19	0.02	(0.01)	0.12	0.06
Thermal/Asset Management	0.13	0.10	(0.02)	0.05	-
O&M	-	(0.04)	0.04	-	-
Depreciation	(0.05)	(0.01)	(0.01)	(0.01)	(0.02)
Taxes	(0.13)		(0.01)	(0.11)	(0.01)
Other	(0.02)	(0.01)		(0.01)	
Total Networks	**(0.35)**	**(0.41)**	**(0.01)**	**0.04**	**0.03**
Corporate					
Taxes	(0.01)	0.05	(0.08)	0.01	0.01
Depreciation	(0.01)			(0.01)	
Financing Costs	(0.15)	(0.01)	(0.03)	(0.08)	(0.03)
Total Corporate	**(0.17)**	**0.04**	**(0.11)**	**(0.08)**	**(0.02)**
FY23E Adjusted EPS	**$2.00**	**$0.64**	**$0.20**	**$0.28**	**$0.87**
FY23 Consensus	**$2.10**	**$0.76**	**$0.38**	**$0.38**	**$0.96**
BofA Expected Beat/(Miss) vs Consensus	**-5%**	**-16%**	**-47%**	**-27%**	**-10%**
FY23 Adj EPS Guidance - cut in Jan 2024	**$1.95-$2.08**				
BofA Expected Beat/(Miss) vs Guidance	**-1%**				

Source: Company Filings, Bloomberg, BofA Global Research estimates

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2024 Adjust EPS Drivers: Still Street low

Management's 6-7% 2022-2025 EPS growth guidance has a $2.33 starting point and implied $2.48 FY23 and $2.64 FY24. We forecast $2.16 FY24 adjusted EPS, -18% below the implies guidance and -4% versus $2.26 Consensus. We forecast Networks relatively flat YoY despite +$0.15 NECEC due to -$0.16 New York rate case arrears true-up. Renewables are +$0.12 due to +$0.25 Vineyard Wind (+$0.31 investment tax credit) with merchant assets -$0.19 YoY.

Exhibit 18: AGR FY24 Adjusted EPS Drivers

Excluding NECEC and tax credits, FY24 EPS would decline YoY

AGR Earnings Walk	EPS	1Q24	2Q24	3Q24	4Q24
FY23A Adjusted EPS	**$2.00**	**$0.64**	**$0.20**	**$0.28**	**$0.87**
Networks					
Rate Changes					
NYSEG - Electric: $137.3Mn 1/1/24-4/30/24	0.09	0.07	0.02	-	-
NYSEG - Electric: $160.7Mn 5/1/24-12/31/24	0.21	-	0.05	0.08	0.08
NYSEG - Gas: $11.7Mn 1/1/24-4/30/24	0.01	0.01	0.00	-	-
NYSEG - Gas: $12.4Mn 5/1/24-12/31/24	0.02	-	0.00	0.01	0.01
RGE - Electric: $50.9Mn 1/1/24-4/30/24	0.03	0.02	0.01	-	-
RGE - Electric: $56.6Mn 5/1/24-12/31/24	0.07	-	0.02	0.03	0.03
RGE - Gas: $18.2Mn 1/1/24-4/30/24	0.01	0.01	0.00	-	-
RGE - Gas: $20.1Mn 5/1/24-12/31/24	0.03	-	0.01	0.01	0.01
CMP: +$4.6Mn net income guidance. +$26.3Mn	0.05	0.01	0.01	0.01	0.01
UI: +$23Mn September 2023	0.03	0.01	0.01	0.01	-
SCG: Requested +$41Mn for Nov. 1, 2024	0.00				0.00
CNG: Requested +$20Mn for Nov. 1, 2024	0.00				0.00
BGC: +$1.2Mn Jan 2024	0.00	0.00	0.00	0.00	0.00
MNG: No rate relief	-	-	-	-	-
Transmission: Earnings Growth. Flattish rate base	0.00	0.00	0.00	0.00	0.00
4Q23 NY Rate Case Decision: $70Mn uncollectibles	(0.16)		0.04	(0.02)	(0.18)
NECEC AFUDC	0.15	0.05	0.05	0.04	0.02
O&M/Operating Efficiencies	(0.30)	(0.08)	(0.08)	(0.07)	(0.07)
Depreciation	(0.10)	(0.02)	(0.02)	(0.02)	(0.02)
Interest Expense	(0.13)	(0.03)	(0.03)	(0.03)	(0.03)
Other Taxes	(0.03)	0.02	(0.03)	(0.03)	0.01
Renewables					
Wind Production Return to Normal	0.04	-	0.04	-	-
Wind Production in Current Year	-				
Curtailment Payments	(0.03)	-	(0.02)	(0.01)	
New Projects COD: 586MW 2023	0.04	0.02	0.02		
New Projects COD in 2024. 500-1,000MW	0.07			0.03	0.03
PPA Escalator: 43% of portfolio	0.03	0.01	(0.01)	0.01	0.03
Power MtM: "Pricing": -$10/MWh to $46 Avg	(0.06)	(0.01)		(0.04)	
Klamath Cogen Merchant Performance	(0.12)	(0.10)	0.02	(0.05)	0.01
Vineyard Wind Operations	(0.06)			(0.03)	(0.03)
Vineyard Wind Investment Tax Credits (5Yr Amort)	0.31	0.03	0.05	0.08	0.16
O&M	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)
Depreciation / Other	(0.07)	(0.02)	(0.02)	(0.02)	(0.02)
Corporate					
O&M, Taxes, & Other	0.01	(0.05)	0.08	(0.01)	(0.01)
Interest Expense	0.02	0.01	0.01	0.01	0.01
Other	0.01	-	-	-	0.01
FY24E Adjusted EPS	**$2.16**	**$0.57**	**$0.43**	**$0.25**	**$0.91**
FY24 Consensus	**$2.26**	**$0.70**	**$0.46**	**$0.52**	**$0.39**
BofA Expected Beat/(Miss) vs Consensus	**-4%**	**-19%**	**-8%**	**-53%**	**135%**
FY24 Adj EPS Guidance	**$2.64**				
BofA Expected Beat/(Miss) vs Guidance	**-18%**				

Source: Company Filings, Bloomberg, & BofA Global Research

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Adjusted EPS: Increasing for NECEC. Below the Street

Our EPS forecast is below with NECEC. We see 4-5% downside to near-term Consensus and are -7% lower than the Street in 2027. The 2-3% 2024-2027 modeled EPS is notably below the 5-6% utility average and an outlier by having a large unregulated earnings and asset mix. The net +$0.19 2025E EPS increase has a 'core' decrease that is more than offset by +$0.29 NECEC EPS.

Exhibit 19: Avangrid Financial Profile
Below average EPS growth: 3% networks and -6% renewables

Avangrid EPS Estimates	2021A	2022A	2023E	2024E	2025E	2026E	2027E	'21-'25E	'22-'25E	'24-'27E
Connecticut	$0.53	$0.48	$0.45	$0.45	$0.49	$0.50	$0.52	-2.0%	0.8%	5.0%
New York	$0.72	$0.72	$0.91	$0.80	$0.91	$0.95	$1.02	6.0%	7.9%	8.4%
Maine	$0.59	$0.41	$0.49	$0.64	$0.72	$0.52	$0.54	5.1%	20.5%	-5.3%
Other	$0.00	$0.02	$0.08	$0.01	$0.01	$0.01	$0.02	N/M	-3.6%	8.2%
Avangrid Networks	$1.85	$1.63	$1.93	$1.90	$2.14	$1.98	$2.10	3.7%	9.4%	3.3%
Renewables & CoGen	($0.23)	$0.16	($0.29)	($0.26)	($0.28)	($0.24)	($0.30)	4.9%	-220.7%	3.9%
Renewables - Asset Sales & Winter Storm Uri	$0.22	$0.47	$0.20	$0.03	$0.03	$0.03	$0.03	-38.6%	-59.7%	-1.2%
Renewables - Tax Credits	$0.49	$0.42	$0.53	$0.85	$0.90	$0.86	$0.78	16.4%	28.8%	-3.1%
Total Renewables	$0.47	$1.04	$0.45	$0.62	$0.65	$0.65	$0.51	8.1%	-14.7%	-6.4%
Corporate & Other/Rounding	($0.14)	($0.34)	($0.39)	($0.37)	($0.37)	($0.27)	($0.27)	26.8%	2.3%	-9.0%
Total Avangrid EPS	**$2.18**	**$2.33**	**$2.00**	**$2.16**	**$2.42**	**$2.36**	**$2.33**	**2.6%**	**1.2%**	**2.6%**
Guidance: ~6-7% CAGR 2022-2025 ($2.29 Base)	**2.04-2.22**	**2.20-2.38**	**$1.95-$2.08**	$2.64	$2.81	$3.00	$3.19	7.2%	7.1%	
BofA vs Guidance (%)	**2.3%**	**1.9%**	**-12.2%**	**-18.4%**	**-14.2%**	**-21.2%**	**-26.9%**			
Prior Guidance: ~6-8% '20-'25 ($2.10 Base)	**2.15-2.35**	**2.36-2.60**	$2.57	$2.75	$2.95	$2.95	$2.95	7.0%		
% Change	**-5.3%**	**-7.7%**	**-21.7%**	**-4.0%**	**-4.4%**	**1.8%**	**8.4%**			
Consensus	**$2.16**	**$2.31**	**$2.10**	**$2.26**	**$2.41**	**$2.47**	**$2.52**	**2.8%**	**1.4%**	**3.8%**
BofA vs Consensus (%)	**0.8%**	**0.8%**	**-5.0%**	**-4.4%**	**0.2%**	**-4.3%**	**-7.4%**			
Dividend per Share	$1.76	$1.76	$1.76	$1.76	$1.76	$1.76	$1.76	0.0%		
Payout Ratio (%): 65-75% Target	**80.8%**	**75.5%**	**88.1%**	**81.6%**	**72.9%**	**74.5%**	**75.5%**	**-7.9%**	**-2.6%**	**-6.2%**
FFO / Debt: 13-15% Target	**15.3%**	**4.8%**	**17.7%**	**14.5%**	**14.9%**	**15.1%**	**14.6%**	**-0.4%**	**10.1%**	**0.1%**

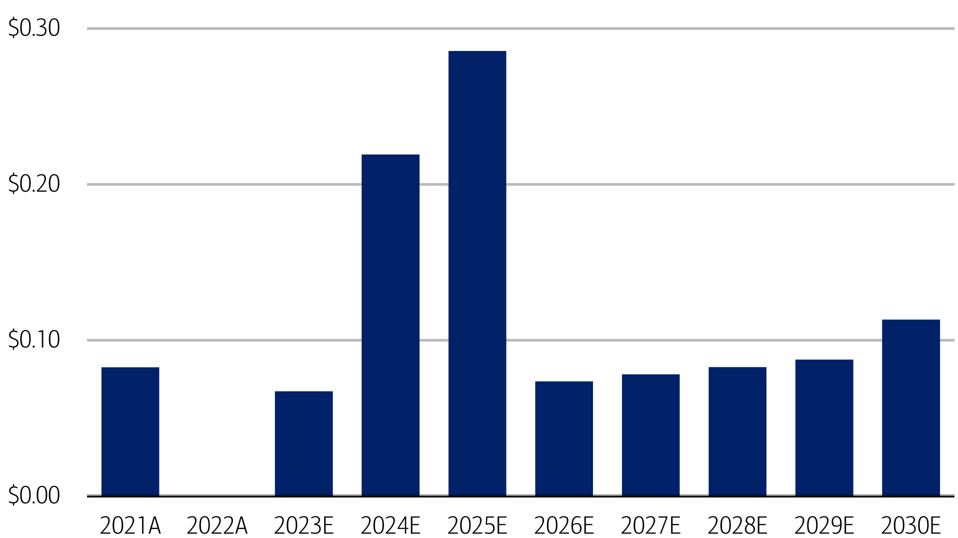
Source: Company Filings, Bloomberg, BofA Global Research estimates

BofA GLOBAL RESEARCH

Impairment ahead without supporting revenue?

We expect Avangrid to record property, plant, and equipment (PP&E) impairments for the reduced United Illuminating rate base with 4Q23, consistent with the company stated that it was an "extraordinarily damaging" outcome. Avangrid did not update its Regulation G non-GAAP disclosure with 3Q23 earnings to highlight this as a potential item. Without supporting revenue, per GAAP we would anticipate an impairment similar to those guided to by Illinois utilities per after their respective adverse rate case outcomes.

Exhibit 20: Estimated New England Clean Energy Connect (NECEC) EPS
This profile aligns with the October 2022 Investor Day anticipated NECEC disclosure slide 59



Source: Company Filings, Bloomberg, BofA Global Research estimates

BofA GLOBAL RESEARCH

Dividend: Keeping no growth for the foreseeable future

We continue to forecast no dividend increases, one of the only utilities without growth. The payout ratio should improve from 88% in 2023 to ~80% in 2024 and then stabilize at ~75% 2025-2027, at the top-end of the 65-75% payout ratio target. In the distant past Avangrid has guided to dividend growth but that has not been part of the conversation in recent years. More investors ask us about the risk of a cut rather than growth.

Valuation:

Our valuation is based on a 2026 sum-of-the-parts valuation. The regulated utilities are valued using a 14.1-14.2x 2026 electric/gas average base P/E for the sector, grossed-up +5% to reflect capital appreciation across the sector. The core utilities are valued using -1 to -3x discounts to reflect below average consolidated growth as well as a challenging regulatory backdrop in Connecticut.

The renewables are valued at approximately 10x EV/EBITDA, consistent with peers while offshore wind is valued using discounted cash flows at a 15% discount rate. Future potential value creation from the renewable development 'DevCo' is provided as well. Lastly parent/holding company costs (financing and operating) are netted out.

Our valuation includes ~$1/share for development company and offshore wind assets as well as ~$1/share for New England Clean Energy Connect (NECEC).

We see lack of consolidated segment EPS growth as weighing on segment valuations considering 1-2% appears well below peers. We look for details on extent and timing of repowering as largest swing factor in EPS outlook.

Exhibit 21: Avangrid Sum of the Parts

Avangrid Connecticut jurisdictional assets warrant a large discount vs peer utilities

Avangrid Sum off the Parts Analysis (2026)	EPS	Peer Multiple		Premium/ (Discount)		Value/Sh
Regulated Utilities / Networks						
Electric Sector Average P/E		14.1x				
Group EPS		5.0%				
Electric Utilities		14.8x				
New York State Electric and Gas (NYSE&G) -- electric	$0.50	14.8x		-1.0x	-7%	$6.92
Rochester Gas and Electric (RG&E) -- electric	$0.27	14.8x		-1.0x	-7%	$3.73
Central Maine Power (CMP)	$0.44	14.8x		-1.0x	-7%	$6.03
United Illuminating (UI)	$0.32	14.8x		-3.0x	-21%	$3.82
NECEC Transmission	$0.07	14.8x		-1.0x	-7%	$1.02
Gas Sector Average P/E		14.2x				
Group EPS		5.0%				
Gas Utilities		14.9x				
New York State Electric and Gas (NYSE&G) -- gas	$0.10	14.9x		-1.0x	-7%	$1.33
Rochester Gas and Electric (RG&E) -- gas	$0.08	14.9x		-1.0x	-7%	$1.13
Connecticut Natural Gas (CNG)	$0.08	14.9x		-3.0x	-21%	$0.99
Southern Connecticut Gas (SCG)	$0.09	14.9x		-3.0x	-21%	$1.10
Berkshire Gas (BGC)	$0.02	14.9x		-1.0x	-7%	$0.31
Maine Natural Gas	$0.01	14.9x		-1.0x	-7%	$0.12
AFUDC/Other	($0.01)	14.9x		-1.0x	-7%	($0.11)
Total Regulated (Ex-PNM)	$1.98	13.3x		-0.8x	-6%	$26.39
Renewables						
Operating Renewables Portfolio	EBITDA (excl. PTCs)	DCF	EV/EBITDA		EV	$/Sh
Wind + Solar EBITDA (excl. PTC/ITC)	$494	$3,924			$3,924	$9.77
Plus: Total Grossed-Up PTC / ITC	$197	$848			$848	$2.11
Operating Assets		$4,772	9.7x		$4,772	$11.89
		-				-
Offshore Wind		DCF				
Add NPV of Offshore Wind Farm @ 50% Ownership w/ 6% Construction Risk Discount Rate		$7			$7	$0.02
Offshore Wind Lease Value: Assuming 25% of NY Bight $/Acreage						$0.51

Exhibit 21: Avangrid Sum of the Parts

Avangrid Connecticut jurisdictional assets warrant a large discount vs peer utilities

Avangrid Sum off the Parts Analysis (2026)		EPS	Peer Multiple		Premium/ (Discount)		Value/Sh
Development Company		'25 EBITDA (excl. PTCs)	Discount Rate	15%		DCF of Future NPV ($mn)	
DevCo Value						$107	$0.27
Plus: DevCo ITC / PTC						$213	$0.53
Total Renewables		$605	8.4x			$5,099	$13.21
Parent Costs							
Parent Operating Costs		($0.27)	14.8x		0.0x		($3.99)
Parent Financing Costs							
Interest Expense @ 50%		($0.11)	14.8x		0.0x	50%	($0.78)
Parent Debt @ 50%	3054					50%	($3.80)
Total Regulated (Ex-PNM)		-$0.27					-$8.58
Price Objective							$31.00

Source: Company Filings, Bloomberg, BofA Global Research estimates

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On 2026E EPS, Avangrid is trading at a -2% discount on Consensus and a +2% premium on BofA with our estimate 4-5% below the Street. We believe that a discounted valuation is more appropriate.

Exhibit 22: Avangrid Simplified Sum of the Parts

A discounted valuation is more appropriate for the earnings profile and asset mix

Avangrid Simplified Sum of the Parts	2026E	Implied P/E	Prem/Disc	Value
Regulated Utilities	$1.98	13.3x	-6%	$26.39
Renewables	$0.65	20.3x	44%	$13.21
Corporate & Other/Rounding	($0.27)	31.8x	126%	($8.58)
Total Avangrid	**$2.36**	**13.1x**	-7%	**$31.00**
Consensus	**$2.47**	**13.8x**	**-2%**	**$33.94**

Source: Company Filings, Bloomberg, BofA Global Research estimates

BofA GLOBAL RESEARCH

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
Avangrid: Fireside Chat Feedback: Working to get on EPS growth track – starting with 2024	Paul Zimbardo	11 January 2024
US Utilities & IPPs: PowerPoints: PNM M&A, PEG & OGE cases, PPL-TLN, & ES/IDA/AGR/Oregon regulatory	Julien Dumoulin-Smith	02 January 2024
US Utilities & IPPs: PowerPoints: D biennial review, IDA rate case, NFE term loan, AGR	Julien Dumoulin-Smith	30 October 2023
Avangrid: Waiting for the new long-term guidance from the new CFO. 3Q23 highlights & more	Paul Zimbardo	26 October 2023
US Utilities & IPPs: PowerPoints: AGR Mgmt, AEP Kentucky, LNT Iowa, NWE Montana, EIX Cali, & More	Julien Dumoulin-Smith	23 October 2023
US Utilities & IPPs: PowerPoints: CA Cost of Capital, Offshore Wind, AGR Good News, & Missouri Renew	Julien Dumoulin-Smith	17 October 2023

Avista Corp (AVA)

We forecast 4Q23 EPS of $1.15, a slight beat versus consensus of $1.14. We see rate relief from the 2023 multi-year rate plan (MYRP) step up in Washington and new rates in Idaho that became effective in September 2023. We also see gas margin benefiting from rate increases in WA and Oregon primarily, as well as continued customer growth. These factors more than offset 2% O&M inflation, higher depreciation, elevated interest expense, and -4c of dilution. We also expect other investments to represent a -26c headwind per management's guidance. Our FY23 EPS estimate of $2.30 trends toward the low end of Avista's FY23 EPS guidance of $2.27 to $2.37, which was reduced 10c at the midpoint with 3Q23 results in response to unfavorable ERM contributions YTD.

Key Debates:

- **Can AVA earn its allowed ROE after the recently filed WA MRYP?** Management has predicated its commitment to the long-term 4-6% EPS CAGR on the company's ability earn its authorized return, less 70bps or so of structural lag from WA's use of a historic test year. We assume Avista's Washington utility can achieve this target ROE in 2026; however, we currently expect Avista's consolidated EPS CAGR from 2023 to 2027 to trail the 4-6% long-term target given the time lapse between now and earning their full authorized return. On the 3Q23 earnings call, management stated it would not commit a true base year to its EPS CAGR until it had a chance to earn its authorized return, implying the company could recommit to the CAGR in 2024. In 2026, the lone year in our forecast where AVA earns its authorized return net of 70bps of structural lag, our EPS estimate matches consensus of $2.64. We assume consensus embeds the expectation that AVA will achieve a constructive regulatory outcome with earned ROEs that sustain over time.

- **What could be the opportunity for incremental generation ownership?** In AVA's 2023 IRP, the company outlined its plans to secure resources to meet its expected energy and capacity needs through the mid-2030s, including PPAs for 100MW of wind, a cumulative 328 MW of hydro, and continuation of the 283 MW Lancaster combined cycle combustion turbine PPA. Other expenditures outlined in the plan account for maintenance and restoration work on Avista's aging hydro assets. With future needs into next decade, Avista could seek to invest in some combination of peakers and battery storage, though options may be limited by strict emissions standards in Washington. Avista's next IRP is due in Spring 2025.

Exhibit 23: AVA FY23 EPS Walk

4Q23 in line with consensus; FY23 EPS toward lower end of revised guidance

AVA Earnings Walk	EPS	1Q	2Q	3Q	4Q
FY22A Adjusted EPS	**$2.12**	**$0.99**	**$0.16**	**-$0.08**	**$1.05**
Electric Utility Margin	0.61	-	0.14	0.19	0.28
Gas Utility Margin	0.21	0.06	0.03	0.01	0.11
Other Operating Expenses: +2% YoY in 2023	(0.13)	(0.11)	0.01		(0.03)
Depreciation & Amortization	(0.12)	(0.03)	(0.03)	(0.03)	(0.03)
Interest Expense					
Interest Expense	(0.24)	(0.08)	(0.07)	(0.06)	(0.03)
Customer Payments	-	-		-	-
Other Drivers	0.21	0.04	0.05	0.06	0.06
Effective Tax Rate: 23.05% Statutory	0.12	(0.09)	0.07	0.10	0.04
Dilution: Up to $120Mn common equity	(0.09)	(0.03)	(0.01)	(0.01)	(0.04)
Total Avista Utilities	**0.56**	**(0.24)**	**0.19**	**0.26**	**0.35**
Alaska Electric Light & Power: $1.6Mn interim Sept 2022	0.01	0.00	0.01	(0.00)	0.00
Other: ~$0.05 FY23 guidance vs $0.41 FY22	(0.40)	(0.02)	(0.13)	0.01	(0.26)
FY23E Adjusted EPS	**$2.30**	**$0.73**	**$0.23**	**$0.19**	**$1.15**

Exhibit 23: AVA FY23 EPS Walk
4Q23 in line with consensus; FY23 EPS toward lower end of revised guidance

AVA Earnings Walk	EPS	1Q	2Q	3Q	4Q
FY23 Consensus	$2.27	$1.16	$0.15	$0.14	$1.14
BofA *Forecasted* Beat/(Miss) vs Consensus	1%	-37%	53%	31%	1%
FY23 Adj EPS Guidance	2.27-2.37				

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH

New estimates still below 4-6% consolidated CAGR target

Below we detail our updated EPS estimates for Avista, which we have pruned to reflect updated assumption for rate case timing and its resulting effect on Avista's earned ROEs. Our long-term EPS CAGR of 3.5% from 2023 (base is $2.37 midpoint of original 2023 guidance) to 2027 remains well below the low-end of management's long-term target 4-6% EPS CAGR, which has been suspended until management can earn its authorized return in 2025. Our valuation year EPS estimate in 2026 is generally in line with consensus, reflecting our assumption that AVA could earn its authorized return less 70bps structural lag. The gap to consensus in 2027 widens as we expect continued pressure from regulatory lag and inflationary pressures.

Exhibit 24: AVA EPS Dashboard
Estimates mostly unchanged, some shaping with WA MYRP rate case

Avista EPS Estimates	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	'23-'27
Washington Electric & Gas	1.04	0.97	0.75	1.31	1.34	1.46	1.54	1.56	4.4%
Idaho Electric & Gas	0.64	0.66	0.69	0.69	0.72	0.73	0.75	0.80	3.7%
Oregon Natural Gas	0.16	0.16	0.17	0.18	0.18	0.19	0.20	0.20	3.6%
Avista Utilities	1.83	1.79	1.61	2.18	2.24	2.38	2.48	2.56	4.1%
ERM - not in midpoint of guide	*0.06*	*(0.09)*	*(0.09)*	*IN GUIDE*	Mgmt EPS CAGR Commentary: "Once we get back to earning our authorized return we expect to be in the 4-6% long-term growth rate."				
Guidance	1.77-1.89	1.83-1.97	1.81-1.97	2.18-2.24					
Bottom End of Historical CAGR (4%)	USING MIDPOINT OF 2023 GUIDE				2.30	2.39	2.49	2.59	4.0%
Top End of Historical CAGR (6%)					2.34	2.48	2.63	2.79	6.0%
AEL&P	0.12	0.10	0.10	0.11	0.11	0.11	0.11	0.12	3.1%
Guidance	0.07-0.11	0.08-0.11	0.08-0.10	0.10-0.12					
Parent/Other	(0.05)	0.21	0.41	0.01	0.05	0.05	0.05	0.05	46%
Guidance	(0.09)-(0.05)	0.05-0.08	0.04-0.06					-(0.01)-0.01	
Consolidated EPS (Base 2023 $2.37)	**1.90**	**2.10**	**2.12**	**2.30**	**2.40**	**2.54**	**2.64**	**2.72**	**3.5%**
Guidance: 4-6% 2023 Base $2.37	**1.75-1.95**	**1.96-2.16**	**1.93-2.13**	**2.27-2.37**	**2.49**	**2.61**	**2.74**	**2.88**	**5.0%**
BofA vs Guidance	2.8%	2.0%	4.6%	-3.1%	-3.5%	-3.0%	-3.6%	-5.4%	
Consensus	**1.86**	**2.06**	**1.89**	**2.27**	**2.41**	**2.59**	**2.64**	**2.80**	**5.4%**
BofA vs Consensus	2.3%	2.1%	12.5%	1.1%	-0.4%	-2.1%	0.1%	-2.7%	
BofA Change vs Prior	*0.1%*	*0.1%*	*0.1%*	*-0.1%*	*-1.2%*	*0.6%*			
Dividend per Share	**1.62**	**1.69**	**1.76**	**1.84**	**1.92**	**2.00**	**2.08**	**2.16**	**4.1%**
Div Payout Ratio	85%	80%	83%	80%	80%	79%	79%	79%	

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH

PO to $32; below-average growth still merits discount

We have revised our PO to $32 from $33 prior, rolling over our valuation year to 2026 EPS. We apply our latest 26E 13.6x electric peer group multiple and 13.4x gas peer group multiples. We continue to assess a -2.0 discount to Avista Utilities (separately to the electric and gas utilities), reflecting below-average growth and inconsistent regulatory treatment. We continue to see accentuated wildfire risks, elevated bills from carbon pricing introduced in Washington, and still mild mid-term EPS growth as all meriting a discount vs the group. We see carbon pricing impacts which appear trending towards higher level of pricing expectations as likely weighing on affordability metrics to enable re-acceleration. We also continue to apply a 1x discount to AEL&P, assessing its risk profile as slightly elevated relative to continental peers. We assess a utility multiple to the HoldCo expense, while valuing the Other Assets and Investments (excluding level 3 investments) at a 9.5x multiple. Level 3 assets are valued using disclosed fair market value; the net value of the HoldCo expense, Other Assets & Investments, and Level 3 Investments is 31c/sh. Given this assessment, we reiterate our Underperform rating on Avista, as we identify measurable downside to current trading levels given the company's below average growth and potential for equity dilution and other financing-related risk, regulatory risk, and execution risk.

Exhibit 25: AVA Valuation

Pacific NW utilities still at -2x discount; unbalanced risk/reward at current levels

Avista Corp Sum of the Parts Valuation								
Avista Corp	***2026E***				***Peer***	***Prem/ Discount***	***Base***	***$/Sh***
Electric: Group Peer Multiple & EPS CAGR	**13.6x**	x	**5%**	=	**14.3x**	-	-	-
Gas : Group Peer Multiple & EPS CAGR	**13.4x**	x	**5%**	=	**14.1x**	-	-	-
						-	-	-
Blended multiple					**14.3x**			-
% Electric of rate base					**75%**			-
% Gas of rate base					**25%**			-
								-
Washington - Utilities (Electric and Natural Gas)	$1.54				14.3x	**-2.0x**	12.3x	$18.85
Idaho - Utilities (Electric and Natural Gas)	$0.75				14.3x	**-2.0x**	12.3x	$9.21
Oregon - Utilities (Natural Gas)	$0.20				14.1x	**-2.0x**	12.1x	$2.39
Total Avista Utilities	**$2.48**				**14.3x**	**-2.0x**	***12.3x***	**$30.45**
Alaska (AEL&P)	**$0.11**				14.3x	**-1.0x**	13.3x	$1.51
HoldCo Expense	-$0.13				14.3x	**0.0x**	14.3x	-$1.89
Other Assets & Investments	$0.18				9.5x	**0.0x**	9.5x	$1.72
Level 3 Investments (Lumen & Other) $Mn	**$39**							$0.48
Total Parent & Other	**$0.05**							**$0.31**
Grand Total Equity Value	**$2.64**							**$32.00**
Shares Outstanding 2026E								81
Total Potential Equity Value								**$32.00**
Implied Consolidated P/E								*12.1x*
Current Price								***$33.66***
Potential Stock Return								-4.9%
FY1 Dividend Yield								5.5%
Total Potential Return								**0.5%**

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH

BofA Global Research Reports

Title: Subtitle	**Primary Author**	**Date Published**
Avista: Higher Capex Delights; Will Underearning Fright? EPS CAGR Delayed and In Doubt	Julien Dumoulin-Smith	03 November 2023
US Utilities & Clean Tech: PowerPoints: DTE Cut, ETR Guide Up, GNRC Beat, AVA Capex, Offshore Challenge	Julien Dumoulin-Smith	01 November 2023
US Utilities & IPPs: PowerPoints: PNM Settlement, AVA Wildfire, SO Alabama, DUK Rate Case, AEP	Julien Dumoulin-Smith	21 August 2023

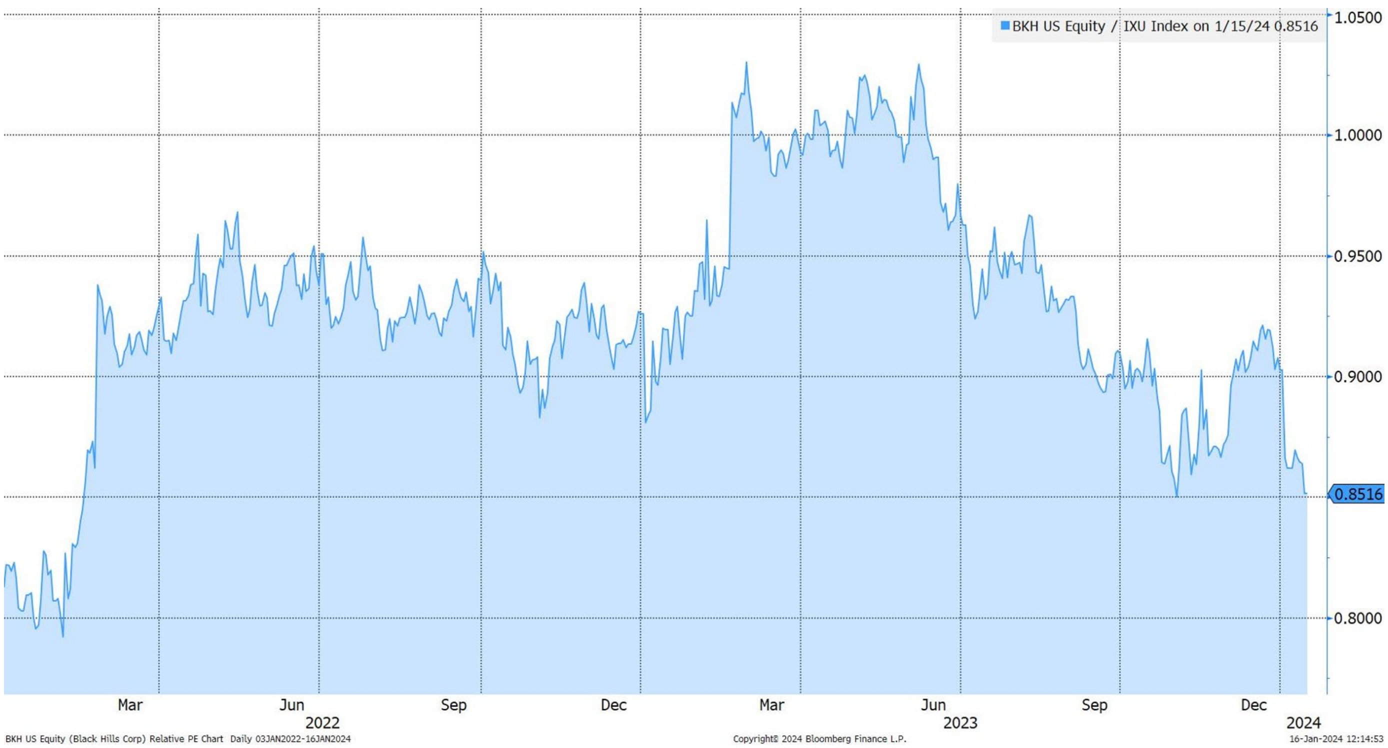
Black Hills Corp (BKH)

Originally Published on 01/18/24

Macro dominates the conversation

BKH has underperformed peers -11% since February 10, 2023, with a continued correction after the 4Q22 earnings call reset ~10%. The relative valuation steadily declined through much of the second half of 2023, reflecting investor concern that refinancing the company's upcoming long-term debt maturities at the parent from 2023-2028 would pressure short-term and long-term earnings power. Our conversations with investors have been dominated by the broader macro conversation and refinancing quantifications rather than core regulatory utility discussions (rate cases, requests for proposals, etc.). Management has been highly focused on controlling operating costs and the elements within their control, showing much stronger cost containment going back to the last quarter. As we currently see it, current interest rate headwinds could still largely disable the company from meeting the 4-6% EPS CAGR, a discomforting fact following last year's long-term guidance reduction from 5-7% prior. That said, as March approaches, investors have looked to a potential acceleration in the pace of interest rate cuts as a strong opportunity for BKH's outlook to materially improve.

Exhibit 26: BKH Relative P/E Valuation to IXU Index
Interest rate optimism leveled off in late 2023 and early 2024, worsening relative discount to utility peers



Source: Bloomberg

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Interest rates largest source of upside to estimates, stock

Operationally, we see the BKH story as straightforward: accelerated rate case activity should right-size utility operating and financing costs throughout the planning period, with mid-to-late 2020s rate base growth driven by expenditures for 570MW of generation in Wyoming and Colorado materializing by 2030. Our assumptions, with current interest rates held in place for refinancings at the parent, result in 2028E EPS of $4.40, or approximately 16c below the level implied to be the low-end of BKH's 4-6% EPS CAGR. As such, showing our interest rate math on the next page, we demonstrate that all other factors equal BKH could need to observe at least a 75bps reduction in interest rates before locking in new refinancing for parent debt in order to recover its pace to meeting the long-term EPS CAGR target. Alternatively, additional cost efforts, upside capital investment, and/or more efficient financing avenues could be other areas to offset the headwinds.

The $600Mn maturity of debt bearing 1.04% interest in August 2024 represents a particularly sizable headwind of -$26Mn higher interest expense annually on a pre-tax basis. BKH has stated that there are likely to be modest offsets that improve the realized spread versus the prior lower-cost financing, yet without significant declines in interest rates and borrowing costs, we view the long-term outlook as being at-risk of another downward revision.

Exhibit 27: Parent Interest Expense Profile and Sensitivity Analysis
Every -25bps to interest rates reduces annualized refinancing burden to EPS by -5c by 2028

Maturity Year	Principal	Assumed Refinancing Interest Rate	Prior Interest Rate	Annualized Interest Expense Impact	After-tax/sh
2023	$525Mn	6.15% (Actual)	4.25%	$10.0Mn	-$0.12
2024	$600Mn	5.39%	1.04%	$26.1Mn	-$0.32
2026	$300Mn	5.39%	3.95%	$4.3Mn	-$0.05
2027	$400Mn	5.39%	3.15%	$9.0Mn	-$0.11
2028	$300Mn	5.39%	5.95%	-$1.7Mn	$0.02
Cumulative Base Case Net Refinancing Impact to EPS at Current Rates					-$0.58
-25 bps to rates					-$0.53
-50 bps to rates					-$0.48
-75 bps to rates					-$0.43
-100 bps to rates					-$0.39

*Prevailing 4.2% rate for 30yr Treasury, plus 119bps spread seen on 2023 refinancing
*Using 2023 weighted-average shares outstanding

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH

FY23 Adjusted EPS Drivers

We forecast $1.07 EPS versus consensus of $1.09. Our estimate implies modestly lower year-over-year EPS with rate increases at Cheyenne Power & Light, Rocky Mountain Natural Gas, one month of higher rates in Arkansas, and interim rider recovery. Given the mild winter weather across BKH's service territories in the fourth quarter, we now forecast a -6c headwind from lower gas volumes and heating load.

BKH has reaffirmed the FY23 $3.65-$3.85 and pointed to the top-end of the range on the 3Q23 call in early November. **We embed a -$0.06 headwind for 4Q23 weather, noting that BKH has had outsized weather volatility in some 4Q periods such as -$0.16 in 4Q21.**

Exhibit 28: 4Q23 Earnings Walk
BofA estimates slightly below consensus on -6c unfavorable weather

BKH Earnings Walk	EPS	1Q22	2Q22	3Q22	4Q22
FY22A Adjusted EPS	**$3.97**	**$1.82**	**$0.52**	**$0.54**	**$1.11**
Carrying Costs - One time	(0.12)		(0.12)		
Return to Normal Weather	(0.12)	(0.06)	(0.01)		(0.05)
Electric Residential/Non-Resi Growth & Usage	0.05	0.05			
Non Regulated Margin: Coal Mining & Other	0.06	0.03	0.03		
Transmission Services and Off-System Sales	0.08	0.03	0.05		
Electric Weather	(0.07)	0.00	(0.03)	(0.04)	(0.02)
Electric Margin	0.31	0.05	0.06	0.15	0.03
Reversal Mark to Market Energy Contracts	0.03	(0.04)	0.03		0.04
Current Mark to Market Energy Contracts	(0.05)	(0.04)	0.01	(0.02)	
Gas Residential/Non-Resi Growth & Usage	0.07	0.04	0.01	0.02	
Gas Weather	(0.09)	(0.03)	(0.01)	(0.02)	(0.04)
Gas Margin	0.17	0.06	0.03	0.03	0.06
Gain on Sale: $0.09 1Q23	0.15	0.09		0.06	
Core O&M	(0.25)	(0.16)	(0.15)	0.04	0.02
D&A	(0.04)	(0.01)	(0.01)	(0.01)	(0.01)
Interest Exp	(0.10)	(0.06)	(0.03)	(0.01)	(0.00)
Other Income	(0.09)	0.00	(0.05)	(0.02)	(0.03)
Taxes	(0.04)	(0.02)	0.03	(0.03)	(0.03)
Dilution	(0.12)	(0.04)	(0.01)	(0.02)	(0.04)
FY23E Adjusted EPS	**$3.81**	**$1.73**	**$0.35**	**$0.67**	**$1.07**
FY24 Consensus	**3.87**	**1.67**	**0.40**	**0.51**	**1.09**
BofA *Forecasted* Beat/(Miss) vs Consensus	**-1.5%**	**3.2%**	**-12.1%**	**32.2%**	**-1.7%**
FY23 Adj EPS Guidance	**3.65-3.85**				
BofA *Forecasted* Beat/(Miss) vs Guidance	**2%**	1%	-28%	33%	3%

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH

FY24 Adjusted EPS Drivers

We also present our FY24 EPS walk below. We calculate base year 2023 EPS to contain 26c of one-time items (including an assumption for unfavorable weather in the unreported fourth quarter), presenting a steep year-over-year headwind to meeting 4-6% EPS growth in 2024. **Per management's guidance, we expect BKH to supplement organic EPS with one-time items in 2024 to meet implied 4-6% EPS growth off the $3.75 midpoint of 2023 EPS**; we estimate this inorganic support to EPS to be 17c in 2024 with uncertain quarter-by-quarter timing. Management has stated this could take the form of select asset divestitures, land sales to commercial customers, or other miscellaneous items. In our view, the largest driver in year-over-year organic EPS growth is likely to be +41c of higher gas rates following rate cases in Wyoming, Colorado, and Arkansas. Continued progress in executing the company's active rate case strategy will be key to right-sizing the individual utilities to the inflationary costs that have emerged over the last several years. However, perhaps the most significant driver to EPS upside through the planning period could be the pace at which lower interest rates reduces the refinancing burden on parent debt, though the impact to FY24 EPS would be modest.

Exhibit 29: BKH FY24 EPS Walk text

BofA estimate includes 17c of one-time items; potential upside from customer growth

BKH Earnings Walk	EPS	1Q23	2Q23	3Q23	4Q23
FY23A Adjusted EPS	**$3.81**	**$1.73**	**$0.35**	**$0.67**	**$1.07**
Carrying Costs - One time	0.00				
Return to Normal Weather	0.03	(0.03)	0.02	(0.02)	0.06
Electric Residential/Non-Resi Growth & Usage	0.00				
Non Regulated Margin: Coal Mining & Other	0.00				
Transmission Services and Off-System Sales	0.00				
Electric Weather	0.00				
Electric Margin	0.22	0.06	0.06	0.00	0.09
Reversal Mark to Market Energy Contracts	0.03	0.04	(0.01)	0.00	
Current Mark to Market Energy Contracts	0.00				
Gas Residential/Non-Resi Growth & Usage	0.00				
Gas Weather	0.00				
Gas Margin	0.50	0.08	0.10	0.10	0.23
Gain on Sale:	(0.14)	(0.09)		(0.05)	
Miscellaneous One-time Items	0.17		0.09	0.08	
Core O&M	(0.15)	(0.04)	(0.04)	(0.04)	(0.04)
D&A	(0.07)	(0.02)	(0.02)	(0.02)	(0.02)
Interest Exp	(0.21)	(0.03)	(0.03)	(0.06)	(0.09)
Other Income	0.01	0.01			
Taxes	(0.12)		(0.12)		
Dilution	(0.17)	(0.07)	(0.02)	(0.03)	(0.05)
FY24E Adjusted EPS	**$3.90**	**$1.63**	**$0.39**	**$0.64**	**$1.26**
FY24 Consensus	**3.87**	**1.72**	**0.47**	**0.76**	**1.09**
BofA *Forecasted* Beat/(Miss) vs Consensus	**0.8%**	**-4.7%**	**-17.3%**	**-16.3%**	**15.8%**

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH

Guide revision risk lingers; need rate cut acceleration

We recently raised our valuation year 2026E EPS to $4.15 from $4.07 prior, reflecting improved earnings power from comparatively lower interest rate assumptions on future refinancings relative to prior expectations. Our utility EPS estimate remains largely unchanged at $4.36. Still, we see BKH's 2023-2028 EPS rising just 3-4% off the base $3.75 in 2023, falling short of the low end 4-6% EPS CAGR. Management believes it has a line of sight to achieving the 4-6% EPS CAGR by driving operating cost savings and executing an ambitious rate case strategy to recover $3.5Bn of capex from 2023 to 2027. While possible, we still view there to be significant downside risk to current long-term guidance, reflected in our below-consensus estimates from 2025 to 2028.

Exhibit 30: BKH Financial Snapshot
Raising estimates on reduced parent drag from lower interest rate differential on refinancing; still below 4-6% EPS CAGR

BKH Financial Snapshot	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	CAGR '23-'28
Utility Earnings	**3.50**	**3.47**	**3.74**	**3.93**	**4.23**	**4.36**	**4.49**	**4.66**	**4.5%**
Electric Utilities	2.13	1.82	1.89	1.66	1.75	1.86	1.92	1.98	0.9%
Gas Utilities	1.37	1.65	1.85	2.27	2.48	2.50	2.57	2.68	7.6%
Market Based EPS	**0.46**	**0.36**	**0.38**	**0.37**	**0.37**	**0.37**	**0.37**	**0.37**	**-0.2%**
Coal	0.19	0.19	0.18	0.17	0.17	0.16	0.16	0.16	-3.0%
IPP	0.26	0.18	0.19	0.20	0.20	0.20	0.21	0.21	2.2%
Parent Drag and eliminations	-0.26	-0.25	-0.31	-0.40	-0.55	-0.58	-0.66	-0.63	15.2%
Adjusted EPS	**3.71**	**3.59**	**3.81**	**3.90**	**4.05**	**4.15**	**4.20**	**4.40**	**2.9%**
EPS Guidance: 2023-2027 4-6% EPS CAGR	**3.85-4.00**	**3.95-4.15**	**3.65-3.85**				**Using $3.75 as base =>**		**3.2%**
Midpoint	**3.93**	**4.05**	**3.75**	**3.94**	**4.13**	**4.34**	**4.56**	**4.79**	**5.0%**
Consensus	3.89	4.02	3.81	3.87	4.11	4.33	4.60	-	**5.2%***
BofA vs Consensus	-5%	-11%	0%	1%	-2%	-4%	-9%		*Thru 2027
BofA vs Guidance	-6%	-11%	2%	-1%	-2%	-4%	-8%	-8%	
% Change in Estimates	**-1%**	**-10%**	**-1%**	**0%**	**3%**				
Payout Ratio: 55-65% Guidance	**62%**	**67%**	**66%**	**65%**	**64%**	**63%**	**64%**	**62%**	
FFO/Debt: 14-15% Target		**13.8%**	**13.5%**	**14.4%**	**14.7%**	**14.7%**	**14.8%**	**15.2%**	

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH

Valuation: PO still at $49

We have no change to our PO of $49. We continue to value BKH using a sum-of-the-parts analysis on 2026 financial results. Our peer group multiples for both electric and gas utilities declined slightly 13.5x and 13.4x, respectively, versus 13.8x and 13.5x prior. We continue to gross up each multiple 5% to reflect capital appreciation across the sector, a consistent methodology. Our -2x discount to both the gas and electric utilities remains unchanged, reflecting the company's below-average growth and potential EPS downside through the planning period. We still value the contracted IPP assets at $4/share and wind project assets at less than $1/sh. Our per share reduction to EPS from parent/nonregulated drag has been reduced to -$9/share versus -$10/share prior, reflecting lower corporate interest expense on debt held at the holding company level.

Exhibit 31: Black Hills Valuation
Mostly unchanged except for lower interest expense; still downside to current estimates if interest rates remain elevated

Black Hills Corp Valuation

Utilities	2026 EPS	Group P/E Multiple		P/E Adjuster		Value per Share
Group Peer Multiple - Electric		13.5x				-
Group EPS CAGR		5.0%				-
-						-
Group Peer Multiple - Gas		13.4x				-
Group EPS CAGR		5.0%				-
						-
Gas Utilities	$2.50	14.1x		-2.0x		$30
Electric Utilities	$1.86	14.2x		-2.0x		$23
Total 2026 Utilities	$4.36	12.1x				$53
				-15%		
Coal Segment EPS	$0.17	Peer P/E	5.0x			$0.84
Contracted IPP Assets	**2026 EBITDA**	-	**Peer Multiple**	**Premium**	**Multiple**	**EV Value**
Wygen Coal Plant (65 MW)	$15		7.0x	-2.0x	5.0x	$73
Colorado Electric (Pueblo Airport)	$216	$Mn (Predicated on 49% Sale in 2016)				$216
Net Equity Value						$289
Net Equity Value per Share						$4
Wind project ($91mn)	$0.04	14.2x		1.0x	15.2x	$0.59
		-				
Debt related to business valued by EV/EBITDA				**Amount**		
Debt Allocated to IPP, Coal, and O&G Businesses				$110		-$1.51
Parent, Other, and Eliminations			**'26 EPS**	**Average Multiple**		**Amount per Share**
EPS from Segment			-$0.55	13.5x		-$7.41
Total Per Share Deductions						-$8.92
Grand Total Equity						$3,591
Shares (mn)						72.84
Total Equity per Share						$49.00

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
Black Hills Corporation: 4Q23 Preview: could macro improvement restore EPS CAGR target visibility?	Julien Dumoulin-Smith	18 January 2024
US Utilities & Clean Tech: PowerPoints: EXC/AEE Illinois, CEG Buybacks, 45X Tax Credits, & BKH	Julien Dumoulin-Smith	15 December 2023
Black Hills Corporation: Refinance Risks to the EPS CAGR Linger: Cut PO to $49, reiterate Underperform	Julien Dumoulin-Smith	20 November 2023
US Utilities & IPPs: PowerPoints: AWK EPS & LT roll, NRG nuclear, NFE permit risk, BKH earnings	Julien Dumoulin-Smith	02 November 2023

CenterPoint Energy (CNP)

Originally Published on 01/18/24

Walking through 4Q23 drivers

We forecast 4Q23 EPS for CNP of $0.30, which is up from $0.28 in 4Q22 and brings FY23 results to the top end of the guidance range at $1.51. While our forecast is above current Consensus of $0.33, we believe this is a somewhat stale estimate.

We look for flat results for the electric utility year-over-year (YoY) as mild weather offsets rate increases. There were 100 fewer cooling degree days (CDD) than normal in Houston in 4Q23 and 300 fewer in Indiana. Assuming historical weather impacts of ~$60,000 per CDD in Houston and $25,000 in Indiana, we forecast a $(0.02) headwind YoY from weather for the electric utility. Positives for the quarter include a full three-month impact from trackers in Texas (DCRF and TCOS) which went into rates in Sept 2023, and a partial impact from an Oct. 2023 TCOS.

For the gas utility, we look for modest growth as rate increases more than offsets mild weather. The gas utility business had a positive $0.02 impact in 4Q22, which we reverse out as a negative this quarter considering the mild weather. On the positive side, recent trackers Mississippi and Ohio both contribute to net growth for the business.

Exhibit 32: CNP earnings walk

Forecast $0.30 EPS for 4Q23

CNP Utility Earnings Walk	FY23	1Q23	2Q23	3Q23	4Q23E
Prior Period	1.38	$0.47	$0.31	$0.32	0.28
Weather & Usage	(0.04)	(0.02)	(0.04)	0.04	(0.02)
Rate Recovery	0.20	0.05	0.05	0.07	0.02
TX DCRF: $78Mn Sept '22	0.06	0.02	0.02	0.02	-
TX TCOS: $64Mn April '22	0.03	0.02	0.01	-	-
TX TCOS: $38Mn Oct '22	0.04	0.01	0.01	0.01	0.00
TX TEEEF: $39Mn April '23	0.03	-	0.01	0.01	0.00
TX TCOS: $39.5Mn May '23	0.02	-	0.00	0.01	0.00
TX DCRF: $70Mn Sept '23	0.01	-	-	0.01	0.01
TX TEEEF: $149Mn Sept '23	0.03	-	-	0.01	0.01
TX TCOS: $44Mn Oct '23	0.00	-	-	-	0.00
IN Misc: ~$10Mn ~Sept '22	0.01	0.00	0.00	0.00	-
Other	(0.03)	(0.01)	(0.01)	(0.01)	(0.02)
Customer & Load Growth	0.04	0.01	0.01	0.01	0.01
O&M	0.02	0.01	0.01	-	-
D&A and Other Taxes	-	-	-	-	-
Interest Expense	(0.07)	(0.01)	(0.02)	(0.02)	(0.02)
Electric	0.15	0.04	0.01	0.10	(0.00)
Weather & Usage	(0.01)	(0.02)	0.02	0.01	(0.02)
Rate Recovery	0.14	0.04	0.01	0.02	0.07
OH DRR: $5Mn Sept '22	0.00	0.00	0.00	0.00	-
MN CIP: $8Mn Oct '22	0.00	0.00	0.00	0.00	-
TX GRIP: $34Mn June '22	0.02	0.01	0.01	-	-
IN CSIA: $26Mn Jan '23	0.03	0.01	0.00	0.00	0.01
MN Rate Case: $48.5Mn Feb '23	0.06	0.02	0.01	0.01	0.02
LA RSP: $6Mn May '23	0.00	-	0.00	0.00	0.00
TX GRIP: $60Mn June '23	0.04	-	-	0.01	0.03
IN CSIA: $12Mn July '23	0.01	-	-	0.00	0.01
MN CIP: $8Mn Sept '23	0.01	-	-	0.00	0.00
MS RRA: $7Mn Oct '23	0.00	-	-	-	0.00
OH DRR: $5Mn Sept '23	0.00	-	-	-	0.00
Other	(0.03)	(0.01)	(0.01)	(0.01)	(0.01)
Customer & Volume Growth	0.01	0.01	-	-	-
O&M	-	0.01	(0.01)	-	-
D&A and Other Taxes	-	-	-	-	-
Interest Expense	(0.07)	(0.01)	(0.02)	(0.02)	(0.02)
MN Impairment	-	-	-	-	-
AR and OK Transactions	(0.01)	(0.01)	-	-	-
Gas	0.06	0.02	0.00	0.01	0.03
Governance, Tax, Interest & Other	(0.08)	(0.01)	(0.04)	(0.02)	(0.01)

Exhibit 32: CNP earnings walk
Forecast $0.30 EPS for 4Q23

CNP Utility Earnings Walk	FY23	1Q23	2Q23	3Q23	4Q23E
Dilution	(0.00)	(0.00)	-	-	(0.00)
Current Period EPS	$1.51	$0.52	$0.29	$0.41	0.30
Consensus	$1.50	$0.47	$0.27	$0.36	$0.33
BofA vs Consensus	0.8%	10.9%	6.3%	15.3%	-9.4%
Guidance (Quarterly Implied)	1.49-1.51				$0.28
BofA vs Guidance	0.8%				4.4%

Source: Company filings, Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

Our long-term forecast for CNP is shown below. We maintain our estimates for 2024 and beyond. We continue to see CNP as among the fastest growers in the space with a long-term compound annual growth rate (CAGR) of 8% through 2027. This is afforded by a robust capital budget nearing $50Bn through 2030 with significant upside potential.

Exhibit 33: CNP earnings dashboard: yes we appreciate the pushback that on existing capex – we remain squarely inline with Street at upper end of EPS range already...
See robust long-term growth profile with 8% EPS CAGR

CenterPoint (CNP) Financial Dashboard	2022A	2023E	2024E	2025E	2026E	2027E	'22-'27 CAGR
Electric (Houston Electric)	0.81	0.78	0.90	0.96	1.06	1.14	7.2%
Natural Gas	0.45	0.51	0.50	0.55	0.61	0.65	7.7%
Vectren Utilities (VVC)	0.47	0.49	0.56	0.57	0.57	0.60	5.1%
Utility EPS (before allocation)	**1.73**	**1.78**	**1.96**	**2.09**	**2.25**	**2.40**	6.8%
VESCO	0.03	0.03	0.00	0.00	0.00	0.00	
Corp & Other	(0.38)	(0.31)	(0.33)	(0.34)	(0.37)	(0.38)	0.5%
Consolidated	**1.38**	**1.51**	**1.63**	**1.74**	**1.88**	**2.02**	**7.9%**
Consensus	**$1.38**	**$1.50**	**$1.63**	**$1.74**	**$1.88**	**$2.03**	**8.0%**
Guidance (UP&O)	**1.37-1.39**	**1.49-1.51**	**1.61-1.63**	**1.73**	**1.85**	**1.98**	7.7%
BofA vs Consensus	*0%*	*0%*	*0%*	*0%*	*0%*	*-1%*	
BofA vs Guidance	*0%*	*0%*	*1%*	*1%*	*1%*	*2%*	
6% CAGR (post-'24)	**1.37**	**1.49**	**1.61**	**1.73**	**1.83**	**1.94**	7.2%
8% CAGR	**1.39**	**1.51**	**1.63**	**1.74**	**1.88**	**2.03**	7.8%

Source: Company filings, Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

Maintain 15% premium on CNP given growth opportunity

Our sum-of-the-parts analysis for CNP is shown below. Electric P/E moves to 14.4x from 14.0x and Gas P/E moves to 14.4x from 14.9x (both 2025E). We continue to apply a 15% premium to CNP given outsized growth potential and constructive regulatory jurisdictions. Maintain $30 PO.

Exhibit 34: CNP valuation
We arrive at a $30 PO

CenterPoint Sum-of-the-Parts Valuation

	Electric P/E 14.4x	Gas P/E 14.4x	Group EPS CAGR: 5%		
Subsidiary	2025E	Peer P/E	Premium	Base P/E	Equity
Electric (Houston Electric)	0.96	15.1x	2.3x	17.4x	$16.75
Natural Gas	0.55	15.1x	2.3x	17.4x	$9.62
Vectren Utilities (VVC)	0.57	14.4x	2.3x	16.7x	$9.49
Corporate & Other	(0.34)	14.9x	2.3x	17.2x	-$5.91
Total	**$1.74**	**14.9x**	**2.3x**	**17.2x**	**$30.00**

Source: Company filings, Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
CenterPoint Energy: A Lot More Regulatory Clarity Than Meets the Eye– Derisking '24 & Adding to '25+	Julien Dumoulin-Smith	18 January 2024
US Utilities & Clean Tech: PowerPoints: Year Ahead 2024, WEC Guide, XEL/CNP/ALE, and D/CEG	Julien Dumoulin-Smith	08 January 2024
CenterPoint Energy: Efficient growth is the name of the game – Reiterate Buy after solid update	Julien Dumoulin-Smith	27 October 2023

CMS Energy (CMS)

We forecast CMS's 2024 EPS at $3.34, in line with Street consensus of $3.34.

- **Key drivers –** Key drivers in our walk below include +19c from the Electric rate increase, +25c from normalization of storm costs, and +36c of weather normalization. Drag is expected to be ~54c from the incremental levels of D&A, interest expense, and other growth-related items. The other substantial source of drag is 31c related to reversal of the impact of last year's cash tender offer.

- **Wildcards** – Upside contribution from NorthStar is estimated at +3c given the partial impact of recontracting and a new project coming on line. We see North Star as more of a growth driver later in the decade when higher capacity prices start to be realized.

Exhibit 35: CMS EPS walk

We expect the range to be revised higher following 2023

	EPS	1Q24	2Q24	3Q24	4Q24
FY23A Adjusted EPS	3.11	0.70	0.74	0.58	1.09
Consumers Electric					
Rate increase	0.19	0.02	0.05	0.09	0.03
Storm Costs	0.25	0.23	0.00	0.02	0.00
Other	0.00	0.00	0.00	0.00	0.00
Consumers Gas					
Rate Increase ($95m effective Oct 2023)	0.19	0.12	0.05	0.02	0.00
New rates effective 2024 Oct 1	0.02	0.00	0.00	0.00	0.02
Tax reversal	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00
Weather - Gas and Electric	0.36	0.21	0.10	0.00	0.05
Retail Sales - Gas and Electric	0.02	0.01	0.01	0.01	0.01
D&A, interest expense, non income tax	-0.54	-0.14	-0.14	-0.14	-0.14
Northstar Clean Energy	0.03	0.01	0.01	0.01	0.01
O&M	0.06	0.01	0.02	0.02	0.02
Cash Tender Offer	-0.31	-0.02	-0.29	0.00	0.00
Share Count Dilution	-0.05	-0.02	-0.02	-0.01	0.00
FY24E Adjusted EPS	3.34	1.14	0.53	0.59	1.09
FY24 Consensus	3.34	1.05	0.62	0.70	0.84
BofA Beat(Miss) vs Consensus	0%	9%	-15%		
FY24 Adj EPS Guidance	3.27-3.33				

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Estimates

Our forecast for CMS was updated post-EEI to reflect key positive date points including Michigan's clean energy legislation and improved financial compensation mechanism (FCM) for contracted generation, as well as upside to capacity prices which should flow through the unregulated North Star segment's results beginning later in the decade.

CMS maintains a high-visibility forecast that now has one of the higher growth rates in the sector. At 6-8% with a standing practice of rebasing from actuals, we do not expect mgmt to rebase higher still, but maintain confidence in CMS as one of the top growth stories and deserving of its premium valuation.

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
CMS Energy: Clean energy bill, capacity drive one of the top upside stories	Julien Dumoulin-Smith	20 November 2023
CMS Energy: Near-term drivers set up constructively for 2024 and beyond	Julien Dumoulin-Smith	27 October 2023

Exhibit 36: CMS estimates
We see the CAGR trending higher as North Star contribution ramps up

	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E
Electric	1.79	2.00	1.95	1.96	2.05	2.36	2.49	2.65	2.83	3.03
Gas	0.82	0.91	1.04	1.30	1.37	1.39	1.49	1.62	1.75	1.92
Utility	2.61	2.91	2.99	3.26	3.42	3.75	3.98	4.28	4.58	4.94
North Star	0.12	0.12	0.12	0.12	0.16	0.17	0.18	0.21	0.24	0.26
Parent	(0.38)	(0.70)	(0.85)	(0.48)	(0.37)	(0.57)	(0.57)	(0.59)	(0.60)	(0.63)
Consolidated EPS	2.49	2.47	2.65	2.89	3.11	3.34	3.59	3.89	4.21	4.57
y/y EPS % change			7.4%	9.2%	7.6%	7.2%	7.6%	8.3%	8.3%	8.5%
Guidance				*2.85-2.89*						
Consensus				2.88	3.10	3.34	3.61	3.86		
Prior BofAe				2.89	3.11	3.34	3.59			
EPS CAGR off 2023 actual of $3.11				3.11		7.3%	7.5%	7.7%	7.9%	8.0%
Guidance						6-8%	6-8%	6-8%	6-8%	6-8%

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

PO to $66, reiterate Buy

We mark to market our valuation, applying the peer multiple of 13.6x for electric and 13.9x for gas to our updated 2026 estimates. As a result the PO is updated to $66 from $63 previously. We reiterate Buy on CMS which continues to offer one of the best growth stories in the sector with its mix of electric and gas utilities situated in the constructive Michigan jurisdiction, along with a small but growing non-reg generation segment that is positively levered to capacity price inflation with the opportunity to lock in contracts at prices well above levels seen in recent years.

Exhibit 37: CMS valuation
PO to $66, reiterate Buy

CMS Sum of the Parts	Valuation	EPS	2026 Net Income	Multiple			Equity Value
Utility				Peer	Prem/ Discount	Base	Base
Group Peer Multiple - Electric				13.6x			
Group EPS CAGR - Electric				5.00%			
-				14.3x			
Consumers - Electric	P/E	2.69	$822		3.0x	17.28x	$14,211
Group Peer Multiple - Gas				13.9x			
Group EPS CAGR - Gas				5.10%			
				14.6x			
Consumers - Gas	P/E	1.65	$504		3.0x	17.61x	$8,876
Corp & Other	P/E	(0.59)	($180)		3.0x	17.28x	($3,112)
HoldCo Debt Adjustment							
Add Back: 50% of Interest Expense		0.29	$90		3.0x	17.28x	$1,549
Subtract: HoldCo Debt (Net out 50%)		3,985	($1,993)				($1,993)
Utility Equity Value			2025 EBITDA				$19,532
Non-Utility				Peer	Prem/ Discount	Base	
-				7.0x			
DIG & Other Peakers (200MW)	DCF						$766
	EV/EBITDA - illustrative		$80	5.5x			$439
Other Peakers (VIE)	EV/EBITDA		$4		-3.0x	4.00	$15
Total Non-Utility Value							$781
Total Equity Value							$20,313
Shares Outstanding							306
Rounded 12 Month Valuation							$66
NTM Dividend							$1.95
Dividend Yield							3.5%
Potential Total Return							20.7%

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Consolidated Edison (ED)

Indicates stronger future growth with payout cut

Consolidated Edison (ED) announced its annual dividend per share increase which was +$0.08, an unchanged level YoY while lowering its target payout ratio. The +2.5% increase is a marginal slowing YoY with the $3.32 annualized 2024 lower than $3.36 BofA/$3.34 Consensus. ED reduced the target payout ratio to 55-65% from 60-70% which management attributed to "anticipation of higher levels of future capital investment and the associated funding needs."

Exhibit 38: ED Dividend Analysis

ED has tightened its payout ratio since 2020 by growing EPS faster than DPS

ED Dividend Analysis	2019	2020	2021	2022	2023	2024
Annual Dividend	$2.96	$3.06	$3.10	$3.16	$3.24	$3.32
Payout Ratio Midpoint	65%	65%	65%	65%	65%	60%
Implied EPS at Payout Ratio Midpoint	$4.55	$4.71	$4.77	$4.86	$4.98	$5.53
Historical EPS and 2023-2024 Street	$4.38	$4.18	$4.39	$4.57	$5.06	$5.30
Delta	-4%	-11%	-8%	-6%	2%	-4%
Actual and Consensus Payout	68%	73%	71%	69%	64%	63%

Source: Company Filings, Bloomberg, & BofA Global Research

BofA GLOBAL RESEARCH

Implied FY24 EPS above BofA and Street: Positive

ED's dividend increases have historically provided useful insight into current year EPS as it relates to the payout ratio. For example in January 2023, ED increased the dividend to $3.24 annualized which implies $4.98 at the then 65% payout ratio target midpoint. ED subsequently guided FY23 to $4.75-$4.95. Subsequently ED outperformed its initial targets in 2023 with two guidance increases: first to $4.85-$5.00 then to $5.00-$5.10. The same 60% payout ratio midpoint approach for 2024 implies $5.53 and could support a $5.30-$5.50 guidance range. The $5.40 compares favorably to $5.34 BofA and $5.30 Consensus FY24 EPS. Further, ED could use a stronger starting point for long-term EPS growth rate, effectively guiding up its long-term expectations, consistent with the dividend press release. We maintain Buy on shares of ED with the underappreciated growth acceleration coupled with one of the strongest balance sheets and limited major regulatory activity. ED has consistently had little investor ownership in our conversations and from the review of the 13-F filings but we see it is one of the increasingly view defensive utilities as many peers have faced setbacks.

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
US Utilities & IPPs: PowerPoints: ED Guidance Update. Why Are Utilities Lagging? More than just rates	Julien Dumoulin-Smith	19 January 2024
US Utilities & IPPs: PowerPoints: FE Regulatory, MDU Capex, ED Resiliency, PEG/CEG NJ, AWK/UGI WV	Julien Dumoulin-Smith	22 November 2023
US Utilities & IPPs: PowerPoints: NJR EPS, ETR Upgrade, AWK Cali, EIX Tx, ED Gas, Power M&A + NY Gas	Julien Dumoulin-Smith	21 November 2023
US Utilities & IPPs: PowerPoints: SR CAGR, D Virginia, ED Steam, Texas Power M&A	Julien Dumoulin-Smith	16 November 2023
US Utilities & IPPs: Earnings: ED Guide Up, AES EPS Top-End plus M&A, LNT Beat w/ 2024 In-Line, BE	Julien Dumoulin-Smith	03 November 2023
US Utilities & IPPs: PowerPoints: NEE/NEP Latest, ED ESG Day, AEP Kentucky, & DUK NC Nuclear	Julien Dumoulin-Smith	05 October 2023
US Electric Utilities & IPPs: PowerPoints: HE Latest, EXC Settlement, ED Steam, FE MD, UGI WV, Debt & Power	Julien Dumoulin-Smith	11 September 2023
Consolidated Edison: Fireside chat takeaways: Growing runway of electric opportunities	Julien Dumoulin-Smith	16 August 2023
Consolidated Edison: Upgrade to Buy: Regulatory de-risk opens up further re-rating	Julien Dumoulin-Smith	21 July 2023

Dominion Energy (D)

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The closing arguments on Dominion

Dominion's business review could conclude in the next thirty days if there is resolution on offshore wind sale. We have written extensively on Dominion's opportunities, risks, and the overall business case. While there are many moving parts and unknowns, we stay cautious on shares despite underperforming utility peers -15% since January 2023 because we see an above-average risk profile (offshore wind construction, merchant nuclear, and Virginia legislation/regulation), below-average regulated earnings mix (pension income, merchant nuclear [again], and historical non-GAAP adjustments), and subdued EPS growth rate (~4% $3.40 2025 starting point) from the high payout ratio and non-cash earnings mix. Combined, we believe that Dominion is expensive and should trade at a wider discount versus the utilities sector.

From our extensive conversations, investors expect Dominion to initiate a 6-7% EPS CAGR off $3.45-$3.50 FY25 starting point. We believe most investors we speak to are too optimistic without enough future equity needs.

Exhibit 39: Dominion Net Income to Adjusted EPS Drivers

Walking from 10% Virginia net income CAGR to 7.5% consolidated earnings CAGR to 4% EPS CAGR

Dominion Summary Model	2025	2026	2027	2028	CAGR	
Virginia Net Income	2,137	2,495	2,659	2,854	10.1%	
Non-Virginia Net Income	756	690	774	735	-0.9%	
Consolidated Net Income	**2,893**	**3,186**	**3,433**	**3,590**	**7.5%**	(A)
Equity Issuance	750	1,500	1,500	1,500	26.0%	
Dilution*	-2.0%	-3.9%	-3.9%	-3.9%	-3.4%	(B)
EPS	3.40	3.64	3.79	3.83	4.0%	(A)-(B)
Capex	(11,432)	(10,465)	(9,920)	(9,420)	-6.2%	
Dividend Payment	(2,277)	(2,349)	(2,437)	(2,525)	3.5%	

Source: Company Filings, Bloomberg, & BofA Global Research. * Minor rounding on equity dilution

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When Dominion initiated the business review in November 2023 they emphasized a desire to have high quality earnings that are predictable – we will be closely watching the 4Q non-GAAP adjustments as well as any future adjustments.

Legislation and regulatory updates

Dominion remains active in politics although smaller dollars in 2023

Per the Virginia Public Access Project (VPAP), Dominion remains a top donor to the Virginia state legislature. In 2023, Dominion was the #3 Senate donor at $4Mn (similar to Clean Virginia Fund) and #3 House donor at $3Mn. Combined Dominion made $11Mn of contributions in 2023. In 2024, Dominion is the top donor for both the Senate and House although the dollars are much lower to date at $200-300k. Dominion's top target in 2024 is Democrat Don Scott in the House with Dominion the top donor at $1Mn since 2019.

Variety of bills have been introduced with our focus on data centers

As expected, more utility-oriented proposed bills have been introduced in the past week in Virginia. Of note is SB578 which would have competitive procurement process for subsequent Virginia offshore wind after Dominion's Coastal Virginial Offshore Wind Project (CVOW). We continue to focus most closely on the data center related bills which includes cost allocation (SB191/HB1288), siting (SB284/SB285/HB337/HB338/HB1010), sales & use tax (SB192/HB116), consumption (HB910), noise (SB288), and water (SB289).

SB591 has support from Virginia Customers for Energy Choice with members including NRG Energy (NRG), Vistra (VST), Calpine, Covanta, and Sierra Club.

Below are the 50+ pieces of draft legislation we are monitoring this legislative session.

Exhibit 40: Virginia 2024 Draft Legislation as of January 28th, 2024
Data center bills have received among the most media attention along with solar permitting

State Id	Bill Title	Last Action On
SB191	Electric utilities; data center demand, allocation of costs among customer classes.	1/26/2024
HB636	Siting of energy facilities; approval by the State Corporation Commission.	1/26/2024
HB785	Energy storage systems; clarifies the tax treatment of systems.	1/26/2024
HB28	Fossil fuel projects moratorium; transitioning energy workers, environmental justice protections.	1/25/2024
HB275	Public utilities; delay of termination of service for certain residential customers, report.	1/25/2024
HJR30	Investor-owned electric utilities; SCC to study performance-based regulatory tools.	1/25/2024
HB910	Data centers; energy usage.	1/25/2024
HB714	Electric utilities; pilot program for underground transmission lines; additional project.	1/25/2024
HB337	Siting of data centers; impacts on resources and historically significant sites.	1/24/2024
HB338	Siting of data centers; locality to perform site assessment before approval.	1/24/2024
HB1010	Data centers; sitings near parks, schools, and residential areas.	1/24/2024
HB119	Electric utilities; clarifies definition of energy efficiency programs.	1/23/2024
HB124	State Corporation Commission; annual report filing requirements.	1/23/2024
HB402	Electric utilities; retail competition for purchase and sale of electric energy, etc.	1/23/2024
HB403	Electric utilities; temporary power purchase agreements.	1/23/2024
SB289	Stormwater management regulations; enterprise data center operations.	1/23/2024
HB1027	Energy policy of the Commonwealth; state authority, legislative declaration.	1/23/2024
HB1074	Renewable energy portfolio standard; eligibility of hydrogen and nuclear resources.	1/23/2024
HB862	Electric utilities; integrated resource plans, grid-enhancing technologies and advanced conductors.	1/23/2024
HB1288	Public utilities; classification of customers.	1/23/2024
HB1323	Electric utilities; recovery of development costs associated with small modular reactor.	1/23/2024
SB557	Renewable energy portfolio standard; eligibility of hydrogen and nuclear resources.	1/23/2024
HB856	Public utilities; rate increases during certain months prohibited.	1/18/2024
HB976	Electric utilities; SCC to ensure energy policy at lowest reasonable cost.	1/18/2024
HB792	Electric utilities; regulation of rates, prohibited recovery.	1/18/2024
SB688	Offshore wind capacity; development, prohibited cost recovery.	1/18/2024
HB106	Shared solar programs; amends existing program provisions to apply to Dominion Energy Virginia.	1/16/2024
HB108	Shared solar programs; SCC to establish by regulation, etc.	1/16/2024
HB109	Electric utilities; regional transmission entities, annual report.	1/16/2024
HB117	Net energy metering; solar interconnection, cost recovery.	1/16/2024
HB118	Electric utilities; cost recovery for electric vehicle charging infrastructure.	1/16/2024
HB139	Underground infrastructure work; minimum wage standards, application of Prevailing Wage Act.	1/16/2024
HB340	Electric utilities; underground transmission lines.	1/16/2024
HB397	Electric utilities; development of renewable energy facilities, etc.	1/16/2024
HB469	Electric utilities; retail competition, aggregated competitive purchasers.	1/16/2024
HB638	Electric utilities; energy efficiency programs, duty to implement the Energy Policy, etc..	1/16/2024
HB741	Nuclear energy electric generation facilities; permitting.	1/16/2024
SB591	Electric utilities; customer energy choice, notice required for customer return to service.	1/10/2024
SB567	Siting of energy facilities; approval by the State Corporation Commission.	1/10/2024
SB578	Electric utilities; offshore wind generation facilities, competitive procurement process.	1/10/2024
SB271	Net energy metering; eligible customer-generators and agricultural customer-generators.	1/9/2024
SB253	Shared solar programs; amends existing program provisions to apply to Dominion Energy Virginia.	1/9/2024
SB286	Electric utilities; underground transmission lines.	1/9/2024
SB288	Data centers; noise abatement.	1/9/2024
SB255	Shared solar programs; SCC to establish by regulation, etc.	1/9/2024
SB284	Siting of data centers; impacts on resources and historically significant sites.	1/9/2024
SB230	Electric utilities; energy efficiency programs, duty to implement the Energy Policy, etc..	1/9/2024
SB285	Siting of data centers; site assessment.	1/9/2024
SB500	Electric utilities; integrated resource plans, grid-enhancing technologies and advanced conductors.	1/9/2024
SB508	Renewable energy portfolio standard; geothermal heating and cooling systems.	1/9/2024
SB454	Electric utilities; recovery of development costs associated with small modular reactor.	1/9/2024
SB192	Sales and use tax exemption; data centers.	1/8/2024
SB137	Electric utilities; SCC to ensure energy policy at lowest reasonable cost.	1/5/2024
SB152	Electric utilities; retail competition, aggregated competitive purchasers.	1/5/2024
HB116	Retail Sales and Use tax; exemption for data centers.	1/1/2024

Source: Insight Engine and BofA Global Research

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SCC finally back to full strength

The Virginia legislation confirmed two new members of the State Corporation Commission (SCC), finally restoring the leadership staffing after a period of absences. The two new Commissioners are Kelsey Bagot who was recently an attorney for NextEra Energy (NEE) and former legal adviser to Federal Commissioner Christie. Bagot was originally a Federal Trial Attorney. The other new Commissioner is Sam Towell who was recently a Smithfield Foods attorney and former Deputy Attorney General for Civil Litigation Office of Attorney General.

Clean Virginia described the SCC appointments as positive for Virginia customers with the new Commissioners having experience in customer protection along with electric utility knowledge.

Offshore modification proposed that would increase long-term revenue

On January 24th Dominion filed with the SCC that it "has identified a need to (i) propose an accounting modification that would more accurately align the revenue requirements in future Rider OSW [offshore wind] updates with the serial commissioning approach described in prior offshore wind proceedings; and (ii) propose to utilize a proration methodology whereby it would project rate base, depreciation expense, and certain other costs into the rate year in future revenue requirements for Rider OSW and other new projects on a going-forward basis." (Docket PUR-2023-00195).

Dominion reaffirmed its December 2026 commercial operations date target. If the modification is not approved, Dominion states that there could be potentially significant future under-recoveries and associated carrying charges for customers. Since the proposed modification relates to timing of in-service, there is not a requested change to the current rider year revenue requirement, but Dominion says will impact the long-term revenue requirement and customer bills.

We will see if the revenue and earnings impacts of the project are quantified in future Dominion filings. This request appears to be a way to minimize regulatory lag and we do not believe it will impact the long-term earnings power.

Separately, Bladt Industries recently reported that the first offshore substation for Dominion's offshore wind project reached the Denmark production site from the Spanish prefabrication site.

Can offshore be sold? Yes but a limited buyer pool

The top question we receive is whether Dominion can find a buyer for its offshore wind asset. We calculate an 11% IRR with 25% back leverage and 14% with 50% back leverage, assuming fully amortizing debt.

Exhibit 41: Dominion Offshore Wind Investment IRR Scenarios

We assume 1 .01x transaction price, no further cost increases, 6.4% cost of debt, and 30yr debt amort.

Assumed Back leverage	IRR
0% Back leverage	9.7%
25% Back leverage	11.3%
33% Back leverage	12.0%
50% Back leverage	14.2%

Source: Company Filings, Bloomberg, & BofA Global Research

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VC Summer inspection planned

At VC Summer, the Nuclear Regulatory Commission (NRC) has scheduled a routine Comprehensive Engineering Team Inspection (CEWTI) for weeks of March 25 and April 8, 2024.

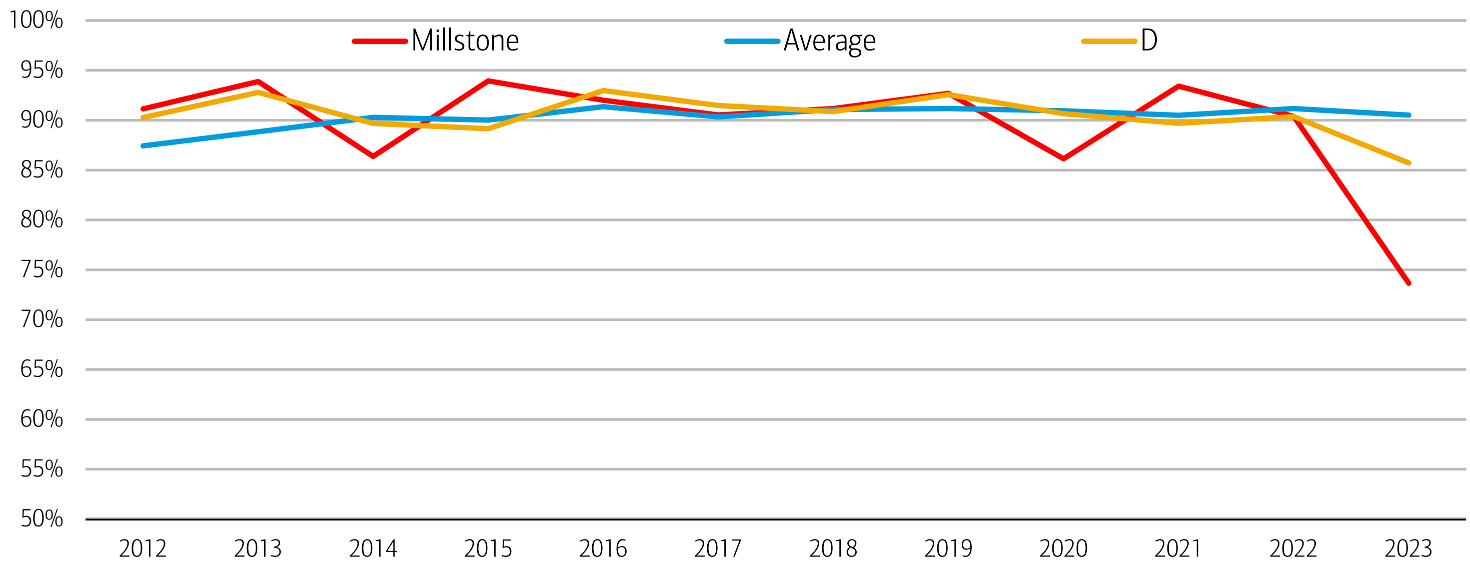
Millstone in the dark

Latest outage highlights the inherent volatility

Dominion's merchant nuclear plant Millstone had below average performance in 2023 and recently had an unplanned outage in January. Per NRC data, Millstone Unit 3 was offline January 9-17 and began returning to service the morning of January 18th with full output on January 20th. Dominion has been hiring for the plant throughout 2023 and early 2024 and we look to see if additional operating and/or capital investments will be required for the plant. Unlike other merchant nuclear plants, Millstone has premium pricing above the PTC support levels, which introduces more volatility into earnings.

Historically Dominion has been a slightly above-average nuclear operator as measured by annual capacity factor. Millstone's poor performance in 2023 led to 71-76% capacity factors and pulled down Dominion's overall average performance.

Exhibit 42: Nuclear Capacity Factors: Millstone Unit 2 & 3 Average, US Average, and Dominion Fleet Average
Millstone's 2023 output was one of the lowest, breaking a streak of average performance



Source: Nuclear Regulatory Commission

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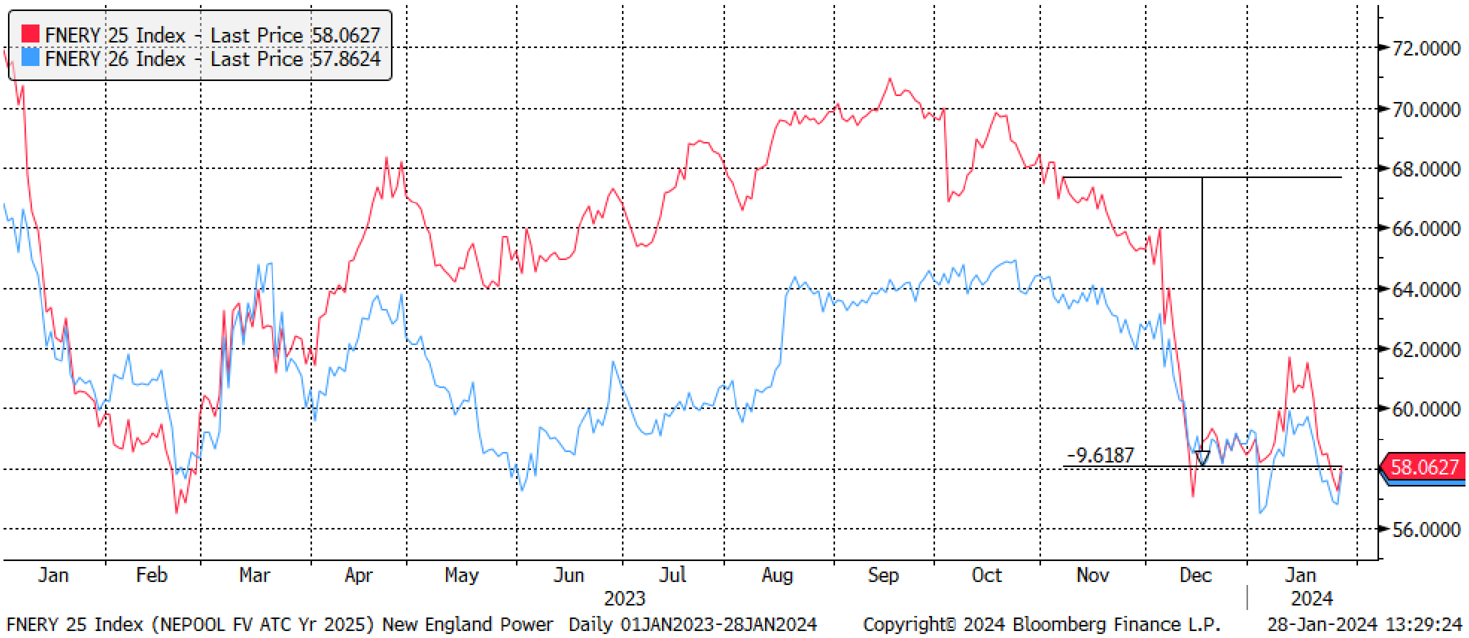
Power price volatility underappreciated

The earnings and cash flow contribution from the merchant nuclear plant is now larger pro-forma for completed, announced, and potential asset sales. New England power price as are meaningfully off their highs but still above pre-Russia/Ukraine levels. For example, power prices in 2025-2026 are now ~$58/MWh versus 2025 $70/MWh and 2026 $64/MWh in September. Few investors we speak to have been including this as a negative driver in their 'EPS walks' from the early November 2023 earnings call. While the impact in 2024-2025 is subdued due to hedging, this has a more meaningful impact on 2026+ and the earnings CAGR that is not fully appreciated. We continue to believe that management will embed more conservatism in its long-term EPS guidance because of Millstone's pricing and output volatility.

Exhibit 43: New England Around the Clock (ATC) 2025 and 2026 Power Prices ($ per megawatt hour)

Millstone merchant power prices are at their recent lows but much higher than in 2021



Source: Bloomberg

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Data center permit denied without prejudice

A third-party developer is working on the NE Edge 300MW data center project with Dominion which would be sited at Millstone. Dominion has signed a memorandum of understanding with NE Edge. Various levels of regulatory approval are still pending and the project. Dominion Energy Nuclear Connecticut Inc.'s application petition to the Connecticut Siting Council was denied January (Petition 1586). Dominion petitioned that a neither a new Certificate of Environmental Compliance and Public Need (CECPN) nor a modification to the existing CEPCN was required. The City Council stated that it denied the petition without prejudice due to a lack of detailed filing information.

Dominion has not disclosed its plans for Millstone as it relates to a data center but success here could provide more visibility into earnings and cash flow. Depending on the contract structure, pricing, and duration, this could lead to more value ascribed to Millstone and potential make the asset more transactable in the future.

License extension could help earnings via lower depreciation

Dominion has indicated that it plans to request subsequent life extensions for its Connecticut nuclear assets Millstone Unit 2 (2035 currently to 2055) and Unit 3 (2045 currently to 2065).

The most important element here is whether Dominion extends the depreciable life for GAAP accounting purposes, leading to lower depreciation in the future. This could increase earnings but not cash flows and would be value neutral. Dominion does not disclose the economics for the asset but the overall contracted generation segment has ~$90Mn annual depreciation so we do not believe that a change here would be overly material. Dominion has historically changed its depreciable life for Virginia assets which has had more material impacts, sometimes positive and sometimes negative.

Elevated hiring activity at Millstone

Below are the active Dominion job posts as of January 28th for Waterford, Connecticut, per Dominion. Throughout the past year we have seen more Millstone-oriented job posts than in prior years.

Exhibit 44: Waterford, CT Dominion Job Posts
Dominion has over ten open roles in Waterford, CT

Title	Date
Nuclear Plant Equipment Operator - Accelerated Program	13-Jan-24
Engineer II/III - Emergency Diesel Generators Systems Engineer - Millstone Engineering	20-Jan-24
Engineer II/III or Engineering Technical Specialist II/III - Valve Component Engineer - Millstone	21-Jan-24
Engineer II/III or Engineering Technical Specialist II/III - Mechanical Engineering Millstone	13-Jan-24
Engineering Technical Specialist II/III-Electrical Engineering Millstone	27-Jan-24
Engineer I/II or III - Electrical Engineering Millstone Nuclear	1-Jan-24
Senior Nuclear Construction Specialist (Millstone)	25-Jan-24
Senior Instructor (Nuclear)	13-Jan-24
Nuclear Plant Equipment Operator (Millstone)	9-Jan-24
Sr Reactor Operator In Training (Direct SRO) (Millstone)	10-Jan-24
Nuclear Instrument Technician I/II/III	1-Jan-24
Engineer II/III or Engineering Technical Specialist II/III - Welding - Millstone Nuclear	27-Jan-24

Source: Dominion Energy

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Adjusted EPS

We revise our EPS estimates down -50 to -100bp to reflect the mark-to-market decrease in wholesale power prices, increase in interest rates, and decline in utility equity valuations since our last refresh. Additionally we slightly trimmed 1Q24 for the unplanned January Millstone outage and 2025 declines for shaping of anticipated planned refueling outage activity. Contracted assets EPS changes vs our prior is -$0.02 2024, -$0.04 2025, -$0.03 2026, -$0.02 2027.

We reduced the 2025 equity issuance assumption to $750Mn from $1,000Mn and now assume a flat $1,500Mn in 2026-2028 contributing to ~4% annual dilution. We reduced our funds from operations (FFO) to debt assumption slightly to 14.3-14.4% from 14.5% which is a corresponding positive driver of earnings. We believe that Dominion will target less of an equity cushion than earlier our assumption earlier in the business review as the earnings outlook has declined.

Exhibit 45: Dominion Financial Snapshot
In 2026 we estimate $0.49 EPS is from pension income/other at the Corporate level.

Dominion EPS Estimates	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	'25-'28 CAGR
Dominion Energy Virginia	2.37	2.41	1.95	2.38	2.51	2.85	2.94	3.05	6.6%
Gas Distribution	0.74	-	-	-	-	-	-	-	N/A
Dominion Energy South Carolina	0.54	0.61	0.61	0.63	0.60	0.63	0.61	0.62	0.7%
Contracted Assets	0.53	0.40	0.17	0.33	0.36	0.27	0.39	0.36	0.4%
Corporate & Other	(0.33)	(0.25)	(0.57)	(0.47)	(0.07)	(0.11)	(0.15)	(0.19)	40.7%
Total	**3.86**	**3.16**	**2.15**	**2.86**	**3.40**	**3.64**	**3.79**	**3.83**	**4.0%**
Prior BofA	*2.17*	*2.17*	*2.15*	*2.88*	*3.44*	*3.65*	*3.81*	*3.86*	*3.9%*
BofA Change from Prior %	*78.0%*	*45.7%*	*0.1%*	*-0.5%*	*-1.0%*	*-0.2%*	*-0.6%*	*-0.8%*	
EPS Consensus	3.86	4.11	2.56	3.07	3.43	3.66	3.93	4.20	**12.7%**
BofA vs Consensus (%)	*0.0%*	*-23.0%*	*-15.9%*	*-6.7%*	*-0.9%*	*-0.6%*	*-3.6%*	*-8.7%*	
EPS Guidance	$3.80-$3.90	$4.03-$4.18	2.10/2.90	4.65	4.95	5.27	5.62	5.98	**N/A**
BofA vs Guidance (%)	*0.4%*	*-23.0%*	*-50.7%*	*-38.4%*	*-31.3%*	*-31.0%*	*-32.5%*	*-36.0%*	
Dividend per Share	$2.52	$2.67	$2.67	$2.68	$2.68	$2.69	$2.69	$2.70	0.2%
DPS Consensus	$2.53	$2.67	$2.67	$2.69	$2.72	$2.75	$2.80	$2.80	1.0%
BofA vs Consensus (%)	*-0.4%*	*0.0%*	*0.0%*	*-0.4%*	*-1.4%*	*-2.3%*	*-4.0%*	*-3.8%*	**'25-'28 Δ**
Payout Ratio: Mid 60% Over Time	65%	84%	124%	93%	79%	74%	71%	70%	-8.4%
Consensus Payout Ratio	66%	65%	104%	87%	79%	75%	71%	67%	N/A
FFO / Debt: Moody's Methodology	11.6%	13.4%	12.7%	15.8%	15.7%	14.4%	14.4%	14.3%	-1.4%
Assumed VEPCO Avg Earned ROE	13.6%	12.6%	9.1%	9.9%	9.6%	10.0%	9.7%	9.7%	0.1%

Source: Company Filings, Bloomberg, & BofA Global Research

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Dominion recently declared an unchanged $0.6675 quarterly dividend, unchanged for the past two years since January 2022. We continue to assume de minimis ~$0.01 annual DPS increase with the elevated payout ratio.

Six month $2.5Bn term loan extension

On January 12th, Dominion filed an 8K extending the maturity date of its $2.5Bn one-year term loan to July 12, 2024 from January 12th, 2024. Dominion notes in the 8K that it entered into the natural gas local distribution sale agreement in September 2023 and intends to fully repay the facility upon closing the transaction. Our base case is that the gas utility transactions close in late 2024 with debt reduction 1/1/24. We and investors are closely watching for clues as to the timing of the business review conclusion.

Valuation

Our $40 price objective is based on a 2026 Sum-of-the-Parts analysis with no changes to the methodology since our last November 29th refresh. The base utilities average P/E is 13.5x 2026, grossed-up +5% across our utilities coverage universe to 14.2x to reflect sector capital appreciation. The large merchant business anchored by the Millstone nuclear plant in Connecticut warrants a discounted P/E versus pure play utilities with less unregulated exposure. As of 12/31/22 the pension funded status was $1,346Mn versus estimated $282Mn net income, or a ~5x P/E. We will look to see the new funded status at 12/31/23 with the 10K which should be a positive update given the decline in interest rates that should outweigh the probable decline in asset values.

Exhibit 46: Dominion Energy SOTP Valuation (2026E)

Most of the value is in Virginia. The parent/other segment requires additional decomposition.

Dominion Energy SOTP Valuation (2026E)

	2026E EPS	Group P/E Multiple		P/E Adjuster		Value	Value per Share
Electric Utilities		**13.5x**					
Group EPS CAGR		**5.0%**					
Grossed-Up P/E Multiple		**14.2x**					
VEPCO	$2.85	14.2x		**-1.5x**	-11%		$36.15
SCE&G - Electric	$0.44	14.2x		**-1.0x**	-7%		$5.84
SCE&G - NND	$0.08	14.2x		**-2.0x**	-14%		$0.98
SCE&G - Gas	$0.10	14.2x		**0.0x**	0%		$1.45
NPV of SC Bill Credits						-$583	($0.69)
Total Regulated							**$43.73**
Unregulated/Contracted Assets		**EBITDA**	**EV/EBITDA**			**Value**	**Value per Share**
Power				**FCF Yield**			
Millstone Nuclear		$521	5.0x	12%		2,605	$3.07
Millstone NDT						806	$0.95
Less: Tax on Sale						(651)	($0.77)
Net Equity Value						**2,760**	**$3.25**
Renewables (Wind & Solar)		$162	5.0x			810	$0.95
Less: Net Debt						(335)	($0.39)
Net Equity Value						**475**	**$0.56**
Other							
Offshore Wind Vessel: $650Mn cost						115	$0.13
Renewable Natural Gas: $1Bn Investment YE23						570	$0.67
Total Unregulated							**$4.61**
Corporate Parent	**Amount ($Mn)/EPS**	**Group P/E Multiple**	**Weight**	**P/E Adjuster**			
Interest							
50% Weight: Deduct Debt	(6,781)		50%				-$3.99
50% Weight: P/E Multiple on Interest Expense	-$0.24	14.2x	50%				-$1.70
Interest Rate Hedges	$732						$0.86
Leverage per Share							**($4.83)**
Other Parent							
Other Income/Pension	**$0.49**	**14.2x**		**-10.0x**	-71%		$2.04
Remaining Parent	**($0.36)**	**14.2x**		**0.0x**	0%		($5.08)
Total Corporate							**($7.88)**
Total Equity per Share							**$40.00**

Source: Company Filings, Bloomberg, & BofA Global Research

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We summarize the Dominion valuation below which more clearly shows the low P/E for the pension asset as implied from Dominion's carrying value.

Exhibit 47: Dominion Energy Simplified Sum of the Parts Valuation
The pension asset is on Dominion's balance sheet which provides their GAAP view

Dominion Simplified SOTP	2026E EPS	Implied P/E		Prem or (Disc)	Value $/Sh	Prior
Dominion Energy Virginia	2.85	12.7x		-11%	$36	$37
Gas Distribution					$0	$0
Dominion Energy South Carolina	0.63	12.1x		-15%	$8	$7
Contracted Assets	0.27	16.8x		19%	$5	$5
Corporate & Other - ex-Pension/Other Income	(0.60)	16.6x		17%	-$10	-$10
Corporate & Other - Pension/Other Income	0.49	4.2x		-71%	$2	$2
Total	**3.64**	**11.1x**		**-18%**	**$40**	**$41**
Electric Peer Group 2026E	*3.66*	*13.5x*				
Total Potential Return inc. Div. Yield	**-6.3%**		**5.9%**	***Dividend***		

Source: Company Filings, Bloomberg, & BofA Global Research

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Title: Subtitle	Primary Author	Date Published
Dominion Energy: Raining on the Dominion Holiday Parade: Why we are still Underperform after rally	Paul Zimbardo	29 November 2023
US Utilities & IPPs: PowerPoints: Dominion Regulatory, AEP Feedback, NRG/VST Power, & NWE Latest	Julien Dumoulin-Smith	16 October 2023
Dominion Energy: First Take on Gas LDC Sales: Disappointing Valuation. Business Review Delayed to 4Q	Paul Zimbardo	06 September 2023
Dominion Energy: Preparing for the Eventful Business Review Investor Day in Less Than 50 Days	Paul Zimbardo	14 August 2023
US Utilities & Clean Tech: Offshore Wind Setbacks Mounting: Siemens charge. Dominion/ES vessel delay	Paul Zimbardo	08 August 2023
Dominion Energy: First asset sale announced: Cove Point proceeds slight miss. What is next?	Paul Zimbardo	11 July 2023
Dominion Energy: Preparing for the 3Q Investor Day: Why We are Still Bearish on Catalysts Ahead	Paul Zimbardo	10 July 2023
Dominion Energy: Lowering Expectations Again: Reiterate Underperform with Execution Questions	Paul Zimbardo	15 May 2023
US Utilities & IPPs: PowerPoints: Dominion M&A, Texas Power Legislation, & Utility Recession Trading	Julien Dumoulin-Smith	06 April 2023
Dominion Energy: Virginia Offshore Wind Gets Competitive: Governor makes Legislative Substitutes	Paul Zimbardo	31 March 2023
Dominion Energy: The Dawning of A New Day in Virginia: Why We Are Still Negative Post Legislation	Paul Zimbardo	27 February 2023
Dominion Energy: Bull/Bear Feedback. Legislative Battle Shifts to Media Campaigning	Paul Zimbardo	13 February 2023
Dominion Energy: Virginia's Rebellion: Why We Are Still Cautious As Business Erodes	Paul Zimbardo	09 February 2023
Dominion Energy: Downgrade Feedback & Virginia Deep Dive: Why We Are Still Underperform	Paul Zimbardo	05 December 2022
Dominion Energy: Another Reset Ahead Puts Shares in Penalty Box: Downgrade to Underperform	Paul Zimbardo	09 November 2022

DTE Energy (DTE)

We forecast DTE's 2024 EPS at $6.70, slightly ahead of Street consensus at $6.66.

- **Key drivers –** The contribution from new approved rates (+$368m) is the largest upside factor. In addition, normalization of weather and storm costs are expected to be +62c (electric and gas combined) and +27c drivers, respectively. These will be partially offset by higher O&M as DTE flexed costs heavily in 2023 – we estimate -57c across both the electric and gas utilities. Some additional drag is reflected at the Energy Trading (-25c) and Parent (-20c) segments, reflecting DTE's updated guidance. Recall that Trading had been trending well ahead of guidance in 2023, so the updated guidance is largely a reversion to the mean, while the higher level of parent drag mostly reflects interest expense.

- **Wildcards** – DTE indicated that 2024 will see its O&M flex higher following 2023's weather and storm impacts. Our estimates reflect normal weather and levels of storms.

Exhibit 48: DTE 2024 EPS walk

2024 EPS forecast is $6.70

	EPS	1Q24	2Q24	3Q24	4Q24
FY23A Adjusted EPS	5.79	1.33	0.99	1.45	2.02
DTE Electric					
DTE 2024 Electric Rate Case	1.41	0.45	0.20	0.60	0.16
Weather - Return to Normal	0.47	0.10	0.11	0.26	0.00
Storm Costs - Q3 and Q4	0.27	0.09	0.09	0.09	0.00
O&M	-0.38	-0.10	-0.10	-0.10	-0.10
D&A, Interest, Other	-0.40	-0.10	-0.10	-0.10	-0.10
Retail Sales	0.04	0.01	0.01	0.01	0.01
DTE Gas					
Weather - Return to Normal	0.15	0.14	0.01	0.00	0.00
2024 Rate Increase	0.03	0.00	0.00	0.00	0.03
O&M	-0.19	-0.07	-0.07	-0.07	0.02
Investment Recovery Mechanism	0.08	0.02	0.02	0.02	0.02
D&A, Interest, Other	-0.08	-0.02	-0.02	-0.02	-0.02
Retail Sales	0.04	0.01	0.01	0.01	0.01
DTE Vantage	-0.05	-0.02	-0.02	-0.02	-0.01
Energy Trading	-0.25	-0.05	-0.07	-0.05	-0.07
Corp & Elimination	-0.20	-0.05	-0.05	-0.05	-0.05
Share Count Dilution	-0.03	-0.01	-0.01	-0.01	-0.01
FY24E Adjusted EPS	6.70	1.74	1.02	2.02	1.92
FY24 Consensus	6.66	1.95	1.12	1.94	1.63
BofA Beat(Miss) vs Consensus	1%	-11%	-9%	4%	18%
FY24 Adj EPS Guidance	6.55-6.80				

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Estimates

We previously updated our forecast for the latest reported actuals, 2024 guidance, and forward outlook, and maintain these estimates.

Looking ahead to 2024, we had raised our estimate from $6.57 to $6.70 following the constructive rate case decision. In 2025 we continue to embed a base rate increase in for DTE Gas which is expected to file a case in late 2023 or early next year. We continue to embed a meaningful step up in holdco interest expense which mostly hits in 2025 as well - DTE has $1.975B of senior unsecured bonds coming due in late 2024 - $675m at 2.529% due Oct and $1.3B at 4.22% in Nov.

Our updated estimates are below Street consensus though we now move closer to the midpoint of the CAGR during the forecast period.

Exhibit 49: DTE estimates

CAGR seen above the midpoint through 2028

	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
DTE Electric	4.47	4.87	3.98	5.37	5.78	6.26	6.73	7.13	7.43	7.68
DTE Gas	1.10	1.38	1.43	1.44	1.59	1.67	1.73	1.80	1.90	2.01
Total utility	**5.57**	**6.26**	**5.41**	**6.81**	**7.37**	**7.92**	**8.47**	**8.93**	**9.33**	**9.69**
Non-utility segment										
DTE Vantage	0.91	0.47	0.70	0.65	0.72	0.78	0.88	0.95	1.01	1.08
Energy Trading	0.27	0.07	0.40	0.15	0.15	0.14	0.14	0.14	0.14	0.14
Corp & Eliminations	(0.65)	(0.74)	(0.71)	(0.91)	(1.09)	(1.18)	(1.24)	(1.20)	(1.21)	(1.20)
Total non-utility	**0.53**	**(0.19)**	**0.39**	**(0.11)**	**(0.23)**	**(0.25)**	**(0.22)**	**(0.11)**	**(0.06)**	**0.02**
DTE Consolidated	5.99	6.10	5.79	6.70	7.14	7.67	8.25	8.83	9.28	9.71
Guidance	*5.70-5.98*	*5.90-6.10*	*5.65-5.85*	*6.54-6.83*						
y/y % change		1.8%	-5.0%	15.6%	6.7%	7.4%	7.5%	7.0%	5.1%	4.6%
Prior Estimates			*5.79*	*6.57*	*7.04*	*7.59*	*8.14*	*8.74*	*9.23*	*9.87*
Consensus			5.78	6.66	7.18	7.76	8.38			
	Guidance		Base	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EPS CAGR off 2023 original midpoint	6-8%		6.25	7.2%	6.9%	7.1%	7.2%	7.2%	6.8%	6.5%

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

PO to $115, reiterate Buy

We mark to market our valuation, applying the peer multiple of 13.6x for electric and 13.9x for gas to our updated 2026 estimates. As a result the PO is updated to $115 from $122. We reiterate Buy on DTE given the total return implied by our valuation. As with MI peer utility CMS we continue to see attractive risk/reward for DTE given potential for regulated utility growth and a supportive jurisdiction, with the 2022 electric rate case outcome increasingly seen as an outlier rather than a paradigm shift. Clean energy legislation should bolster the case for continued and accelerated investment in clean generation, further boosting the popular voluntary renewables offering that DTE has growth in recent years.

Exhibit 50: DTE valuation

PO to $115, reiterate Buy

DTE Energy Segments	2026 EPS	Premium /(Discount)	Group Multiple	Applied Multiple	Value ($/sh)
Utility					
-					
Group Peer Multiple - Electric			13.6x		
Group EPS CAGR - Electric			5.00%		
-					
DTE Electric (Distribution)	$6.25	1.0x	14.3x	15.3x	96
Group Peer Multiple - Gas			13.9x		
Group EPS CAGR - Gas			5.00%		
DTE Gas	$1.67	0.0x	14.6x	14.6x	24
Utility Equity Value per Share					120
Non-Utility	2026 EPS	Premium /(Discount)	Group Multiple	Applied Multiple	
DTE Vantage	$0.78	0.0x	14.3x	14.3x	11
Energy Trading	$0.14	-7.0x	14.6x	8x	1
Non-Utility Equity Value per Share					12
Parent Company Expense	2026 EPS	Premium /(Discount)	Group Multiple	Applied Multiple	
Parent Company Drag	(0.33)	0.0x	14.4x	14.4x	-5
Parent Company Interest Expense	($0.85)	0.0x	14.4x	14.4x	-12
12 Month Price Objective					115
Dividend Yield NTMe					3.9%
Implied Total Potential Return					15.2%
Shares outstanding					209

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
US Utilities & Clean Tech: PowerPoints: utilities macro, DTE buyout, ES credit/equity, D earnings call, & power	Julien Dumoulin-Smith	12 January 2024
DTE Energy: Headwinds abating following constructive reg and legislative outcomes	Julien Dumoulin-Smith	14 December 2023
US Utilities & IPPs: PowerPoints: DTE Update, Power/Carbon, PNM/AEP Asset Sale, PCG/EIX Cali Latest	Julien Dumoulin-Smith	04 December 2023
DTE Energy: A very “un-premium” quarter, but rate case fears acute already, reiterate Buy	Julien Dumoulin-Smith	02 November 2023
US Utilities & Clean Tech: PowerPoints: DTE Cut, ETR Guide Up, GNRC Beat, AVA Capex, Offshore Challenge	Julien Dumoulin-Smith	01 November 2023
DTE Energy: EPS preview: Trending to bottom half of the range	Julien Dumoulin-Smith	10 October 2023
US Utilities & IPPs: PowerPoints: DTE Rate Case, SO Vogtle, and Utilities Macro Rates Pain Persists	Julien Dumoulin-Smith	06 October 2023

Duke Energy (DUK)

Originally published on 01/09/24

2024 EPS: Approved rate increases support linear growth

We forecast DUK's 2024 EPS at $6.03, representing +6.7% growth from the *original* midpoint of 2023's guidance range of $5.65.

In contrast with 2023, we expect weather to be a tailwind (assume normal) in 2024 including a +4c contribution in Q4 (assuming 4Q23 comes in milder than normal). DUK initiated a $300m 'agility' cost cutting program in 2023 in response to historically mild temperatures, and as a result we assume roughly half of this reversing for a -15c drag. Approved rate increases provide the biggest source of upside in our walk at +87c in aggregate, with North Carolina accounting for the bulk. Offsetting these are interest expense (-34c Utility, -9c parent) and D&A at -20c reflecting higher rate base and updated depreciation rates.

Non-weather sales growth is admittedly a wild card. Recall that the North Carolina rate cases instituted residential decoupling, however mgmt continues to flag strong customer growth as part of the backdrop. Economic growth is expected to contribute 1-2 GWh incremental sales in 2024 based on the company's forecast – note this has been framed as high-visibility and relatively conservative by the company, albeit with commercial and industrial load providing comparatively less margin contribution.

Exhibit 51: DUK EPS walk – we see '24 EPS guidance intact vs Street: should be a strong showing
We see 2024 EPS at $6.03

	Q1	Q2	Q3	Q4	Total
Starting - 2023 EPS	1.20	0.91	1.94	1.53	5.58
Electric Utilities					
Weather	0.22	0.06	-0.09	0.04	0.23
Volumes	0.03	0.03	0.03	0.02	0.10
Riders and other retail margin	0.03	0.03	0.03	0.03	0.10
Rate case impacts net	0.15	0.20	0.30	0.22	0.87
Duke Energy Progress NC	0.04	0.05	0.08	0.06	0.25
Duke Energy Carolinas NC	0.07	0.09	0.13	0.10	0.45
Florida Multi Year Rate Plan	0.01	0.02	0.02	0.02	0.08
Duke Energy Kentucky	0.01	0.01	0.01	0.01	0.04
Duke Energy South Carolina	0.01	0.01	0.02	0.01	0.05
Wholesale	0.00	0.00	0.00	0.00	0.00
O&M	-0.04	-0.04	-0.04	-0.03	-0.15
Interest expense	-0.08	-0.08	-0.08	-0.10	-0.34
D&A	-0.05	-0.05	-0.05	-0.05	-0.20
Other	0.00	0.00	0.00	0.00	0.00
Electric Utilities	0.25	0.14	0.09	0.12	0.60
Gas Utilities	0.03	0.03	0.03	0.03	0.10
Parent & Other					
Interest expense	-0.02	-0.02	-0.02	-0.03	-0.09
Other - ETR	0.00	0.00	-0.15	0.00	-0.15
Equity dilution	0.00	0.00	0.00	0.00	0.00
Parent & Other	-0.02	-0.02	-0.17	-0.03	-0.24
2024 EPS Adjusted	1.46	1.06	1.89	1.64	6.03
Guidance					TBD

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Estimates

We maintain our estimates – previously updated here: Duke Energy: Our go-to mega cap Utility pick should continue to work in 2024 28 December 2023 - including updated capital assumptions and equity funding. Upsides to our estimates include approval of greater investment in generating capacity as a result of updated investment resource plans (IRPs, as well as closing of the ROE gap in less constructive jurisdictions such as South Carolina.

On a cumulative basis our updated numbers are +1% ahead of Street consensus and reflect a CAGR above the 6% midpoint of the 5-7% target growth range. We see recent regulatory outcomes – North Carolina in particular – as supportive of growth and overall de-risking and reducing volatility.

Exhibit 52: DUK estimates

Continue to reflect +1% vs Street consensus on capex upside, NC rate case outcomes

EPS Estimates	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E
Electric									
Carolinas	1.25	1.86	2.17	2.38	2.57	2.72	2.90	3.07	3.24
Indiana	0.56	0.65	0.36	0.50	0.67	0.60	0.60	0.62	0.65
Ohio - Electric	0.22	0.18	0.25	0.29	0.32	0.35	0.36	0.38	0.38
Progress- Carolinas	0.54	1.33	1.34	1.46	1.47	1.59	1.73	1.91	2.09
Progress- Florida	1.06	1.00	1.21	1.22	1.23	1.32	1.39	1.43	1.47
Eliminations/Adjustments	1.17	-0.01	-0.08	0.00	0.00	0.00	0.00	0.00	0.00
Consolidated Earnings	**4.80**	**5.10**	**5.46**	**5.85**	**6.27**	**6.57**	**6.98**	**7.41**	**7.83**
Guidance	4.94	5.07	5.44	5.98					
Gas									
Ohio - Gas	0.13	0.10	0.16	0.16	0.18	0.18	0.18	0.19	0.19
Piedmont (PNY)	0.36	0.41	0.43	0.47	0.54	0.61	0.67	0.74	0.81
Midstream Pipelines	-2.21	0.00	0.02	0.04	0.04	0.05	0.05	0.05	0.05
Eliminations/Adjustments	2.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Consolidated Earnings	**0.60**	**0.53**	**0.61**	**0.67**	**0.76**	**0.84**	**0.90**	**0.98**	**1.05**
Guidance	0.72	0.54	0.60	0.65					
Commercial Renewables	**0.38**	**0.26**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Guidance	0.33	0.29	0.17						
Parent/Other	**-0.68**	**-0.77**	**-0.80**	**-0.94**	**-1.00**	**-1.01**	**-1.09**	**-1.10**	**-1.08**
Guidance	-0.73	-0.75	-0.68	-0.98					
Adjustments									
BofAe EPS	**5.11**	**5.12**	**5.27**	**5.58**	**6.03**	**6.39**	**6.80**	**7.28**	**7.79**
Guidance	***5.05-5.45***	***5.00-5.30***	***5.20-5.30***	***5.55-5.65***					
Consensus	5.11	5.24	5.30	5.60	5.98	6.34	6.72	7.16	7.67
Mgmt EPS CAGR: 5-7% off '23 ($5.65 base)				**5.65**	**5.99**	**6.35**	**6.73**	**7.14**	**7.57**
Low End				5.55	5.93	6.23	6.54	6.87	7.21
High End				5.75	6.05	6.47	6.92	7.41	7.92
Delta vs Consensus				*-0.4%*	*0.9%*	*0.9%*	*1.1%*		
CAGR off 2023 midpoint $5.65					**6.7%**	**6.4%**	**6.3%**	**6.6%**	**6.6%**

Source: BofA Global Research estimates, Bloomberg

BofA GLOBAL RESEARCH

Valuation

We mark to market our valuation to reflect the latest peer multiples applied to our 2026 EPS forecast of 13.9x for electric and 13.4x for gas. We also update the premia applied to the Carolinas utilities to +2x from +1x to reflect recent constructive rate decisions and to +3x from +2x at Duke Florida to reflect an expected constructive outcome in the latest iteration of the multi year plan which will likely be filed this year. The resulting PO is $105 and we reiterate our Buy rating on DUK given the double-digit total return implied by our valuation.

Exhibit 53: DUK valuation

PO $105, reiterate Buy

Duke Energy Sum of the Parts Valuation
2026E
All figures in $Mn except per share

	Metric			P/E Multiple					Equity Value	
	2026 EPS	Low	Peer	Prem/ Discount	Base	High		Low	Base	High
Group Peer Multiple - Electric	-	-	**13.9x**	-	-	-	-	-	-	-
Group EPS '19-'23 CAGR - Electric	-	-	**5.00%**	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Electric Utilities			**14.6x**							
Duke Energy Carolinas	$2.90	15.6x		**2.0x**	16.6x	17.6x		$45.21	$48.11	$51.01
Duke Energy Progress/Carolinas	$1.73	15.6x		**2.0x**	16.6x	17.6x		$26.98	$28.71	$30.44
Duke Energy Florida	$1.39	16.6x		**3.0x**	17.6x	18.6x		$23.09	$24.48	$25.87
Duke Energy Indiana	$0.60	15.6x		**2.0x**	16.6x	17.6x		$9.39	$10.00	$10.60
Duke Energy Ohio/Kentucky	$0.36	13.6x		**0.0x**	14.6x	15.6x		$4.86	$5.22	$5.58
Total Electric Utility Value	**$6.98**							$109.53	$116.52	$123.50
Group Peer Multiple - Gas			**13.4x**							
Group EPS '18-'22 CAGR - Gas			**5.00%**							
Gas Utilities	2026 EPS		**14.1x**							
Duke Energy Piedmont	$0.67	14.1x		**1.0x**	15.1x	16.1x		$9.49	$10.16	$10.84
Duke Energy Ohio/Kentucky Gas	$0.18	13.1x		**0.0x**	14.1x	15.1x		$2.40	$2.59	$2.77
Total Gas Utility Value	**$0.86**							$11.89	$12.75	$13.61
Commercial Segment	2026 EBITDA									
Remaining Midstream assets	$107	7.0x	**8.0x**	**0.0x**	8.0x	9.0x		748	855	962
Transmission Segment	$6	8.0x	**9.0x**	**0.0x**	9.0x	10.0x		48	54	59
Segment Net Debt	-$1,574							-1,574	-1,574	-1,574
Add back Renewable Debt	$1,126							1,126	1,126	1,126
Net Infrastructure Equity								348	461	574
Net Infrastructure Equity Per Share								$0.48	$0.60	$0.79
Parent	2026 EPS									
NMC (Saudi Chemical JV)	$0.07	7.6x		**-6.0x**	8.6x	9.6x		$0.53	$0.60	$0.67
50% Weighting: Parent Debt Interest Expense	-$0.86	17.4x		**0.0x**	16.4x	15.4x		-$7.51	-$7.08	-$6.65
50% Weighting: Parent Debt	-$28,151							-$18.22	-$18.22	-$18.22
Total Equity Value								-$25.19	-$24.69	-$24.19
Total Equity Value								**$97.00**	**$105.00**	**$114.00**

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
Duke Energy: Support for linear growth into 2024 and beyond	Julien Dumoulin-Smith	09 January 2024
Duke Energy: Our go-to mega cap Utility pick should continue to work in 2024	Julien Dumoulin-Smith	28 December 2023
US Utilities & Clean Tech: PowerPoints: DUK NC Rate Case, XEL CO Resource Plan, SPWR Going Concern, EXC	Julien Dumoulin-Smith	18 December 2023
Duke Energy: Carolinas Industrial Growth Leading to 1-2GW New Demand. Gas + Offshore Wind?	Julien Dumoulin-Smith	05 December 2023
US Utilities & Clean Tech: Earnings: AEP Beat, DUK Cut, SO Beat, EXC In-Line, CWEN Guide, NRG, EIX, OGE, ALE	Julien Dumoulin-Smith	02 November 2023

Entergy Corp (ETR)

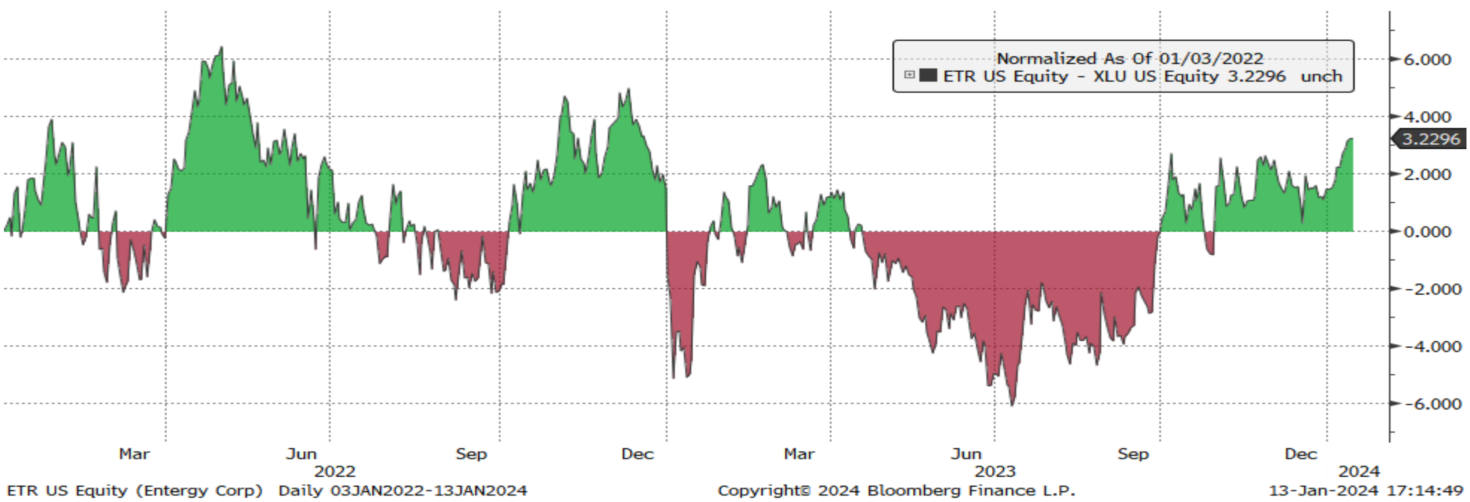
Originally published on 01/16/24

Relative profile looking even better

We remain very constructive on the outlook for Entergy despite the stock's relative outperformance as we still see an attractive discount valuation and improving profile compared with peers. While Entergy's financial profile has strengthened with one of the best Edison Electric Institute (EEI) financial conference updates, In contrast, many regulated utilities are facing a combination of increasing balance sheet pressures and declining earnings per share growth rates. With these profiles moving in opposite directions, we see a stronger case for Entergy positive re-rating versus utility peers.

Exhibit 54: Entergy Corp (ETR) Relative Equity Performance vs Utilities Peers

ETR has meaningfully recovered from the lows but still trades at a large discount – see the next Exhibit.



Source: Bloomberg

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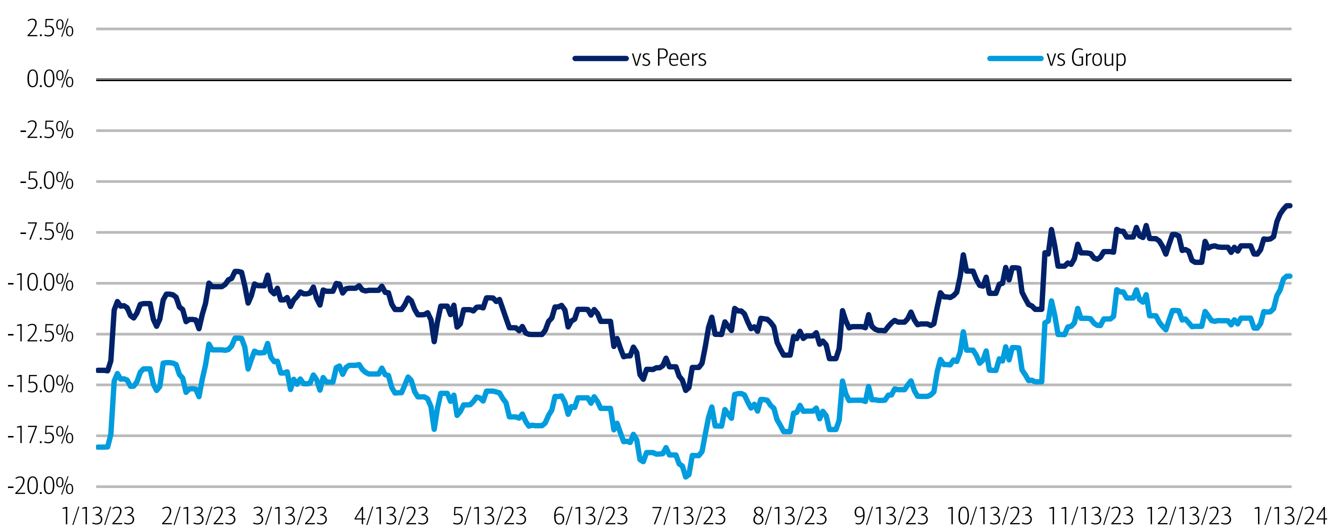
While Entergy has outperformed +10% in the past six months, shares still trade at a large discount. ETR is now a -10% discount to the utilities sector vs -20% in July 2023.

Exhibit 55: ETR 2025E P/E versus Similar P/E Peers (Dark Blue) and Overall Utilities Index (Light Blue)

ETR has steadily positively re-rated from overly discounted levels. We still see the ability to outperform and shrink the relative discount.



Source: Company Filings, Bloomberg, & BofA Global Research

BofA GLOBAL RESEARCH

FY24 Adjusted EPS

The FY24 adjusted EPS drivers are below. We generally see favorable 2023 weather unfavorably reversing -$0.44 but offset by lower base operating costs +$0.42 as management flexed costs here in 2023. After the back-to-back strong weather years in 2022-2023, Entergy was able to flex operating costs and charitable contributions higher. This creates substantial cushion for 2024 in particular but in forward years as well.

Exhibit 56: ETR FY24 Adjusted EPS Drivers

+1% ahead of Consensus and the guidance midpoint with reasonable assumptions and Louisiana FRP conservatism. LA FRP is still critical to 2024+ EPS.

ETR Earnings Walk	Guidance	EPS	1Q24	2Q24	3Q24	4Q24
FY23A UP&O Adjusted EPS	6.65-6.85	$6.75	$1.47	$1.85	$3.14	$0.30
Operating Revenue						
Weather		(0.44)	0.22	(0.07)	(0.63)	0.04
Weather vs Normal in FY23		(0.44)	0.22	(0.07)	(0.63)	0.04
Weather vs Normal in FY24		-				
Volume:+1% driven by C&I: 3%	+3%	0.08	0.03	0.02	0.02	0.01
Retail Price						
2023						
E-AR: FRP Jan 2023	80	0.07	0.07			
E-LA: FRP September Electric 2023	85	0.24	0.08	0.08	0.08	
E-LA: FRP May Gas 2023	6	0.01	0.01	0.00		
E-MS: FRP April 2023	27	0.03	0.02	0.01		
E-MS: FRP July 2023-June 2024 (Offset)	-					
ES-MS: Grid Mod & PMR Riders July 2023	12	0.01	0.01	0.00		
ES-MS: Vegetation Mgmt April 2023	(5)	(0.00)	(0.00)			
E-NO: FRP September 2023	17	0.05	0.02	0.02	0.02	
E-TX: Base Rate Case June 2023	54	0.08	0.05	0.03		
2024						
E-AR: FRP $89Mn cap Jan 2024	89	0.33	0.08	0.08	0.08	0.08
E-MS: FRP April 2024	27	0.07		0.02	0.02	0.02
E-LA: FRP September 2024 +$190Mn w/ $55Mn D&A	86	0.13	-	-	0.05	0.08
E-NO: FRP September 2024	17	0.03	-	-	0.01	0.02
E-TX DCRF	56	0.13		0.03	0.05	0.05
E-TX TCRF	35	0.08		0.02	0.03	0.03
SERI: $205Mn capex	10	0.05	0.01	0.01	0.01	0.01
Utility Operating revenue - net		0.94	0.60	0.25	(0.25)	0.35
Non-Fuel O&M: $2.74Bn original FY23 guide vs $2.7Bn FY24						
Base Non-Fuel O&M	0.42	0.42	0.12	(0.30)	0.35	0.25
Pension Discount Rate/Change in Plan Assets: 25bp=$0.02		0.06	0.02	0.02	0.02	0.02
Refueling Outage Expense: Lower YoY	Down	0.03	0.01	0.01	0.01	0.01
Decommissioning Expense		(0.04)	(0.01)	(0.01)	(0.01)	(0.01)
Taxes Other Than Income	Higher	(0.04)	(0.01)	(0.01)	(0.01)	(0.01)
Depreciation: ~$1.9Bn adj FY23 ~$2.0Bn FY24	(0.43)	(0.43)	(0.10)	(0.10)	(0.11)	(0.12)
Other Income: Higher AFUDC	Higher	0.15	0.02	0.03	0.04	0.06
Interest Expense: Higher Average Interest Rate	Higher	(0.41)	(0.09)	(0.09)	(0.10)	(0.12)
Taxes: Effective Tax Rates: ~24% 2024 vs ~24% 2023		-	-	(0.03)	(0.05)	0.08
Parent & Other (Excluding Corporate Tax Rate Above)	Higher	(0.10)	(0.02)	(0.02)	(0.03)	(0.03)
Parent Other Income						
Parent Interest Expense						
Dilution		(0.07)	(0.01)	(0.02)	(0.04)	(0.00)
Preferred Dividends						
FY24E UP&O Adjusted EPS	7.05-7.35	$7.27	$1.98	$1.60	$3.01	$0.69
FY24 Consensus		$7.20	$1.45	$1.78	$3.00	$1.10
BofA Forecasted Beat/(Miss) vs Consensus		1%	37%	-10%	0%	-38%
FY24 UP&O Guidance			$1.56	$1.97	$3.35	$0.32
BofA Forecasted Beat/(Miss) vs Guidance/Implied		1%	27%	-19%	-10%	118%

Source: Company Filings, Bloomberg, & BofA Global Research estimates. * UP&O: Utility Parent & Other

BofA GLOBAL RESEARCH

Adjusted EPS: Moderating near-term but increasing LT

FY23 is expected to be near the midpoint of the guidance range which was revised higher with 3Q23. 4Q23 weather was mild and we did not see publicly announced late year charitable contributions which could have signaled more robust earnings relative to the guidance range.

SERI conservatism embedded – particularly for 2024

As an important reminder, our SERI forecast assumes all off-takers have the benefit of a lower authorized rate of return January 1, 2024. This is an approximately -$0.08 negative item that we believe management has embedded in guidance. To the extent the FERC does not authorize a change earlier, this builds a cushion into the forecast. Said differently, without FERC action on SERI in 2024, our EPS would be +$0.08 higher, all else equal (ie no O&M flex spending).

Exhibit 57: Entergy Financial Profile – remain broadly above Street on all years '24+ and at higher end of EPS guide range

Reducing near-term EPS but increasing long-term due to lower financing assumptions

Entergy Adjusted EPS Estimates	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	'23-'26	'23-'27
Arkansas (EAI)	1.22	1.57	1.42	1.58	1.82	1.95	2.09	2.28	9.9%	9.7%
Louisiana (ELL)	5.38	3.24	4.16	3.84	4.08	4.29	4.63	4.84	6.4%	6.0%
Mississippi (EMI)	0.70	0.83	0.96	0.97	0.99	1.07	1.15	1.26	5.8%	6.7%
New Orleans (ENOI)	0.25	0.16	0.31	0.34	0.34	0.38	0.37	0.37	3.3%	2.3%
Texas (ETI)	1.07	1.12	1.47	1.26	1.35	1.45	1.59	1.79	8.0%	9.2%
System Energy Resources (SERI)	0.49	0.53	0.61	0.51	0.43	0.44	0.44	0.44	-4.9%	-3.4%
Other	(2.04)	(0.19)	(0.73)	(0.00)	0.00	(0.00)	0.00	0.00		
Total Utilities	7.08	7.25	8.20	8.49	9.01	9.58	10.27	10.98	6.5%	6.6%
Parent & Other	(1.42)	(1.23)	(1.78)	(1.75)	(1.73)	(1.86)	(1.90)	(1.97)	2.8%	3.1%
Adjusted EPS	5.66	6.02	6.42	6.75	7.27	7.71	8.37	9.01	7.4%	7.5%
Guidance: 6-8% 2021-2026E	5.60-5.70	5.90-6.10	6.25-6.45	6.65-6.85	7.05-7.35	7.50-7.90	8.05-8.45	8.65-9.05	7.7%	7.7%
Midpoint of Guidance	5.60	5.95	6.30	6.75	7.20	7.70	8.25	8.85	6.9%	7.0%
BofA vs Guidance	1.1%	1.2%	1.9%	0.0%	1.0%	0.2%	1.5%	1.8%		
2022A EPS CAGR (6-8% LT off '22 $6.30)			7.9%	7.1%	7.4%	7.0%	7.4%	7.4%		
Consensus	5.63	5.98	6.39	6.74	7.20	7.73	8.30	8.88	7.2%	7.1%
BofA vs Consensus	0.6%	0.6%	0.5%	0.1%	1.0%	-0.2%	0.8%	1.5%		
Dividend	*3.74*	*3.86*	*4.10*	*4.34*	*4.59*	*4.87*	*5.17*	*5.54*	6.0%	6.3%
Div Payout 60-65% of UP&O	66.1%	64.1%	63.8%	64.3%	63.1%	63.1%	61.7%	61.5%	-2.6%	-2.8%
Overall ROE	11.9%	8.8%	7.5%	8.9%	8.9%	8.9%	9.1%	9.1%	0.2%	0.2%
FFO/Debt: 14-15% Guidance 2022+	10.9%	8.4%	11.7%	14.1%	13.9%	14.2%	14.8%	15.2%	0.6%	1.0%

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

BofA GLOBAL RESEARCH

Valuation:

We value Entergy using a 2026 Sum-of-the-Parts analysis. The base P/E is grossed-up +5%, to reflect capital appreciation across the sector, a consistent methodology across the utilities coverage. We use a 13.8x 2026 average electric utility P/E. The premiums and discount we apply to subsidiaries are unchanged from our last report.

We value Louisiana at a -2x discount due to a more challenging regulatory climate with elevated volatility versus average jurisdictions. We value Arkansas at an-inline multiple. We value Mississippi, Louisiana, and SERI at -1x discounts to reflect regulatory uncertainty and storm risk. Texas is valued at a +2x premium for the above-average growth and quantum of capital investment. We net out 50% of the parent HoldCo long-term debt and apply a P/E multiple to 50% of the interest expense.

Exhibit 58: Entergy Sum-of-the-Parts Valuation

Double digit potential total return despite including a discounted valuation: easier valuation to get comfortable with to argue upside.

Entergy: Sum of the Parts Valuation	**(SOTP)**					
Base Electric P/E Calculation	**Group Peer P/E**		**Group EPS CAGR**		**Group Valuation P/E**	
	13.8x		**5%**		**14.5x**	
	13.8x	+	**0.7x**	=	**14.5x**	
Core Regulated Electric Utilities	***2026 EPS***		***Premium/(Discount)***	***Multiple Applied***		***$ per Share***
Entergy Arkansas (EAI)	$2.09		**0.0x**	14.5x	**0%**	$30.33
Entergy Louisiana (ELL)	$4.63		**-2.0x**	12.5x	**-14%**	$57.81
Entergy Mississippi (EMI)	$1.15		**-1.0x**	13.5x	**-7%**	$15.50
Entergy New Orleans (ENOI)	$0.37		**-1.0x**	13.5x	**-7%**	$4.99
Entergy Texas (ETI)	$1.59		**2.0x**	16.5x	**14%**	$26.22
System Energy Resources (SERI)	$0.44		**-1.0x**	13.5x	**-7%**	$5.92
Total Regulated	**$10.27**		**-0.8x**	13.7x	**-5%**	$140.77
Parent Preferred Income (ELL)	($0.58)		**0.0x**	14.5x	**0%**	($8.39)
Total Utility Value	**$9.69**		**-0.8x**	**13.7x**	**-6%**	**$132.38**
Parent Debt Adjustments	***$Mn***		***Weight***	***Weighted Value ($Mn)***		
HoldCo Long-Term Notes Pro-Forma	4,050		50%	2,025		($4.48)
Parent Expenses	***$Mn***		***Premium/(Discount)***	***Multiple Applied***		
HoldCo Interest Expense - 50% Weighting	($0.59)		**0.0x**	14.5x		($4.28)
Corporate SG&A	($0.73)		**0.0x**	14.5x		($10.53)
Total Parent & Other						**($19.28)**
Total Equity Value Per Share	**8.37**		**-1.0x**	**13.5x**	-7%	**$113.00**

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

BofA GLOBAL RESEARCH

BofA Global Research Reports

Title: Subtitle	**Primary Author**	**Date Published**
Entergy: One of the best regulated opportunities continues to look strong: Reiterate Buy	Paul Zimbardo	16 January 2024
US Utilities & IPPs: PowerPoints: PNM NM, FE-Icahn, ETR SERI & MISO Transmission, and HE Capex	Julien Dumoulin-Smith	12 December 2023
Entergy: Upgrade to Buy: Can premium growth drive positive re-rating? Yes, with risk reduction	Paul Zimbardo	21 November 2023
US Utilities & IPPs: PowerPoints: NJR EPS, ETR Upgrade, AWK Cali, EIX Tx, ED Gas, Power M&A + NY Gas	Julien Dumoulin-Smith	21 November 2023
US Utilities & Clean Tech: PowerPoints: DTE Cut, ETR Guide Up, GNRC Beat, AVA Capex, Offshore Challenge	Julien Dumoulin-Smith	01 November 2023
Entergy: SERI Settlement and Natural Gas LDC Sales with a busy management team	Paul Zimbardo	30 October 2023

Evergy (EVRG)

Originally published on 01/19/24

Subsequent to our original note, we have yet greater confidence in the ability for some form of legislation to pass in Kansas, with a specific focus on the infrastructure reinvestment angles, specifically: 'PISA' or Plant-in-Service-Accounting mechanism akin to Missouri and potentially a mechanism to ensure generation-related spend recovery. We perceive this as feeding into a long awaited update on capital spend and following a year in which Evergy introduced an IRP with updated gen spend principally related to natural gas.

2024 EPS walk: Small miss but in line with 4-6%

We forecast EVRG's 2024 EPS to come in at $3.82, slightly below street consensus at $3.84.

- **Key drivers** – The base rate increase in Kansas is the single largest upside driver at +14c after tax, recall that the net of the approved increases is ~$41m with KS Central receiving a rate increase and Metro a decrease. We assume normal weather which for EVRG is a drag in 2024 of -5c. Load growth is expected to be an upside driver of +12c while higher transmission revenues contribute another +14c. O&M savings / initiatives are expected to generate another +8c while D&A and interest expense provide offsets at -27c combined on our ests.

- **Wildcard** – Proceeds from company-owned life insurance (COLI) are usually embedded in EVRG's guidance and we assume ratable +1-2c per quarter, although in reality this is not possible to forecast in advance. 2023 tracked ahead of expectations through the first three quarters, thus we expect EVRG's forecast to be adjusted incrementally lower for 2024.

Exhibit 59: EVRG EPS walk

We are slightly below consensus for 2024 at $3.82

	EPS	1Q24E	2Q24E	3Q24E	4Q24E
FY23A Adjusted EPS	3.58	0.57	0.84	1.86	0.31
Weather normalization	-0.03	0.07	-0.03	-0.08	0.01
Weather current year	0.00	0.00	0.00	0.00	0.00
Kansas base rate increase	0.14	0.02	0.03	0.06	0.03
Retail sales	0.12	0.03	0.03	0.03	0.05
Transmission rider	0.14	0.04	0.04	0.04	0.02
O&M	0.08	0.02	0.02	0.02	0.02
Interest expense	-0.11	-0.03	-0.03	-0.03	-0.04
D&A	-0.16	-0.04	-0.04	-0.04	-0.04
Corp & Elimination	0.00	0.00	0.00	0.00	0.00
COLI proceeds	0.06	0.02	0.02	0.02	0.02
Share Count Dilution	0.00	0.00	0.00	0.00	0.00
FY24E Adjusted EPS	3.82	0.70	0.88	1.87	0.37
FY24 Consensus	3.84	0.57	0.94	1.95	0.40
BofA Beat(Miss) vs Consensus	0%	22%	-6%	-4%	-6%

Source: BofA Global Research estimates, Bloomberg

BofA GLOBAL RESEARCH

Kansas legislative push a new effort to address lag

On Jan 16 Evergy testified before the Kansas state House Energy, Utilities, and Telecommunications Committee. The company introduced a proposed bill that would seek to reduce regulatory lag in the jurisdiction by 1) adding Plant in Service Accounting (PISA) allowing for deferral of incremental D&A and interest expense until rates are set and 2) setting authorized capital structure for utilities to the *actual* level at which the utilities operate. The bill was introduced by the utility and at present it is unclear the level of support it will receive from legislators and stakeholder groups.

The utility authorized equity layer was a contentious issue in the last two Kansas rate cases with staff testimony disappointing to the downside vs both company and investor expectations. While the cases were resolved via a black box settlement, we consider clarity on what is an appropriate equity ratio to be a net positive for investors. PISA treatment would likewise be a positive as the mechanism would serve to reduce the level of lag experienced by both utilities. For reference, EVRG disclosed the ROEs earned by Kansas Central as 7.52%/7.39%/6.89% in the 2020-2022 period, significantly below the 9.3% authorized level. Kansas Metro was comparably better at 9.25%/8.99%/9.62% over this period.

Post reset we see less risk to outlook

Evergy delivered a widely expected reduction of its outlook to 4-6% EPS CAGR from the original 2023 midpoint of $3.65 on the company's Q3 earnings call. The reset was widely expected and in our view largely clears the decks in 2024 and beyond. 2024 in particular, should be relatively de-risked with guidance yet to come but expectations generally in line with growth consistent with the 4-6% target. While the CAGR from 2021 implied by our estimate is only +2.5%, using the rebased target we see a much clearer path to growth in the mid single digits using EVRG's target rate base growth as a rough proxy.

We expect Q4 to drive results toward the lower end of the updated range. Weather was among the key unknowns when the guidance was updated with Dec coming in ~20% milder vs historical levels, thus we see limited ability to flex the O&M lever with results likely coming in near the low end of the range.

Exhibit 60: EVRG EPS walk
Tracking to the low end

	EPS	1Q23	2Q23	3Q23	4Q23
FY22A Adjusted EPS	3.71	0.58	0.86	2.01	0.26
Accounting adjustments	-0.04	-0.01	-0.01	-0.01	-0.01
Weather normalization	-0.31	0.00	-0.12	-0.16	-0.03
Weather current year	0.04	-0.08	0.04	0.09	-0.01
Retail sales	0.18	0.04	0.04	-0.01	0.11
Transmission rider	0.13	0.02	0.02	0.04	0.05
ERSP - KS Metro	0.06	0.00	0.00	0.00	0.06
O&M savings	0.45	0.12	0.17	0.02	0.14
Interest expense	-0.44	-0.11	-0.13	-0.14	-0.06
D&A	-0.28	-0.07	-0.07	-0.07	-0.07
KS - expiry of wholesale	-0.03	-0.01	-0.01	-0.01	-0.01
Uri cost true-up	-0.05	0.00	0.00	-0.05	0.00
Corp & Elimination	0.04	0.07	0.02	0.10	-0.14
COLI proceeds	0.11	0.04	0.00	0.07	0.00
Share Count Dilution	0.00	0.00	0.00	0.00	0.00
FY23E Adjusted EPS	3.56	0.59	0.81	1.88	0.29
FY23 Consensus	3.60	0.58	0.78	1.86	0.33
BofA Beat(Miss) vs Consensus	-1%	2%	4%	1%	-12%
FY23 Adj EPS Guidance	3.55-3.65				

Source: BofA Global Research, Bloomberg

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With the stock having derated vs the group for much of 2023 and the bad news largely out of the way, we see valuation as more balanced here. Execution on regulatory priorities remains a key focus for 100%-regulated Evergy, with a small follow-on filing in KS as well as another iteration of MO rate cases to come in 2024 still.

The bigger question remains: when can the company shift to offense allowing the thesis to shift to something other than a valuation / bad news is out there call? At fall meetings mgmt hinted at pursuing a legislative solution to improve the Kansas jurisdiction, though these efforts appear to be in early stages. Transmission is another potential source of upside though EVRG's territory has not undertaken the kind of long term planning exercise seen in neighboring MISO.

Exhibit 61: EVRG estimates

Our outlook is consistent with the midpoint of the 4-6% range

Evergy, Inc. Dashboard

EPS Estimates by Subsidiary	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E
Evergy Metro	$1.31	$1.36	$1.55	$1.17	$1.24	$1.29	$1.34	$1.39	$1.43
Evergy Missouri West	$0.69	$0.38	$0.26	$0.61	$0.65	$0.68	$0.72	$0.76	$0.79
Kansas Central	$0.99	$2.13	$1.78	$1.73	$1.74	$1.80	$1.90	$2.00	$2.10
Parent/Other	$0.11	-$0.33	$0.12	$0.05	$0.19	$0.26	$0.30	$0.30	$0.32
Adjusted EPS	$3.10	$3.54	$3.71	$3.56	$3.82	$4.04	$4.27	$4.45	$4.64
Y/Y EPS Growth %	*7.1%*	*14.2%*	*4.8%*	*-4.0%*	*7.3%*	*5.6%*	*5.7%*	*4.3%*	*4.3%*
CAGR off 2023 guide midpoint of $3.65					*4.7%*	*5.2%*	*5.3%*	*5.1%*	*4.9%*
Long Term EVRG Guidance (4-6% from '23 midpoint)				*3.55-3.65*			*4.11-4.35*		
Prior estimates				$3.56	$3.84	$4.13			
Consensus (BBG)				$3.60	$3.84	$4.03	$4.28	$4.51	
Dividend									
DPS	$2.05	$2.18	$2.33	$2.49	$2.67	$2.85	$3.05	$3.27	$3.50
Dividend Payout	66.2%	61.5%	62.8%	70.0%	69.8%	70.7%	71.6%	73.5%	75.4%
Long Term EVRG Guidance					60-70%				

Source: BofA Global Research estimates, Bloomberg

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Valuation

We maintain Neutral on shares which are trading near our fair value.

Exhibit 62: EVRG valuation

$51 PO reiterate Neutral

	2026 EPS	P/E Multiple			
		Peer	Prem/ Discount	Base	
Group Peer Multiple - Electric		13.3x			
Group EPS CAGR - Electric		5.0%			
Grossed-up multiple		13.9x			
Evergy Metro	$1.34		-2.0x	11.9x	$15.98
Evergy Missouri West	$0.72		-2.0x	11.9x	$8.60
Evergy Kansas Central	$1.90		-2.0x	11.9x	$22.61
Parent & Other	$0.30		-2.0x	11.9x	$3.61
EVRG Consolidated EPS	$4.27			*11.9x*	$50.81
EVRG Price Objective					$51.0

Source: BofA Global Research estimates, Bloomberg

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BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
Evergy, Inc: 2024 EPS preview: Growth should track in line with new target	Julien Dumoulin-Smith	19 January 2024
PowerPoints: Hydrogen 45V, EVRG Credit, EXC Regulatory, and Maryland Natural Gas	Julien Dumoulin-Smith	22 December 2023
US Utilities & IPPs: PowerPoints: Renewables, SRE Equity, EVRG Feedback, HE, AEP/OGE OK, & MDU	Julien Dumoulin-Smith	08 November 2023
US Utilities & IPPs: PowerPoints: NEP M&A, PPL Kentucky Generation, EVRG EPS CAGR, & WTRG EPS	Julien Dumoulin-Smith	07 November 2023
Evergy, Inc: Upgrade to Neutral: Cautious regulatory catalysts have largely played out	Julien Dumoulin-Smith	03 October 2023

Exelon Corp (EXC)

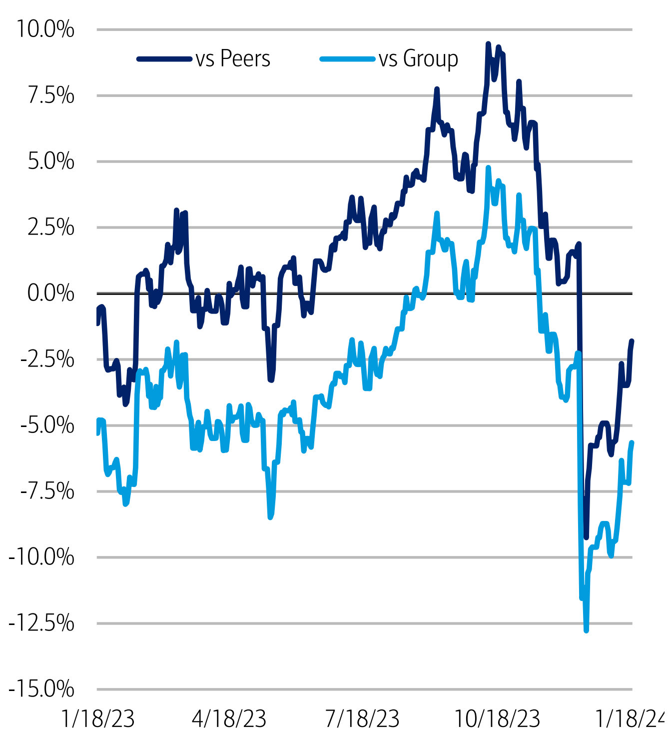
Originally Published on 01/19/24

Debate is how much of a discount is fair

Exelon has recovered +5% relative to peers from the December 18th lows and is still -8% from mid-November before the Illinois regulatory concerns were crystalized. When factoring in the -4% Consensus EPS revisions recently, the stock now trades at a 5-7% P/E discount 2025-2026 which we believe is reasonable for the overall profile. If there is a surprisingly worse long-term EPS update than to 5-7% from $2.35 2023 guidance midpoint, we expect that shares will be pressured. We do not see it as probable the 6-8% EPS growth profile is maintained given the Illinois headwinds and weaker credit metrics that require strengthening. However, if the 6-8% EPS CAGR is maintained, the stock should outperform. We still see limited upside potential with the relative valuation now effectively capped at an in-line multiple at best. From our investor conversations, the overwhelming feedback is that a discounted valuation is appropriate, with the question being just *how much* of a discount is appropriate? Prior to the Illinois final decision, Exelon was able to achieve a modest 2-4% premium which we do not believe can be reattained in the near or intermediate term.

Exhibit 63: Relative 2025E P/E versus Similar P/E Peers (Dark Blue) and Overall Utilities Index (Light Blue)

EXC has gyrated from a discount to a premium and back to a deeper discount



Source: Company Filings, Bloomberg, & BofA Global Research

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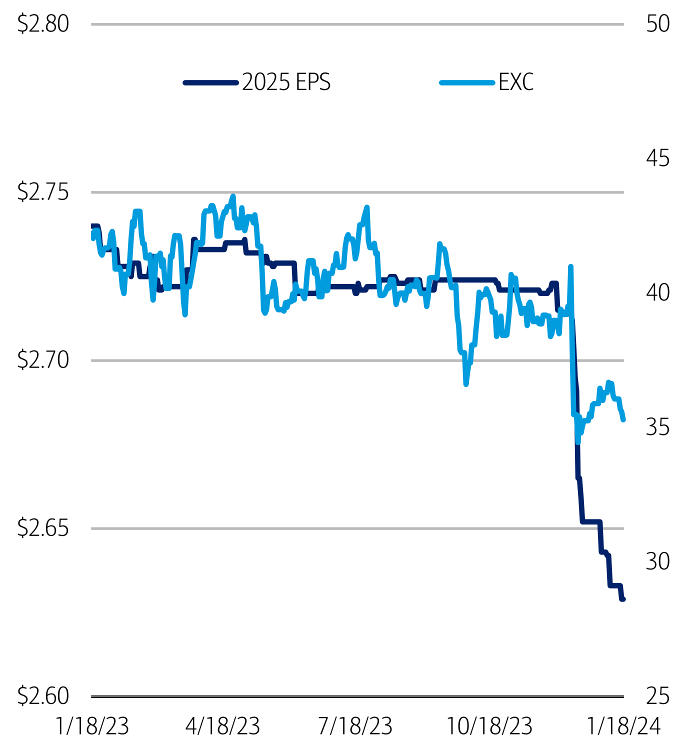
Exhibit 64: Exelon 2025 EPS (Dark Blue - Left) and EXC Stock (Light Blue – Right)

EXC has had a -4% negative Consensus EPS revision



Source: Bloomberg

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Equity issuances: $300-350Mn annually

As mentioned, we increased our equity to $600Mn 2024-2025 ($300Mn per year) versus $425Mn guidance. We increase this to $1,000Mn 2026-2028 ($333Mn per year) to reflect increased capital expenditures and improving the balance sheet back to the 13-14% FFO / Debt range. **When Exelon provides 2024-2027 guidance, we expect $1.2-1.3Bn equity issuance across the period.**

Previously we viewed a potential favorable interpretation of the minimum tax in the Inflation Reduction Act (IRA) as a lever to reduce equity needs. Now we believe that any positive minimum tax update would **not** lead to less equity, but would just help to repair the balance sheet faster.

Adjusted EPS: Anticipating a rebase lower

We still assume strong growth YoY in 2025 with roughly +$0.10 improvement in ComEd (+$0.08 for the revenue requirement item discussed) and PECO (rate case benefit with earnings flat/down 2022-2024). BGE should also show improvement from the rate case when factoring in the tax adjustment as well.

We also moderate our dividend growth assumption to keep a $0.0225 quarterly increase (unchanged level of increase YoY) with ~6% annual increases vs ~6.5% previously.

Exhibit 65: EXC Financial Snapshot
Earnings decline in 2024 before returning to growth

EXC Diluted EPS By Segment	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E
ComEd	$0.66	$0.77	$0.94	$1.11	$0.92	$1.01	$1.10	$1.15
PECO	$0.47	$0.52	$0.63	$0.58	$0.61	$0.71	$0.77	$0.76
BGE	$0.37	$0.43	$0.43	$0.44	$0.51	$0.57	$0.53	$0.62
PHI	$0.52	$0.61	$0.62	$0.61	$0.67	$0.75	$0.81	$0.84
Parent And Other	($0.24)	($0.26)	($0.35)	($0.39)	($0.39)	($0.40)	($0.41)	($0.41)
Total Utility EPS	$1.78	$2.07	$2.27	$2.35	$2.33	$2.64	$2.80	$2.95
Consensus	$3.14	$2.57	$2.57	$2.36	$2.43	$2.63	$2.80	$3.01
BofA vs Consensus			-11.8%	-0.3%	-3.9%	0.5%	-0.1%	-2.0%
YoY EPS Growth		16.2%	9.5%	3.7%	-0.9%	13.4%	5.9%	5.6%
YoY EPS Growth Guidance				4.1%	6.0%	8.1%	7.0%	
Utility EPS Guidance Range		$2.06-$2.14	$2.18-$2.32	$2.30-$2.40	$2.50-$2.65	$2.65-$2.86	$2.85-$3.05	$3.05-$3.25
Guidance Midpoint		$2.10	$2.25	$2.36	$2.50	$2.76	$2.95	$3.16
Guidance Point Estimate				$2.35	$2.49	$2.68	$2.87	
BofA vs Guidance		-1.4%	0.8%	-0.3%	-6.8%	-4.1%	-5.1%	-6.4%
21-'25 & '22-'26 EPS CAGRs: 6-8% Guide	5.9%	5.9%	8.0%	5.8%	3.5%	5.9%	5.6%	5.8%
Blended Earned ROE: 9-10% Guidance	8.74%	9.24%	9.45%	9.5%	8.9%	9.4%	9.3%	9.2%
FFO / Debt: 13-14% '23-'26 Avg Guide	18.5%	13.1%	12.9%	13.3%	12.3%	12.7%	12.8%	13.0%
Annual Equity Issuance	45	-	563	-	300	300	333	333
Dividend per Share: 6-8% CAGR 2022 Base	1.53	1.53	1.35	$1.44	$1.53	$1.62	$1.72	$1.82
Payout Ratio: ~60% Guidance	85.9%	73.9%	59.5%	61.2%	65.7%	61.3%	61.3%	61.5%

Source: Company Filings, Bloomberg, & BofA Global Research

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We show the EPS CAGRs by time period. We do not expect Exelon to reaffirm its prior 6-8% respective 2021-2025 and 2022-2026 growth rates. As we show, this is consistent with Consensus forecasts.

Exhibit 66: EXC 2021-2025, 2022-2026, and 2023-2027 EPS CAGR Forecasts
Below 6% EPS CAGR across the spectrum

EXC Diluted EPS By Segment	2021-2025	2022-2026	2023-2027
ComEd	7.2%	4.0%	1.0%
PECO	7.8%	5.2%	7.0%
BGE	7.7%	5.7%	8.8%
PHI	5.1%	6.7%	8.1%
Parent And Other	11.4%	3.9%	1.5%
Total Utility EPS	5.9%	5.6%	5.9%
Consensus	5.8%	5.6%	6.3%

Source: Company Filings, Bloomberg, & BofA Global Research

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Credit: Moody's acts on ComEd but not Exelon Corp
Midday on December 20th, Moody's Investor Service (Moody's) put Exelon Corp's (EXC) Commonwealth Edison (ComEd) on negative outlook but did not change its outlook on Exelon Corp or issue a new statement. Moody's described Exelon as very committed to credit and being well positioned with ~13% funds from operations (FFO) / debt pre-Illinois relative to its 12% downgrade threshold. We believe that Exelon will prioritize its balance sheet and defend its credit metrics from being meaningfully below the 13-14% FFO / debt target for an extended period. See background here: PowerPoints: AEE & EXC Illinois Feedback. Capex cuts, rehearing, & legislation? 19 December 2023

Valuation:

We apply the latest 2026 sector average P/E of 13.2x.

Our $36 PO is based on a sum of the parts valuation. Our base electric peer 2026 P/E multiple of 13.2x is grossed up for a year by 5% to reflect capital appreciation across the sector. We apply a -0.5x discounted multiple across EXC utilities PECO, BGE, PHI with average consolidated EPS growth and a below-average balance sheet warranting a lower valuation. The large Illinois ComEd jurisdiction has a -2.0x (-15%) discount applied to reflect the 8.9% authorized return on equity in the multi-year plan which is punitive relative to most other utility jurisdictions.

Exhibit 67: Exelon Corp Sum of the Parts Valuation
Discounted valuation is appropriate after the Illinois outcome

Exelon Corp: Sum of the Parts Valuation

Base Electric P/E Calculation	Group Peer P/E		Group EPS CAGR		Group Valuation P/E
	13.2x		5%		13.9x
	13.2x	+	0.7x	=	13.9x

Core Regulated Utilities	*2026 EPS*	*(Discount)*		*Multiple Applied*	*$/Sh per Share*
ComEd	$1.10	(2.0x)	-15%	11.9x	$13.02
PECO	$0.77	(0.5x)	-4%	13.4x	$10.25
BGE	$0.53	(0.5x)	-4%	13.4x	$7.14
PHI	$0.81	(0.5x)	-4%	13.4x	$10.77
Parent and Other	($0.41)	(0.5x)	-4%	13.4x	-$5.43
Total EXC Equity Value per Share	$2.80	(1.0x)	-7.5%	12.9x	$36.00

Source: Company Filings, Bloomberg, & BofA Global Research

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BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
Exelon: Recalibrating the Growth Rate Down to 5-7% - but not lower. Discount is fair.	Paul Zimbardo	19 January 2024
US Utilities & IPPs: PowerPoints: Hydrogen 45V, EVRG Credit, EXC Regulatory, and Maryland Natural Gas	Julien Dumoulin-Smith	22 December 2023
US Utilities & IPPs: PowerPoints: AEE & EXC Illinois Feedback. Capex cuts, rehearing, & legislation?	Julien Dumoulin-Smith	19 December 2023
US Utilities & Clean Tech: PowerPoints: DUK NC Rate Case, XEL CO Resource Plan, SPWR Going Concern, EXC	Julien Dumoulin-Smith	18 December 2023
US Utilities & Clean Tech: PowerPoints: EXC/AEE Illinois, CEG Buybacks, 45X Tax Credits, & BKH	Julien Dumoulin-Smith	15 December 2023
Exelon: Illinois Holiday Grinch Before Christmas: Downgrade to Neutral after Rate Case	Paul Zimbardo	15 December 2023
US Utilities & IPPs: PowerPoints: ES MA, EXC Labor, FE/AEP Ohio, Texas Earned ROEs, and NEP Latest	Julien Dumoulin-Smith	05 December 2023

Fortis (FTS)

Originally published on 01/16/24

Relative valuation continues to screen expensive

Fortis has continued to trade at a premium to the broader Utility sector based on forward relative valuation. While early 2024 sees the relative premium having contracted from Q4 levels, this is in part driven by an increase in forward estimates.

Investor consensus based on our conversations remains skewed bearish, with FTS' premium valuation the most commonly cited factor. While the company has delivered solid growth in 2022-23 our expectations are for this growth to moderate across the forecast period, with interest expense and the exchange rate the most visible near-term headwinds. Balance sheet constraints keep the pace of capital deployment and rate base growth as closer to sector average.

Exhibit 68: Relative valuation
FTS continues to trade at a premium relative to the group

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

2024 EPS preview

We raise our forecast estimates for 2024+ on constructive regulatory outcomes for Fortis BC and UNS. While moving higher to C$3.08 from C$2.99, we are still below Street consensus at C$3.17. FTS does not offer EPS guidance. Based on our forecast the 2024 payout ratio is 77%, elevated compared to US utility peers but less so vs Canadians.

- **Key drivers –** Rate base increases account for the majority of growth at the utilities with ITC at +7c and UNS at +4c. Fortis BC growth will moderate in 2024 based on our estimates as rate base growth is minimal and the generic cost of capital (GCOC) decision from 2023 was retroactive to Jan 1. We continue to embed a full year assumption of a moderating CAD exchange rate to 1.30, from an average 1.35 in 2023 for an incremental EPS drag of -4c. Dilution from incremental equity issuance will account for another -6c drag on our 2024 forecast.

- **Wildcards –** The FX rate, weather which principally impacts the Arizona utilities, and the impact of interest rates on parent borrowing costs are all unknown inputs into our forecast.

Exhibit 69: FTS EPS walk - still below Street on '24 even with our increase here.
We are higher on rate base growth, offset by FX pressure and equity dilution

	EPS	1Q	2Q	3Q	4Q
FY23A Adjusted EPS	3.04	0.91	0.62	0.84	0.67
US Transmission (ITC)	0.07	0.02	0.02	0.02	0.02
UNS	0.04	0.01	0.01	0.01	0.01
Central Hudson	0.04	0.01	0.01	0.01	0.01
FortisBC Energy	0.00	0.00	0.00	0.00	0.00
Fortis Alberta	0.02	0.00	0.00	0.00	0.00
FortisBC Electric	0.00	0.00	0.00	0.00	0.00
Other Electric	0.02	0.01	0.01	0.01	0.01
Energy Infrastructure	0.00	0.00	0.00	0.00	0.00
Foreign Exchange	-0.04	-0.01	-0.01	-0.01	-0.01
Share Count Dilution	-0.06	-0.01	-0.01	-0.01	-0.01
Corp & Elimination	-0.04	-0.01	-0.01	-0.01	-0.01
FY24E Adjusted EPS	3.08	0.92	0.63	0.85	0.68
FY24 Consensus	3.17	0.82	0.61	0.81	0.72
BofA Beat(Miss) vs Consensus	-3%	12%	3%	5%	-6%

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Step change higher then 4-5% growth

We remain several cents below Street consensus across the forecast period. The years 2022-23 represented strong growth with upside from constructive rate decisions (Arizona, British Columbia) as well as a tailwind from favorable moves in the exchange rate. On a go-forward basis we see a likelihood of compounded earnings growth tracking closer to the growth of rate base with incremental lag of equity issuance and debt funding.

The biggest increase to our estimates was at Fortis BC, reflecting the new authorized ROE and higher equity layers across the forecast period. We continue to see equity funding and potentially the CAD exchange rate as downside risks.

Exhibit 70: FTS earnings forecast
We see growth moderating after a solid 2022-23 run

	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Basic EPS (CAD)											
Regulated:											
ITC	0.91	0.90	0.95	1.06	1.09	1.16	1.22	1.27	1.32	1.37	1.43
UNS Energy	0.65	0.62	0.69	0.78	0.80	0.83	0.85	0.88	0.91	0.95	0.99
Central Hudson	0.20	0.19	0.22	0.23	0.26	0.28	0.29	0.30	0.32	0.33	0.35
FortisBC Energy	0.38	0.39	0.42	0.53	0.52	0.55	0.58	0.64	0.68	0.70	0.71
Fortis Alberta	0.29	0.30	0.32	0.33	0.34	0.34	0.35	0.36	0.36	0.40	0.43
Fortis BC Electric	0.12	0.12	0.13	0.14	0.14	0.14	0.15	0.14	0.15	0.15	0.15
Other Electric	0.18	0.17	0.18	0.22	0.23	0.23	0.25	0.25	0.25	0.25	0.26
Caribbean Electric	0.06	0.07	0.08	0.07	0.08	0.09	0.09	0.09	0.10	0.11	0.12
Equity Earnings from Wataynikaneyap	*0.01*	*0.01*	*0.01*	*0.01*	*0.02*	*0.02*	*0.02*	*0.02*	*0.02*	*0.02*	*0.02*
Total Regulated	2.78	2.77	2.99	3.37	3.46	3.63	3.78	3.95	4.11	4.27	4.44
Non- Regulated	0.08	0.08	0.15	0.08	0.08	0.08	0.08	0.08	0.08	0.07	0.07
Parent& Other	*-0.29*	*-0.26*	*-0.36*	*-0.42*	*-0.46*	*-0.47*	*-0.48*	*-0.53*	*-0.58*	*-0.60*	*-0.60*
Consolidated	2.57	2.59	2.78	3.04	3.08	3.24	3.38	3.50	3.61	3.75	3.91
Year/year % change		0.7%	7.3%	9.3%	1.6%	5.0%	4.2%	3.7%	3.3%	3.8%	
Consensus			*2.76*	*3.06*	*3.17*	*3.34*					
EPS CAGR off 2022A				*9.3%*	*5.4%*	*5.3%*	*5.0%*	*4.7%*	*4.5%*	*4.4%*	*4.4%*
DPS	1.94	2.05	2.17	2.28	2.39	2.49	2.60	2.71	2.83	2.96	3.09
Growth (4-6% through 2027)		*6%*	*6%*	*5%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*
DPS Payout (High 60s Low 70s)	*75%*	*79%*	*78%*	*75%*	*77%*	*77%*	*77%*	*78%*	*78%*	*79%*	*79%*

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Valuation: PO C$50, reiterate Underperform

We apply the peer multiples13.5x for US electric and 15.1x for Canadian (prev 14.9x and 15.3x, respectively). The resulting PO is C$50 for FTS CN and $37 for FTS US, and we reiterate our Underperform rating given the negative total return implied by our valuation.

Exhibit 71: FTS valuation

PO to C$50, reiterate Underperform

Fortis SOTP Valuation

All figures in Canadian $ Mn except per share

	Metric			P/E Multiple				
	2026 EPS		Peer	Prem/ Discount				Base
Group Peer Multiple - Electric			13.5x					
Group EPS '20-'24 CAGR - Electric			5.00%					
United States			14.2x		Multiple applied	Prior multiple		
UNS Energy	$0.85			0.0x	14.2x	19.6x		$12.07
Central Hudson	$0.29			0.0x	14.2x	18.6x		$4.10
ITC	$1.22			3.0x	17.2x	21.6x		$20.88
Total United States Value	$2.36							$37.06
Canada Peer Multiple			15.1x					
Group EPS '20-24 CAGR			4.40%					
Canada			15.8x		Multiple applied	Prior multiple		
FortisBC Energy	$0.58			1.0x	16.8x	18.3x		$9.67
FortisBC Electric	$0.15			2.0x	17.8x	19.3x		$2.58
Eastern Canadian	$0.25			2.0x	17.8x	19.3x		$4.35
Fortis Alberta	$0.35			-2.0x	13.8x	17.3x		$4.82
Wataynikaneyap	$0.02			2.0x	17.8x	19.3x		$0.27
Total Canada Value	$1.33							$21.69
Listed Equity	Equity Price ($C)	Shares Outstanding		Market Cap (Local)	Equity Value	Ownership	Implied P/E	
Caribbean Electric	$11.32	37.90		429	257	60%	5.6x	$0.51
EPS (Effective 60% ownership)	$0.09							
Non-Regulated	2025 EBITDA		6.0x					
Energy Infrastructure	$76			0.0x	6.0x			456
Net Infrastructure Equity								456
Net Infrastructure Equity Per Share								$0.90
FX Downside	-$0.05		14.2x					-$0.71
				HoldCo P/E Multiple				
Parent	2025 EPS							
Corporate & Other/ Intersegment Eliminations	-$0.48			0.0x	14.2x			-$6.86
Total Equity Value								-$6.86
HoldCo Debt Adjustment								
HoldCo Debt (50%)	-2,325							-$4.59
Add Back: Interest expense (50%)	73			0.0x	14.2x			$2.05
Total Adjustment								-$2.54
Shares Outstanding								507
Total EPS	$3.38							
Total Equity Value								$50

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Fortis: 2024 EPS preview: Upside catalysts largely played out last year 16 January 2024

Idacorp (IDA)

Originally Published on 01/19/24

4Q23 Adjusted EPS Drivers

We forecast 4Q23 EPS of 61c, relatively in line with consensus of 60c and down from 83c in 4Q22 due to favorable weather that drove elevated heating load in the prior-year quarter. In 4Q22, energy market volatility resulted in a net negative impact with Idaho Power's 5% power cost sharing through the PCA mechanism exceeding the benefit of higher transmission wheeling-related revenues. Our 4Q23 estimate assumes a benefit from normalization of energy prices and heating load, offset by continued drag from higher D&A, as Idaho Power's new retail rates do not become effective until January 1, 2024. Our estimate results in FY23 EPS of $5.14, toward the high end of IDA's $5.05-5.15 guidance.

Exhibit 72: Idacorp FY23 Walk
Estimates roughly in line with consensus

IDA Earnings Walk	EPS	1Q	2Q	3Q	4Q
FY22A Adjusted EPS	**$5.11**	**$0.91**	**$1.27**	**$2.10**	**$0.83**
Idaho Power					
Customer Growth, Net of Power Supply & PCA	0.32	0.05	0.08	0.09	0.09
Usage per Retail, Net of Power Supply & PCA	(0.55)	0.01	(0.03)	(0.34)	(0.19)
ID Fixed Cost Adjustment Revenues	0.25	(0.02)	0.00	0.14	0.13
Retail Revenues per MWh, Net of Power Supply & PCA	0.08	0.17	0.05	0.02	(0.15)
Transmission Wheeling-Related Revenues	0.02	0.10	0.03	(0.06)	(0.06)
Other O&M	0.16	-	0.07	0.10	(0.01)
D&A	(0.44)	-	(0.24)	(0.10)	(0.10)
Other Changes in Operating Revenue/Expenses	(0.00)	(0.15)	0.06	0.10	(0.01)
Non-Operating Earnings (AFUDC, Interest, etc.)	0.09	0.05	0.06	(0.01)	(0.01)
Income Taxes: Base	(0.15)	(0.09)	(0.06)	-	
Income Taxes: ADITC ~$15Mn in 2023	0.24	0.07	0.07	0.02	0.07
Idaho Power Total	**0.03**	**0.19**	**0.09**	**(0.03)**	**(0.22)**
Other IDACORP Changes	0.01	0.01	(0.01)	0.01	
FY23A Adjusted EPS	**$5.14**	**$1.11**	**$1.35**	**$2.08**	**$0.61**
FY Consensus	**$5.13**	**$0.99**	**$1.28**	**$1.98**	**$0.60**
BofA *Forecasted* Beat/(Miss) vs Consensus	**0%**	**12%**	**5%**	**5%**	**1%**
FY Adj EPS Guidance	**5.05-5.15**				
BofA *Forecasted* Beat/(Miss) vs Guidance	**1%**	**21%**	**7%**	**-1%**	**-27%**

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH

FY24 EPS Walk: Higher rates, customer growth, D&A

Below we detail our preliminary FY24 EPS walk on a quarter-by-quarter basis. We forecast FY24 EPS of $5.51, approximately 5c higher than consensus and up 7% versus our FY23 EPS estimate. We raise our estimate by 5c to reflect higher allowance for funds used during construction on elevated investment, partially offset by higher depreciation associated with elevated investment and higher interest expense from funding growth. We conservatively assume Idaho Power will earn toward the 9.12% EPS floor as prescribed in its recent general rate case, reflecting depreciation and financing drag from elevated growth expenditures. This remains a key source of upside relative to our estimates but we anticipate management guiding conservatively to start the year, consistent with their practice.

Exhibit 73: Idacorp FY24 EPS Walk – small beat expected vs Street if not a meaningful one
Rate relief and customer growth driving EPS higher, net of D&A and borrowing costs

IDA Earnings Walk	EPS	1Q	2Q	3Q	4Q
FY23A Adjusted EPS	**$5.14**	**$1.11**	**$1.35**	**$2.08**	**$0.61**
Idaho Power					
Customer Growth, Net of Power Supply & PCA	0.29	0.07	0.07	0.07	0.07
Usage per Retail, Net of Power Supply & PCA	0.24	(0.01)	0.02	0.14	0.10
ID Fixed Cost Adjustment Revenues	(0.25)	0.02	(0.00)	(0.14)	(0.13)
Retail Revenues per MWh, Net of Power Supply & PCA	0.98	0.18	0.22	0.31	0.26
Transmission Wheeling-Related Revenues	(0.02)	(0.10)	(0.03)	0.06	0.06
Other O&M	(0.30)	(0.06)	(0.08)	(0.12)	(0.04)
D&A	(0.24)	(0.06)	(0.06)	(0.06)	(0.06)
Other Changes in Operating Revenue/Expenses	-				
Non-Operating Earnings (AFUDC, Interest, etc.)	(0.12)	(0.10)	(0.04)	(0.02)	0.04
Income Taxes: Base	-				
Income Taxes: ADITC ~$15Mn in 2023	(0.09)	(0.03)	(0.04)	0.01	(0.02)
Idaho Power Total	**0.48**	**(0.08)**	**0.05**	**0.24**	**0.26**
Other IDACORP Changes					
Dilution	(0.11)	(0.00)	0.00	(0.08)	(0.03)
FY24E Adjusted EPS	**$5.51**	**$1.03**	**$1.41**	**$2.23**	**$0.84**
FY Consensus	**$5.46**	**$0.82**	**$1.38**	**$2.25**	**$0.84**
BofA *Forecasted* Beat/(Miss) vs Consensus	**1%**	**25%**	**2%**	**0%**	**0%**

Source: BofA Global Research estimates, Company filing, Bloomberg

BofA GLOBAL RESEARCH

Long-term estimates reflect higher investment from RFP

In late February or early March, we expect Idaho Power to provide another refresh to its recently updated capital expenditures plan. On the 3Q23 call, IDA sized 2025-2027 capital expenditures at $2.0-2.5Bn, driving 11% rate base growth from 2023 to 2027. Previously we already assumed the $2.5Bn high-end of the range. In 2023-2025, Idaho Power is developing ~100MW of annual storage and ~100MW of annual renewables (80MW via the 'Clean Energy Your Way' program). IDA estimates ~350MW peak capacity which could require 1,100MW variable energy resources. We detail the various considerations for the all-source RFP in a prior note, link here.

The ongoing 2026 RFP process is unlikely to be complete by IDA's mid-February 4Q23 earnings call, so we expect any potential upside to the current capex plan associated with the RFP would be announced separately, likely in an 8K if material between quarters. Given IDA's baseload and capacity needs, we expect IDA could potentially build a combined cycle gas plant in the RFP, and as such have added consideration for a 300MW gas plant at a construction cost of $500Mn from 2025 to 2027 into our model ($450Mn baseline assumption at $1,500/kW+). This drives our longer-dated EPS estimates higher, but could exacerbate potential underearning given the difficulty in keeping earned ROEs apace with higher D&A and financing costs. We assume a nearly even 50/50% financing split between debt and equity for the incremental capex over the planning period.

US Electric Utilities & IPPs: The Real Deal on the Next Gas Buildout Ahead & All its Ramifications 17 November 2023

Exhibit 74: IDA Financial Dashboard
Raising estimates for stronger capex through planning period

IDA Adjusted EPS	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	'23-'27 CAGR	'24-'27 CAGR
Idaho Power Core Regulated Operations	$4.61	$4.80	$5.03	$5.02	$5.40	$5.67	$5.97	$6.25	5.6%	5.0%
Parent & Other	$0.08	$0.05	$0.11	$0.11	$0.11	$0.10	$0.10	$0.09	-5.2%	-6.1%
Total Consolidated EPS	**$4.69**	**$4.85**	**$5.11**	**$5.14**	**$5.51**	**$5.78**	**$6.07**	**$6.35**	**5.4%**	**4.8%**
Guidance	**4.55-4.65**	**4.80-4.90**	**5.05-5.15**	**5.05-5.15**					5.9%	
BofA vs Guidance	2.1%	0.0%	0.2%	0.7%						
Consensus	**4.62**	**4.87**	**5.11**	**5.13**	**5.46**	**5.85**	**6.04**	**6.38**	5.6%	5.3%
BofA vs Consensus	1.5%	-0.5%	0.1%	0.1%	0.9%	-1.2%	0.6%	-0.5%		
Earned ROE (YE Equity). 9.1% 'Floor'	9.9%	9.9%	9.7%	9.2%	9.1%	9.1%	9.1%	9.1%	-0.1%	0.0%
Equity Ratio (%)	54.2%	55.2%	54.5%	51.4%	50.8%	50.7%	51.1%	51.7%	0.3%	0.9%
FFO/Debt	16.7%	13.4%	13.3%	15.3%	15.0%	15.1%	15.7%	16.4%	1.1%	1.3%
Annual Equity Issuance ($Mn)	-$5	-$3	-$3	$0	$272	$325	$325	$325		
DPS Payout: 60-70% Target	58%	59%	60%	62%	61%	61%	61%	61%	-1.4%	-0.1%

Source: BofA Global Research estimates, Company filings, Bloomberg

BofA GLOBAL RESEARCH

Positive estimate revisions across the Street

IDA 2025 EPS Consensus has increased from $5.68 in August before 2Q23 earnings to $5.85 currently as incremental capex has become increasingly probable

Exhibit 75: IDA 2025 EPS Consensus
IDA 2025 EPS has net increased over the past year despite a sharp decline in 1H23

Source: Bloomberg

BofA GLOBAL RESEARCH

Valuation: PO unchanged at $97

Our PO implies modest upside using our conservative EPS estimates. Reflecting the conservatism in our estimates, we believe IDA merits a full +2x premium to peers, despite what we forecast to be approximately 5% EPS growth through the planning period. In order to compensate for the underearning that is due entirely to robust growth, as a counterbalance we in part apply more of a premium P/E valuation. In conclusion, we want to avoid applying 'trough' premium to 'trough' earned ROEs.

Exhibit 76: Idacorp Valuation

Higher estimates, lower peer group MtM; PO still $97

IDACORP, Inc Valuation					
P/E Methodology Sum-of-the-Parts	**2026**	**P/E Multiple**			**Equity Value per Share**
		Peer	**Premium**	**P/E**	
Group Peer Multiple - Electric		13.4x			
Group EPS CAGR		5.0%			
Idaho Power	**$5.97**	14.1x	2.0x	16.1x	$95.96
Parent/Other	**$0.09**	-	2.0x	16.1x	$1.48
Potential Valuation					**$97.00**

Source: BofA Global Research estimates, Company filings, Bloomberg

BofA GLOBAL RESEARCH

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
Idacorp: 4Q23 Preview: capex upside from RFP drives estimates yet higher	Paul Zimbardo	19 January 2024
US Utilities & IPPs: PowerPoints: PNM M&A, PEG & OGE cases, PPL-TLN, & ES/IDA/AGR/Oregon regulatory	Julien Dumoulin-Smith	02 January 2024
Idacorp: The premium valuation stands; can growth-phase execution drive upside?	Paul Zimbardo	22 November 2023
US Utilities & IPPs: PowerPoints V2: NFE Permits, MDU Beat/Spin, PNW Beat, PPL Scenarios, IDA	Julien Dumoulin-Smith	02 November 2023
US Utilities & IPPs: PowerPoints: D biennial review, IDA rate case, NFE term loan, AGR	Julien Dumoulin-Smith	30 October 2023

MDU Resources Group (MDU)

Originally published on 01/26/24

2024 EPS preview

We forecast MDU's 2024 EPS at $1.52, slightly below Street consensus at $1.54. MDU has historically offered EPS guidance although we expect that 2024 will look similar to 2023 with segment-level outlooks given the pending spin of the Construction Services Group (CSG).

- **Key drivers –** Approved rate increases are expected to drive a meaningful source of the upside in 2024, de-risking the outlook in part. Key rate increases that are in place for the first half of the year include North Dakota electric (+15m effective Jul 1, 2023), Idaho natural gas (+3m Jul 1), and Montana electric +6m Oct 1. In addition pending cases in the Dakotas for both electric and gas should provide an increase later in 2024 once rates have been set. Expect growth in the CSG segment to contribute an incremental +7c given ongoing backlog growth (we estimate +4% y/y) and continued margin expansion, with gross margins 50 bps higher at 11%.

- **Wildcard –** Contribution from the nonqualified employee plans was a substantial downside driver in 2022, driven mostly by the moves lower in asset prices. We assume a flat contribution y/y though this can swing results meaningfully. We also forecast a +25 bps expansion in CSG gross margins on ongoing improvement in the business environment but note this segment can be more cyclical and exposed to macro factors than the core utilities.

Exhibit 77: MDU EPS walk
Our 2024 EPS estimate is $1.52, 2c below Street consensus

	EPS	1Q	2Q	3Q	4Q
FY23A Adjusted EPS	**1.35**	**0.19**	**0.64**	**0.37**	**0.16**
Electric Utility	**0.03**	**0.01**	**0.01**	**0.01**	**0.01**
Gas Utility	**0.06**	**0.01**	**0.01**	**0.01**	**0.01**
Pipeline	**0.03**	**0.01**	**0.01**	**0.01**	**0.01**
Construction Services	**0.07**	**0.02**	**0.02**	**0.02**	**0.02**
Parent & Other	**-0.02**	**-0.01**	**-0.01**	**-0.01**	**-0.01**
Share Count Dilution	**-0.01**	**0.00**	**0.00**	**0.00**	**0.00**
FY24E Adjusted EPS	**1.52**	**0.23**	**0.68**	**0.41**	**0.20**
FY24 Consensus	1.54	0.41	0.20	0.29	0.58
BofA Beat (Miss) vs Consensus	**-1%**	**-44%**	**241%**	**41%**	**-66%**

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Earnings: yes, EPS is solid overall growth, but we're a shade below Street still….

Full-year estimates and long-term forecast is updated as follows reflecting latest reported actuals and our updated views. We embed an improving earned ROE at the Gas utilities from 7.5% in 2023 to the mid-8s by the 2026-27 timeframe. Since 2023 also serves as the base for our EPS CAGR, the gas growth is particularly robust in our forecast. Note mid-8s is more consistent with the gas business' historical performance. Our updated rate base growth forecasts are +5% for the electric business and +9.5% for gas. We are generally within several cents of Street consensus estimates in 2023-24 though the estimates are less reliable beyond 2024.

Exhibit 78: MDU estimates
Gas rate base growth driving a robust CAGR across the consolidated business

	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2023-28 CAGR
Electric	0.28	0.28	0.26	0.28	0.29	0.32	0.33	0.34	0.35	0.37	5.0%
Gas	0.20	0.22	0.25	0.22	0.25	0.31	0.36	0.40	0.44	0.46	13.0%
Pipeline	0.15	0.18	0.20	0.17	0.24	0.27	0.28	0.28	0.29	0.30	4.8%
Services	0.47	0.55	0.54	0.61	0.65	0.71	0.74	0.77	0.80	0.83	5.3%
Other	-0.01	-0.02	-0.03	-0.06	-0.07	-0.08	-0.08	-0.08	-0.07	-0.07	2.3%
MDU EPS	1.08	1.21	1.22	1.23	1.35	1.52	1.62	1.71	1.81	1.89	6.9%
Consensus					1.36	1.54	1.85				
BofAe prior					1.36	1.48	1.58	1.63	1.70	1.79	
CAGR off 2022A					9.6%	11.1%	9.6%	8.6%	7.9%	7.3%	

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

PO remains $23, reiterate Buy

We applied the latest 26E peer multiples: 13.3x for electric and 13.9x for gas. We also apply 25E EV/EBITDA multiples of 9.2x for CSG and 9.5x for pipeline. Note that for CSG we utilize a comp group of four publicly traded construction services peers, excluding Quanta (PWR) as it trades at a large premium to the group.

The resulting sum of the parts valuation is below, with our PO remaining $23 based on our sum of the parts valuation. We reiterate our Buy rating on MDU given the total return implied by our valuation.

Exhibit 79: MDU valuation – we see valuation support considering the consolidated EPS growth and no premiums to business segment.
PO remains $23, reiterate Buy

Group Peer Multiple	Base Year & Metric	Base Multiple	Group EPS CAGR	Effective Base Multiple	
US Electric Utility	2026 EPS	13.3x	5.0%	14.0x	
US Gas Utility	2026 EPS	13.9x	5.1%	14.6x	
Natural Gas Pipeline	2025 EBITDA	9.4x		9.5x	
Construction Services	2025 EBITDA	9.2x		9.2x	
MDU shares outstanding (m)	2026 average diluted	212			
Business Segment Valuation	2026 EPS ($/sh)	Effective Base Multiple	Premium / Discount	Applied Multiple	Equity Value ($/sh)
MDU Electric	0.34	14.0x	0.0x	14.0x	4.76
MDU Gas	0.40	14.6x	0.0x	14.6x	5.91
	2025 EBITDA ($m)	Effective Base Multiple	Premium / Discount	Applied Multiple	Enterprise Value ($/sh)
Natural Gas Pipeline	120	9.5x	0.0x	9.5x	5.41
Pipeline Net Debt	372				1.76
Regulated Business Equity Value					14.32
Assets to be Separated	2025 EBITDA ($m)	Effective Base Multiple	Premium / Discount	Applied Multiple	Enterprise Value ($/sh)
Construction Services Group	255	9.2x	0.0x	9.2x	11.10
CSG Net Debt	284				1.34
CSG implied equity value					9.75
Parent / Holdco	2026 EPS ($/sh)	Effective Base Multiple	Premium / Discount	Applied Multiple	Equity Value ($/sh)
Parent Drag	-0.08	14.3x	0.0x	14.3x	-1.07
MDU EQUITY VALUE					23.00

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
MDU Resources Group, Inc.: 2024 EPS Preview: Robust growth ahead of pivot to fully regulated	Julien Dumoulin-Smith	26 January 2024
US Utilities & IPPs: PowerPoints: FE Regulatory, MDU Capex, ED Resiliency, PEG/CEG NJ, AWK/UGI WV	Julien Dumoulin-Smith	22 November 2023
US Utilities & IPPs: PowerPoints: Renewables, SRE Equity, EVRG Feedback, HE, AEP/OGE OK, & MDU	Julien Dumoulin-Smith	08 November 2023
US Utilities & IPPs: PowerPoints V2: NFE Permits, MDU Beat/Spin, PNW Beat, PPL Scenarios, IDA	Julien Dumoulin-Smith	02 November 2023

NorthWestern Corp (NWE)

Originally Published on 01/24/24

Updated estimates for higher capex

We detail our recently updated EPS estimates below with assumptions matching NWE's updated capital expenditures forecast provided at EEI in November. Our estimates now reflect $167Mn of incremental capex from 2024 to 2028 as outlined in the updated capital forecast, with the impact to EPS modestly tempered by lower assumed ROEs to account for slightly higher regulatory lag. NWE expects to be a more consistent rate case filer in its MT and SD jurisdictions over this investment period to smooth out bill increases to customers and limit regulatory lag, which is reflected in our assumptions for an average of 40bps of lag through the planning period. We forecast less than $100Mn of at-the-market equity issuance from 2024 to 2028.

Exhibit 80: NWE EPS Dashboard

EPS higher on stronger capital investment, partially offset by more conservative ROE assumptions

NorthWestern Financial Snapshot	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2023-2027	2022-2027
Consolidated Earnings Per Share	$3.35	$3.51	$3.18	$3.09	$3.56	$3.73	$3.93	$4.09	7.3%	5.2%
Consensus	$3.34	$3.52	$3.28	$3.06	$3.52	$3.69	$3.88	$4.06	7.3%	4.4%
BofA vs Consensus		-0.2%	-3.0%	0.8%	1.0%	0.9%	1.2%	0.9%		
Guidance: 4-6% 2022 $3.18 Base			$3.18	$3.00-$3.10	$3.42-$3.62	$3.68	$3.87	$4.06	7.4%	5.0%
BofA vs Guidance	-0.7%	0.2%	-2.9%	1.3%	1.0%	1.2%	1.6%	0.9%		
Dividend per Share	$2.40	$2.48	$2.52	$2.56	$2.60	$2.68	$2.76	$2.88	3.0%	2.7%
Div Payout Ratio: 60-70%	71.6%	70.6%	79.2%	82.9%	73.1%	71.9%	70.3%	70.3%		
FFO/Debt >14% guidancee	12.9%	13.9%	13.9%	13.6%	14.3%	14.3%	14.3%	14.1%		
Average Rate Base: 4-6%	$3,952	$4,095	$4,353	$4,696	$4,985	$5,261	$5,508	$5,745	5.2%	5.7%

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH

Dust settles on rate cases; MPSC elections this year

In a Staff Memorandum from the Montana Public Service Commission (MPSC) in NWE's recent electric and natural gas rate case (Docket 2022-07-078), there were no significant alterations to the ratemaking parameters specified in the rate case settlement approved in November. Some minor motions for reconsideration contemplating future disclosures on bill affordability and implementation of low income customer programs were granted, yet do not pose a material change in NWE's ability recover prudent investment. In South Dakota, NWE's recent settlement with the SD Public Utilities Commission calling for a $21.5Mn rate increase was approved and implemented on January 10. NWE continued its recent strong regulatory execution, achieving 70% of its requested rate increase. The company expects to file at a more consistent cadence in the future to lessen the single-point-in-time bill impact on customers and commissioners. We view this recent execution and high visibility of less significant filings in the future as an important positive to justifying in line valuation.

In an election year in Montana, terms for commissioners James Brown (Chairman), Jennifer Fielder (Vice Chairman), and Tony O'Donnell are scheduled to end January 1, 2025. Of the three, only O'Donnell is term limited. Brown and Fielder are eligible to run as incumbents in the statewide elections later this year, though Brown has announced a bid to campaign for state auditor. This implies there could be at least two new commissioners by next January.

4Q23 EPS walk: modest beat in quiet quarter

With FY24 EPS guidance and an updated long-term capital investment forecast already provided following the MT rate case outcome in November, we expect a relatively quiet fourth quarter read. We forecast EPS of $1.19 versus consensus of $1.17, resulting in

FY23 EPS of $3.08 versus consensus of $3.06 and guidance of $3.00 to $3.10. The primary driver of year-over-year EPS growth from 4Q22 is the inclusion of two-months of approved final rates in Montana and continued customer growth, partially offset by approximately $4Mn higher depreciation, marginally higher base O&M, and dilution from issuance of 2.5Mn shares throughout the course of the year.

Exhibit 81: NWE 4Q23 EPS Walk

BofA estimate toward top end of guidance range; MT rate case and customer growth drive EPS higher

NWE Earnings Walk	EPS	1Q	2Q	3Q	4Q
2022 Adjusted EPS	**$3.18**	**$1.09**	**$0.54**	**$0.44**	**$1.11**
Utility Margin					
Electric QF Adjustment/Power Costs	0.06	0.02	0.04		0.01
Montana Rates: $31Mn interim & $82Mn settle	0.45	0.11	0.10	0.10	0.14
Less: Adjusting out 2022 Recovery	0.06			0.06	
Property Tax Recovery: $18.7Mn	0.08		0.04	0.02	0.02
South Dakota Rates: +$31Mn request effective 9/1/23					
Electric Customer Growth/Volume	0.09	0.13	(0.04)	(0.03)	0.03
Gas Customer Growth/Volume	0.02	0.05	(0.05)	0.01	0.01
Electric Transmission	(0.02)	0.02	(0.02)	(0.01)	(0.01)
Gas Transmission	0.01		0.01		
Other Gross Margin	0.01	0.02	(0.01)	-	
Base O&M and G&A	(0.01)	0.03	(0.02)	-	(0.01)
Uncollectible Accounts	(0.01)	(0.00)	(0.01)		-
Information Technology	(0.02)	(0.01)	0.00	(0.01)	(0.01)
Labor & Benefits	(0.11)	(0.05)	(0.06)		-
Insurance	(0.04)	(0.01)	(0.01)	(0.01)	(0.01)
Electric Generation Facilities	(0.05)	(0.05)			
Depreciation Expense: $5Mn increase in 2024	(0.22)	(0.06)	(0.05)	(0.05)	(0.06)
Interest Expense: $144Mn maturities 2023	(0.16)	(0.06)	(0.06)	(0.04)	
Property & Other Taxes	0.04	-	(0.01)	0.02	0.03
Other	0.01	(0.02)	(0.01)	0.04	
Income Taxes	(0.07)	(0.06)		(0.02)	0.01
CREP Penalty: Adjusted Out	-		-		
Adjustments	-				
Dilution: $75Mn 2023	(0.22)	(0.09)	(0.03)	(0.03)	(0.06)
2023 Adjusted EPS	**$3.08**	**$1.05**	**$0.35**	**$0.49**	**$1.19**
2023 Consensus	**$3.06**	**$1.11**	**$0.51**	**$0.65**	**$1.17**
BofA Expected Beat/(Miss) vs Consensus	**1%**	**-5%**	**-31%**	**-25%**	**2%**
2023 Guidance Midpoint ~$3.05	***3.00-3.10***				
Expected Beat/(Miss) vs Guidance	**-11.3%**				

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH

FY24 guidance issued already; see top half of EPS range

Below we detail our quarter-by-quarter FY24 EPS walk. We have reduced our FY24E EPS estimate to $3.56 from $3.61 prior, reflecting higher depreciation and higher expectations for unfavorable power costs in the first quarter. We still see EPS toward the top half of NWE's $3.42 to $3.56 range and above consensus of $3.52. Our estimates for rate relief, growth, opex, and other miscellaneous items are generally in line with management's guidance. We see new final rates in Montana and South Dakota as the primary factor to year-over-year EPS growth.

Exhibit 82: NWE FY24 EPS Walk
BofA EPS in top half of guidance range; consensus at exact middle

NWE Earnings Walk	EPS	1Q	2Q	3Q	4Q
2023 Adjusted EPS	**$3.08**	**$1.05**	**$0.35**	**$0.49**	**$1.19**
Utility Margin					
Electric QF Adjustment/Power Costs	(0.08)	(0.06)	(0.02)	0.00	
Montana Rates: $31Mn interim & $82Mn settle	0.69	0.27	0.18	0.16	0.07
Property Tax Recovery:	(0.15)	(0.04)	(0.04)	(0.04)	(0.04)
South Dakota Rates: +$21.5Mn increase effective Jan 10, 2024	0.34	0.11	0.08	0.07	0.09
Electric Customer Growth/Volume	0.16	0.04	0.03	0.03	0.05
Gas Customer Growth/Volume	0.05	0.01	0.01	0.01	0.02
Electric Transmission	-				
Gas Transmission	-				
Other Gross Margin	-				
Base O&M and G&A	(0.12)	(0.03)	(0.03)	(0.03)	(0.03)
Depreciation Expense:	(0.12)	(0.03)	(0.03)	(0.03)	(0.03)
Interest Expense:	(0.09)	(0.03)	(0.03)	(0.02)	(0.02)
Property & Other Taxes	-				
Other	-				
Income Taxes	(0.15)	(0.04)	(0.04)	(0.04)	(0.04)
CREP Penalty: Adjusted Out	-				
Adjustments	-				
Dilution: 2023	(0.05)	(0.02)	(0.01)	(0.01)	(0.01)
2024 Adjusted EPS	**$3.56**	**$1.24**	**$0.46**	**$0.61**	**$1.25**
2024 Consensus	**$3.52**	**$1.22**	**$0.46**	**$0.63**	**$1.20**
BofA Expected Beat/(Miss) vs Consensus	**1%**	**2%**	**0%**	**-3%**	**4%**
2024 Guidance Midpoint ~$3.52	***3.42-3.62***				
Expected Beat/(Miss) vs Guidance	**2.4%**				

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH

$55 PO; 19%+ total return

We apply the MtM electric utility sector P/E of 13.4x as a base then gross-up +5% to reflect capital appreciation across the sector. Of note, applying consensus estimates to our methodology in place of our estimate results in no change to the implied PO. We have been vocal in asserting NWE should no longer trade at a discount given its improving regulatory environment and elevated capital investment opportunity. With our EPS estimates toward the higher end of NWE's target CAGR, we view guidance shortfall risk as less significant and overstated at current valuation levels.

Exhibit 83: NorthWestern Energy Group Sum of the parts Valuation
Strong upside with high visibility to growth; few balance sheet concerns

NorthWestern Corp. Sum of the Parts Valuation

NorthWestern Energy	*2026E*				*Peer*	*Prem/ Discount*	*Base*	*$/Sh*
Electric: Group Peer Multiple & EPS CAGR	**13.4x**	x	**5%**	=	**14.1x**	-	-	-
NorthWestern Corporation	$3.93	-	-	-	14.1x	0.0x	14.1x	**$55.00**
Total Potential Equity Value								**$55.00**
Implied Consolidated P/E								*14.0x*

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
NorthWestern Energy Group: 4Q23 Preview: New name, same game for NorthWestern as capex accelerates	Julien Dumoulin-Smith	24 January 2024
NorthWestern Corporation: Outlook De-risked on Strong Rate Case Outcome, Higher EPS CAGR	Julien Dumoulin-Smith	02 November 2023
US Utilities & IPPs: PowerPoints: LNT New CEO, XEL Guide, FE Pension, FTS Earnings, NWE & PNM CAGRs	Julien Dumoulin-Smith	27 October 2023
US Utilities & IPPs: PowerPoints: CMS Guide, PCG Credit, NWE Rate Case, D/ES-Siemens Offshore Wind	Julien Dumoulin-Smith	26 October 2023
US Utilities & IPPs: PowerPoints: AGR Mgmt, AEP Kentucky, LNT Iowa, NWE Montana, EIX Cali, & More	Julien Dumoulin-Smith	23 October 2023
US Utilities & IPPs: PowerPoints: Dominion Regulatory, AEP Feedback, NRG/VST Power, & NWE Latest	Julien Dumoulin-Smith	16 October 2023
US Utilities & IPPs: PowerPoints: WEC Regulatory, HE Funding, & NWE Rate Case Timing	Julien Dumoulin-Smith	14 September 2023

OGE Energy Corp (OGE)

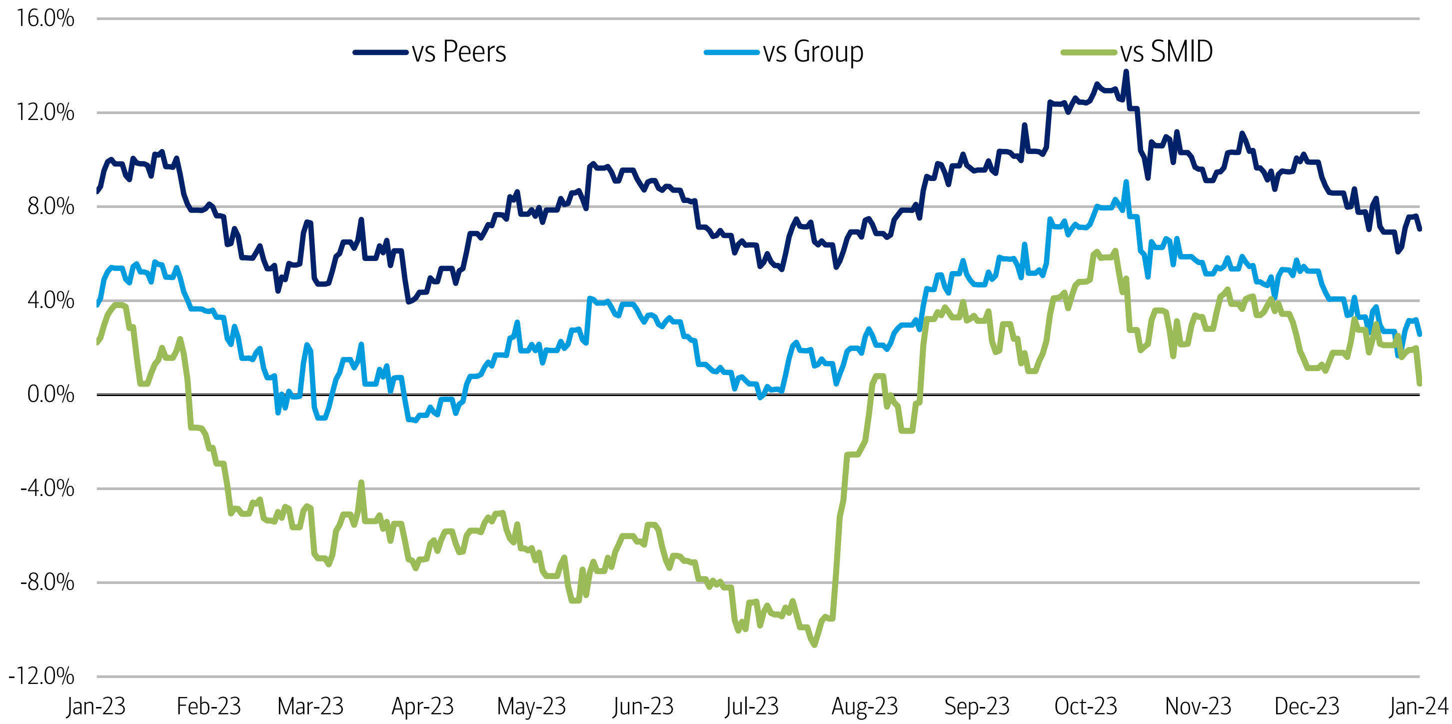
Originally published on 01/23/24

Premium valuation for consolidated OGE

OGE has derated from the highs as shown in the Exhibit below. From mid-October, OGE has underperformed the utilities index -7% although is flat over the past six months dating back to the summer. With OGE trading at a premium to the broad utilities sector, we see the stock embedding some value for future growth as the consolidated growth is below-average at 5.0-5.5%. As an offset, the balance sheet is strong at 16-18% funds from operations (FFO) to debt, although degrading by design. We see a more positive skew to shares assuming a constructive rate case outcome.

Exhibit 84: OGE Relative 2025E P/E versus Similar P/E Peers (Dark Blue) and Overall Utilities Index (Light Blue)

OGE has traded approximately flat over the past six months but is down from its mid-October highs.



Source: Company Filings, Bloomberg, & BofA Global Research

BofA GLOBAL RESEARCH

Estimates refreshed for new capex, IRP

We have updated our estimates for +$600Mn of incremental capex for new generation over the 2025-2027 timeline, effectively giving full credit to ownership of generation to support capacity needs outlined in OG&E's integrated resource plan (IRP) with **favorable pro-forma adjustments.** We have also layered in our expectations for a constructive OK rate case outcome (no change in authorized ROE or capital structure, approximately 65% of the requested revenue increase) and another future filing in 2026. These expenditures and rate increases move up our long-term EPS forecast and achieve a 5%+ consolidated EPS CAGR. We believe this is an important threshold considering OGE expects to issue long-term consolidated EPS guidance on the 4Q23 call, versus previously guiding to a 5-7% utility CAGR. This is an incremental positive to our view of the story, although we note that the 5.3% EPS CAGR from 2023 to 2027 is still below-average, and contrasts the continued premium OGE enjoys relative to the peer group.

Credit metrics and future equity needs now warrant more focus

Looking further out, we also identify potential balance sheet erosion with FFO/debt trailing off to below the target 17.5%-18.0% target over the planning period. While still a premium balance sheet relative to other utilities in our coverage, this indicates potential equity issuance later in the forecast which could further affect the long-term consolidated EPS CAGR through dilution.

Exhibit 85: OGE EPS dashboard

Confidence in EPS CAGR improves with more capex but still depends on a reasonable OK rate case outcome

OGE Energy Financial Snapshot	2021A	2022A	2023E	2024E	2025E	2026E	2027E	'21-'27 CAGR	'23-'27 CAGR
OG&E (Electric Utility)	**1.81**	**2.19**	**2.10**	**2.25**	**2.43**	**2.61**	**2.78**	**7.5%**	**7.3%**
Guidance: 5-7% CAGR $1.81 Starting Point	**1.79-1.83**	**2.08-2.12**	**2.09-2.13**	2.16	2.29	2.42	2.57		5.9%
HoldCo	(0.04)	(0.03)	(0.07)	(0.10)	(0.17)	(0.22)	(0.28)	38.3%	43.5%
Guidance		**(0.01)-(0.02)**	**(0.06)-(0.07)**	**(0.09)**	(0.13)	(0.17)	(0.21)		51.4%
Midstream [ET (previously ENBL)]	0.60	1.16	0.00	0.00	0.00	0.00	0.00		
Consolidated	**2.36**	**2.16**	**2.04**	**2.15**	**2.26**	**2.39**	**2.50**	**6.0%**	**5.3%**
Guidance	**NA**	2.09	**2.02-2.07**	2.07	2.16	2.25	2.36	**4.9%**	**4.2%**
BofA vs Guidance		**3.4%**	**1.8%**	**4.2%**	**4.9%**	**6.0%**	**6.2%**		
Consensus		**2.09**	**2.04**	**2.14**	**2.27**	**2.40**	**2.51**	**6.0%**	**5.3%**
BofA vs Consensus			**-0.3%**	**0.7%**	**-0.2%**	**-0.6%**	**-0.2%**		
Dividend per Share	**1.62**	**1.64**	**1.66**	**1.68**	**1.72**	**1.76**	**1.80**	**1.8%**	**2.1%**
YoY Growth		**1.6%**	**1.0%**	**1.3%**	**2.4%**	**2.3%**	**2.3%**		
Implied OK ROE	**10.3%**	**10.6%**	**9.4%**	**9.5%**	**9.5%**	**9.4%**	**9.4%**		
FFO / Debt: 17.5-18% 2023-2027	**21.4%**	**20.5%**	**22.5%**	**18.3%**	**18.0%**	**16.6%**	**16.5%**		
Payout Ratio	*68.4%*	*76.3%*	*81.6%*	*78.2%*	*76.2%*	*73.8%*	*72.0%*		

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH

We continue to assume modest ~1% dividend per share growth as the company transitions from its elevated 75-85% payout ratio into the low 70% level.

Regulatory update: OK GRC focus

Oklahoma Gas & Electric filed an electric rate case (Docket: PUD 2023-000087) with the Oklahoma Corporation Commission in late December, requesting a $332Mn rate increase predicated on 10.5% ROE (vs 9.5% currently and 9.3% recently granted to in-state competitor and AEP subsidiary Public Service Company of Oklahoma) and 53.5% capital structure (reflecting OG&E's actual capital structure as of test year ending September 30, 2023). We detail specifics of the filing in the note linked here.

OG&E can implement interim rates at their discretion beginning July 1, 2024, subject to refund. We expect permanent new rates could become effective sometime in July. OG&E has historically sought to reach a settlement in its regulatory proceedings, and we consider that to be another strong possibility. We believe it will be important to see a settlement with the major parties to avoid potential volatility from an OCC litigated decision.

Similar OK GRC outcome to PSO a risk to EPS CAGR

Below we provide a rough assessment of the ramifications to OGE's earnings power if OG&E were to receive an identical outcome to that of PSO in Docket # PUD 2022-000093, with a final order issued in November 2023 amending the settlement ROE down to 9.3% with capital structure of 52% versus the 54.62% requested in PSO's application. We see qualitative differences in perceived treatment of OGE from the OCC relative to PSO, but still find it prudent to size the potential impact of a similar decision given recency of the PSO decision and extant concerns of customer bill impacts mentioned in the PSO case and likely to continue being considerations in OG&E's proceeding. In all, we see -12c of downside from a PSO-like order relative to current ratemaking parameters, which would likely necessitate a rebasing of the long-term EPS CAGR.

Exhibit 86: Potential impact of a PSO-like outcome in OK GRC
Implies -12c of 2026 EPS downside

OK Rate Case Comparables	Current OG&E	PSO Outcome	EPS Variance
BofA Average rate base (2026)	$10.4 Bn		
ROE	9.50%	9.30%	-$0.06
Equity Ratio	53.37%	52.00%	-$0.07
			-$0.12

Source: Company Filings, Bloomberg, & BofA Global Research

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FY24 and FY23 EPS Drivers

We show our 2024 and 4Q23 EPS walks for OGE below. For FY24, we see rate relief in the back half of the year as the most significant contributor to year-over-year EPS growth, offsetting slightly unfavorable weather year-over-year and much higher O&M and depreciation. We also see the HoldCo headwind rising by 4c due to elevated parent borrowing costs. We break out key components of our assumptions below.

Exhibit 87: OGE FY24 Earnings Walk
Rate case outcome and customer growth key positive drivers; HoldCo drag increases

OGE Earnings Walk	EPS	1Q	2Q	3Q	4Q
2023 Adjusted EPS	$2.04	$0.19	$0.44	$1.22	$0.19
Recovery of Capital Investment:	0.62	0.01	0.01	0.43	0.18
OK Rate Case: 2H24 new rates	0.60			0.43	0.17
OK Grid Enhancement: +$6Mn: $0.005/Qtr	0.03	0.01	0.01	0.01	0.01
Other	-				
Weather	(0.04)	0.01	0.02	(0.07)	-
Weather return to Normal	(0.04)	0.01	0.02	(0.07)	-
Weather in Current Year	-				
Customer and Load Growth:	0.04	0.01	0.01	0.01	0.01
Flat Bill Program	0.03	0.01	0.01	0.01	0.01
Arkansas Rates:	(0.01)	(0.04)	0.01	0.01	0.01
Formula Rate Plan (FRP)	0.02	0.01	0.00	0.00	0.00
Uri Weighted Average Cost of Capital	(0.03)	(0.05)	0.01	0.01	0.01
Other Income and AFUDC	0.04	0.01	0.01	0.01	0.01
O&M:	(0.32)	(0.02)	(0.02)	(0.18)	(0.11)
Plant Depreciation	(0.07)	(0.02)	(0.02)	(0.02)	(0.02)
Interest Expense	(0.11)	(0.05)	(0.01)	(0.03)	(0.02)
Effective Tax Rate:	(0.02)	0.00	(0.00)	(0.02)	0.00
HoldCo:	(0.04)	(0.02)	(0.01)		
Dilution	0.00	-	-	0.00	0.00
2024 Adjusted EPS	$2.15	$0.08	$0.45	$1.38	$0.25
2024 Consensus	$2.14	-$0.03	$0.95	$0.97	$0.25
BofA Expected Beat/(Miss) vs Consensus	1%	-438%	-53%	42%	3%

Source: BofA Global Research, Company filings, Bloomberg

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Oklahoma: We assume that OG&E's ROE and capital structure in Oklahoma will remain unchanged, and that the company will be authorized to implement a $219Mn rate increase becoming effective in July of 2024. We adjust the benefit of the outcome according to historical seasonality, concentrating the benefit to the third quarter given the significant cooling load for the summer months. The outcome of the OK GRC remains the highest-variance item in our 2024 forecast, and we expect read-throughs to potential outcomes of the case to drive volatility in the stock throughout the course of the first half. *Note that the +$0.60 above has offsets in operating and maintenance (O&M), interest expense, and depreciation – as discussed below.*

Arkansas: We see a modest EPS impact from the company's final FRP filing before they are required to engage the Arkansas Public Service Commission (APSC) in a full general rate case. In the ongoing FRP filing (Docket: 18-046-FR), OG&E requested a $4.7Mn interim rate increase. Staff testimony supports a $3.5Mn rate increase. Our FY24 estimate reflects Staff's $3.5Mn increase, effective in April 2024. For the first quarter of 2024, OG&E still benefits from a $9.6Mn annual increase as approved in the prior iteration of the FRP filing, the most substantial year-over-year increase occurring given the magnitude of the prior rate increase relative to the current filing.

O&M: We forecast core O&M inflation of 3% in 2024. We see O&M stepping up with program approval in the OG&E rate case in Oklahoma, building in the expectation that the $28Mn vegetation management expense increase could be approved and therefore flows through the expense line.

Interest Expense at OG&E: We calculate an -11c drag from higher interest expense in FY24. This assumes mid-2024 issuance of debt for approximately 50% of the $950Mn of capex we forecast for the year. We also see a $5Mn headwind in the first quarter from issuance of $350Mn of debt at 5.6% interest in April 2023, offset by a $1.6Mn benefit from repayment of the $500Mn, 0.553% annual interest senior notes that matured in May 2023.

HoldCo: We see a nearly -4c headwind from HoldCo in 2024, reflecting the impact of higher cost financing, concentrated in the first half of the year reflecting an increase in short-term debt balances to $412Mn existing 3Q23 versus essentially no short-term debt at year-end 2022 or exiting 1Q23.

4Q23 EPS walk: in line with FY guidance

Below we detail our walk to 4Q23 EPS of 19c, slightly below consensus of 20c and down from 23c in the prior-year quarter. We expect the year-over-year impact of weather to be largely immaterial. Higher interest expense, depreciation, and O&M more than offset the benefits of customer growth, another strong quarter from the Flat Bill program, and other miscellaneous impacts.

Exhibit 88: 4Q23 EPS Walk
See FY23 EPS near midpoint of $2.02 to $2.07 updated guidance

OGE Earnings Walk	EPS	1Q	2Q	3Q	4Q
2022 Adjusted EPS	$2.16	$0.24	$0.45	$1.23	$0.23
Recovery of Capital Investment: $0.13	0.08	0.05	0.07	(0.04)	0.01
OK Rate Case: 1H23 Benefit	0.08	0.06	0.02		
OK Grid Enhancement: +$6Mn: $0.005/Qtr	0.03	0.01	0.01	0.01	0.01
Other	(0.03)	(0.02)	0.04	(0.05)	
Weather	(0.12)	(0.03)	(0.07)	(0.02)	-
Weather vs Normal: FY22 $2.19A vs $1.92 Guide	(0.16)	(0.02)	(0.05)	(0.09)	-
Weather in Current Year	0.04	(0.01)	(0.02)	0.07	
Customer and Load Growth: +$0.06 guidance	0.10	0.03	0.01	0.04	0.03
Flat Bill Program	0.11	0.02	0.03	0.04	0.02
Arkansas Rates: $0.07	0.12	0.07	0.02	0.02	0.02
Formula Rate Plan (FRP): $4.3Mn/$9.6Mn April '23	0.04	0.00	0.01	0.01	0.01
Uri Weighted Average Cost of Capital	0.08	0.06	0.01	0.01	0.01
Other Income and AFUDC	0.11	0.03	0.05	0.01	0.02
O&M: ~1% Increase YoY	(0.16)	(0.07)	(0.04)	(0.01)	(0.03)
Plant Depreciation	(0.19)	(0.06)	(0.05)	(0.04)	(0.03)
Interest Expense	(0.18)	(0.03)	(0.05)	(0.05)	(0.05)
Effective Tax Rate: ~15% vs ~16% FY22	0.04	0.00	(0.01)	0.04	(0.00)
HoldCo: ~$0.065 drag	(0.03)	(0.06)	0.03	0.01	(0.01)
Dilution	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
2023 Adjusted EPS	$2.04	$0.19	$0.44	$1.22	$0.19
2023 Consensus	$2.04	$0.19	$0.45	$1.17	$0.20
BofA Expected Beat/(Miss) vs Consensus	0%	4%	-2%	4%	-3%
2023 Guidance Midpoint	*2.02-2.07*				
Expected Beat/(Miss) vs Guidance	0%	-5%	-14%	8%	-6%

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH

Valuation: $35 PO; GRC clouds outlook with downside

Our PO is $35 using a 13.4x 2026E P/E. As discussed, there is a downside skew to our estimates from the rate case in our view. Still, even assuming a constructive outcome as built into our model and estimates, OGE is still trading at a premium to the group despite below-average EPS growth. The bull thesis points to the utility growing faster than average and having tailwinds from demand growth (energy, crypto, etc.) plus a strong balance sheet. We note that data centers and crypto mining have a limited direct earnings benefit. We see the positive attributes slightly offsetting the weaker consolidated growth and warranting a small premium which shares currently enjoy.

Exhibit 89: OGE Consolidated Sum of the Parts Valuation
2026 valuation year is the base approach

OGE Energy Corp Sum-of-the-Parts Valuation				
Base Electric P/E Calculation	**Group Peer P/E**	**Group EPS CAGR**	**Group Valuation P/E**	
	13.4x	5.0%	14.1x	-
	13.4x +	0.7x =	14.1x	
Earnings Segments	***2026 EPS***	***Premium/(Discount)***	***Multiple Applied***	***$ per Share***
OG&E Electric Utility	**$2.61**	**0.5x**	14.6x	$38.05
HoldCo	**-$0.22**	**0.5x**	14.6x	-$3.25
Total Equity Value per Share	**$2.39**	**0.6x**	**14.7x**	**$35.00**

Source: Company Filings, Bloomberg, & BofA Global Research

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BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
OGE Energy Corp: Higher visibility to 5-7% consolidated EPS CAGR. OK rate case has a difficult comp.	Julien Dumoulin-Smith	23 January 2024
OGE Energy Corp: Compelling value, but rates cloud outlook – Reiterate Neutral	Julien Dumoulin-Smith	18 July 2023

ONE Gas (OGS)

We forecast ONE Gas's 2024 EPS at $3.87, towards the midpoint of the company's $3.70-$4.00 EPS guidance range provided in November in another reset of long-term expectations. We had anticipated the reset with our downgrade report in October, yet our prior estimate of $4.03 still did not adequately account for significant incremental dilution anticipated through the planning period, in addition to continued elevated 5% O&M CAGR. Our new figure slightly trails consensus of $3.88.

- **Key drivers** – We see significant YoY headwinds from 5% O&M growth in line with company assumptions, incremental plant in service from higher capex, and nearly a nearly -20c headwind from dilution. We see offsets from interim rate relief in OK from the Performance Based Rate Change Tariff (PBRC), continued interim relief in KS from the Gas System Reliability Surcharge (GSRS) as well as late support from a general rate case (GRC), and assorted interim relief in Texas supplemented by ongoing Rio Grand Valley rate case with new rates effective in late 1Q24. Also see customer growth driving +10c EPS YoY and return to normal weather providing an incremental +3c.

- **Interest expense and sensitivity to rates** – OGS expects to refinance two maturities toward the end of 1Q24, with implications for approximately -34c of headwind in 2024 at current rates, which is actually a +6c improvement versus where rates were as of late October. A portion of this refinancing will be borne through higher balances of commercial paper throughout the year, which indicates that EPS upside could be further tied to rate movement throughout the year. While utility denominated debt will eventually be wrapped into cost of capital with each successive rate case filing, interest expense from commercial paper balances will remain unrecovered in rates and therefore could be a minor delta in 2024 and 2025, depending on quickly rates can return to contango.

- **Equity ratio in KS –** While more likely to be only a modest driver of FY24 EPS, one of the defining issues in the upcoming GRC with the Kansas Corporation Commission (KCC) will be OGS's authorized equity ratio for ratemaking. OGS does not have a defined equity ratio in KS given prior black box settlements, but current ratemaking parameters imply 56% equity capital structure in rates. OGS has called out its intention to request a 59% equity capital structure in its 2024 Kansas general rate case filing, with constructive precedent from KCC Staff testimony in in-state peer Atmos Energy's most recent rate case supporting a 59% equity ratio before that proceeding resulted in a settlement. While a limited driver to FY24 EPS with rates likely becoming effective in 4Q24, we see this as an important gain for OGS, and as such have embedded the expectation within our numbers from 2025 onward assumes 59% equity of total capital structure.

Exhibit 90: OGS EPS walk

We expect $3.87 EPS in 2024, mostly in line with $3.85 midpoint of 2024 guidance and consensus of $3.88

OGS Earnings Walk	EPS	1Q	2Q	3Q	4Q
FY23A Adjusted EPS	**$4.15**	**$1.83**	**$0.58**	**$0.45**	**$1.28**
Rate Relief and Revenue Growth					
Oklahoma Natural Gas	$0.37	$0.09	$0.09	$0.09	$0.09
Kansas Gas Service	$0.17	$0.03	$0.03	$0.03	$0.08
Texas Gas Service	$0.38	$0.09	$0.10	$0.09	$0.09
Customer Growth	$0.10	$0.03	$0.03	$0.03	$0.02
Weather / Volume	$0.03	$0.00	$0.02	$0.00	$0.00
Expenses					
O&M	($0.41)	($0.09)	($0.10)	($0.10)	($0.12)
Depreciation & Amortization	($0.35)	($0.08)	($0.09)	($0.09)	($0.09)
Interest Expense	($0.37)	($0.02)	($0.12)	($0.12)	($0.12)
Other/ Non Qualified Benefit Plan	$0.00				
Taxes	$0.00				
Dilution	**($0.20)**	**($0.10)**	**($0.03)**	**($0.02)**	**($0.05)**
FY24E Adjusted EPS	**$3.87**	**$1.80**	**$0.51**	**$0.36**	**$1.20**
FY Consensus	**$3.88**	**$1.78**	**$0.52**	**$0.39**	**$1.21**
BofA *Forecasted* Beat/(Miss) vs Consensus	**0%**	**1%**	**0%**	**-6%**	**-1%**
FY Adj EPS Guidance	**$3.70-4.00**				
BofA *Forecasted* Beat/(Miss) vs Guidance	**0%**				

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

4Q23 EPS in line; tightened guide points to low variance

Below we detail our 4Q23 EPS walk. We forecast EPS of $1.28, slightly above consensus of $1.27 and in-line with management's recently tightened guidance of $4.12 to $4.16. OGS has previously identified the base of its long-term EPS CAGR to be the midpoint of FY23 guidance at $4.14, which lessens the practical importance of meeting FY23 guidance, though we assume there to be no significant issues with the 4Q23 report.

- **Share issuance –** In 4Q23, OGS amended its forward share agreement to delay issuance of 657K shares to 1Q24. This removes some of the dilution impact in 4Q23 at the expense of focusing it to FY24, though the primary goal of the amended agreement was to ensure OGS's year-end equity/capital structure ratio would remain near 59%, inline with the company's expected equity/capital structure request in its upcoming Kansas GRC.

- **Pension MtM** – We project a +3c benefit to 4Q23 EPS from unrealized MtM of the non-qualified plan and the supplemental executive retirement plan (SERP). Given positive movements in the S&P 500 and LQD ETF relative to 4Q22, we expect MtM to be positive and more significant versus the prior-year quarter. OGS does not guide to MtM gain so this figure could represent upside to guidance.

Exhibit 91: FY23 EPS Walk

In line with tightened EPS guidance of $4.12 to 4.16.

OGS Earnings Walk	EPS	1Q	2Q	3Q	4Q
FY22A Adjusted EPS	**$4.08**	**$1.83**	**$0.59**	**$0.44**	**$1.23**
Rate Relief and Revenue Growth					
Oklahoma Natural Gas	$0.50	$0.15	$0.08	$0.10	$0.17
Kansas Gas Service	$0.12	$0.05	$0.03	$0.02	$0.03
Texas Gas Service	$0.43	$0.08	$0.12	$0.16	$0.08
Customer Growth	$0.08	$0.02	$0.02	$0.02	$0.02
Weather / Volume	($0.03)	$0.00	($0.02)		($0.00)
Expenses					
O&M	($0.40)	($0.07)	($0.12)	($0.12)	($0.10)
Depreciation & Amortization	($0.24)	($0.07)	($0.08)	($0.02)	($0.08)
Interest Expense	($0.40)	($0.14)	($0.09)	($0.12)	($0.05)
Other/ Non Qualified Benefit Plan	$0.20	$0.10	$0.09	($0.02)	$0.03
Taxes	($0.05)	($0.06)	($0.00)	$0.01	$0.00
Dilution	**($0.14)**	**($0.06)**	**($0.02)**	**($0.01)**	**($0.05)**
FY23E Adjusted EPS	**$4.15**	**$1.83**	**$0.58**	**$0.45**	**$1.28**
FY Consensus	**$4.15**	**$1.86**	**$0.59**	**$0.42**	**$1.27**
BofA *Forecasted* Beat/(Miss) vs Consensus	**0%**	**-1%**	**-1%**	**7%**	**1%**
FY Adj EPS Guidance	**$4.12-4.16**				

Source: BofA Global Research, company filings, Bloomberg

BofA GLOBAL RESEARCH

New EPS estimates still below 4-6% EPS CAGR

Below we detail our long-term EPS estimates for OGS from 2023 to 2028. We have reduced our prior estimates to reflect incremental dilution from approximately $1.1Bn of equity issuance through 2028. Below we show the spread between our forecasted net income CAGR over the planning period and our EPS CAGR, which shows a 5.1 ppt headwind to EPS CAGR through the planning period from dilution. We forecast net income CAGR of 8.8%, which compares to guidance of 7-9% from 2023, which contrasts to EPS CAGR of 3.7% through the planning period.

Exhibit 92: OGS EPS Dashboard

Still see sub-4% EPS CAGR through planning period; will interest rate cuts deliver upside?

One Gas EPS Estimates	2022A	2023E	2024E	2025E	2026E	2027E	2028E	'23-'28 Net Income CAGR	'23-'28 EPS CAGR
Kansas	$0.87	$1.20	$1.06	$1.18	$1.26	$1.29	$1.35	**7.3%**	**2.5%**
Oklahoma	$1.33	$1.74	$1.83	$1.83	$1.88	$1.91	$1.99	**7.6%**	**2.7%**
Texas	$0.88	$1.18	$1.25	$1.34	$1.49	$1.62	$1.80	**13.9%**	**8.8%**
ST Debt not at utility			($0.26)	($0.26)	($0.23)	($0.23)	($0.18)		
Consolidated	**$3.07**	**$4.11**	**$3.87**	**$4.10**	**$4.40**	**$4.59**	**$4.96**	**8.8%**	**3.7%**
Guidance: 4-6%	**3.96-4.20**	**4.12-4.16**	**3.70-4.00**	**4.56**	**4.79**	**5.03**	**5.28**		**5.0%**
BofA vs Guidance	**-24.6%**	**-0.6%**	**0.6%**	**-10.1%**	**-8.1%**	**-8.7%**	**-6.1%**		
Consensus	**4.07**	**4.15**	**3.88**	**4.10**	**4.55**	**4.82**	**5.10**		**4.3%**
BofA vs Consensus	**-24.4%**	**-0.8%**	**-0.1%**	**0.1%**	**-3.1%**	**-4.7%**	**-2.7%**		
Dividend per Share	**2.48**	**2.60**	**2.64**	**2.68**	**2.72**	**2.76**	**2.80**		**1.5%**
YoY Growth	**6.9%**	**4.8%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**		
Payout: 55-65%	**60.6%**	**63.2%**	**68.1%**	**65.3%**	**61.8%**	**60.1%**	**59.9%**		
Change in Estimates	*-24.6%*	*0.1%*	*-3.9%*	*-3.5%*	*-3.9%*				

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH

Macro-driven upside dominates the conversation

From our discussions with investors, OGS has been primarily identified as a turnaround story fueled by potential improvement in interest rates if the macro environment cooperates. We see the logic in the story: with normalization of the yield curve, OGS's short-term debt balances become less onerous, and the stock can return to its traditional defensive focus in constructive regulatory jurisdictions that are likely to remain favorable to investment in gas infrastructure for decades to come. Still, the recovery also relies on execution in several consecutive rate proceedings across all of its operating jurisdictions, as well as further cost out, as we assess O&M CAGR to have been guided above utility peer average. We would like to see demonstration of improved cost management and regulatory execution before becoming more constructive on the story. We also still see downside to the stated 4-6% EPS CAGR if there is significant deviation from the macro assumption underlying OGS's guidance that rates reach contango in 2027.

PO to $58: still -1x discount, need macro cooperation

We reduce our PO to $58 from $60 prior. We roll over our valuation year to 2026. We continue to apply a -1x discount to the natural gas sector 2026 base P/E, marked-to-market at 13.6x and grossed up 5% for EPS growth, using our consolidated EPS estimate of $4.40. This implies downside of 5% and negative total return of -1.2%.

Exhibit 93: OGS SOTP Valuation

Implies negative total return at a -1x discount; currently trading evenly with group

One Gas Sum of the Parts Valuation	**EPS**						**Equity Value**	
	2026E		**Peer**	**Premium**		**Base**		
Natural Gas Base P/E		-	**13.4x**	-		-	-	-
Sector EPS CAGR		-	**5.0%**	-		-	-	-
Grossed-up Sector P/E		-	**14.1x**	-		-	-	-
		-	-	-		-	-	-
Kansas	$1.26		14.1x	**-1.0x**	**-7%**	13.1x	$17	
Oklahoma	$1.88		14.1x	**-1.0x**	**-7%**	13.1x	$25	
Texas	$1.49		14.1x	**-1.0x**	**-7%**	13.1x	$19	
Total OGS Utilities	**$4.63**		14.1x	**-1.0x**	**-7%**	*13.1x*	**$61**	
Less: Interest on ST Debt at OGS	-$0.23		14.1x				($3)	
Total OGS	**$4.40**						**$57**	
Grand Total Equity Value							**$57**	
Shares Outstanding 2026E							67	
Total Equity Value							**$57.00**	
Implied Consolidated P/E							*12.3x*	
Current Price							$62.39	
FY23 Dividend Yield							4.2%	
Total Potential Return							**-4.5%**	

Source: BofA Global Research, Company filings, Bloomberg

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BofA Global Research Reports

Title: Subtitle	**Primary Author**	**Date Published**
ONE Gas, Inc.: Second cut is the deepest. FY24 -7% YoY with long-term dilution risk too	Julien Dumoulin-Smith	30 November 2023
ONE Gas, Inc.: Refinancing Headwind Renders Long-Term EPS CAGR Even More Back-Loaded	Julien Dumoulin-Smith	25 October 2023

Pinnacle West Capital Corp (PNW)

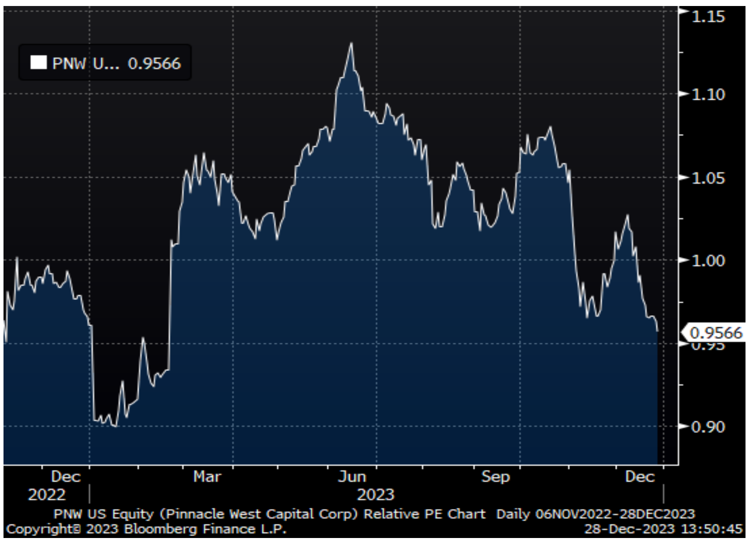
Originally published on 01/03/24

Relative laggard after a strong start

PNW shares were a strong 2023 performer, notching 400-500 bps of outperformance vs Utility indices through Dec 31. Relative performance based on forward 2-year PE has declined of late as investors reassess the outcome of the current pending rate case with implications for EPS growth in 2024+ as generation capital remains one of the biggest unknowns. Further worth considering is to what degree APS needs to file a subsequent case given ongoing structural lag, particularly as authorized O&M and cost of debt are likely to not reflect the latest higher moves in rates / inflation given the end of the current historical test year in June 2022.

Exhibit 94: Relative valuation

PNW shares trading off recently vs peer group



Source: Bloomberg

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Proposed order supports SRB, higher ROE

The Arizona Corporation Commission administrative law judge (ALJ) in the Arizona Public Service (APS, Pinnacle West [PNW] subsidiary) rate case issued a recommended opinion and order (ROO) on January 25th, in line with the expected timeline. Key components of the recommendation include a 9.55% ROE (up from 8.7% in the previous case which was adjusted up to 8.9% following legal appeal), 0.25% return on fair value increment (FVI), and use of APS' actual equity layer which is consistent with historical practice. The ROO supports APS' proposed system reliability benefit (SRB), a modified version of the generation rider originally proposed - this is also not surprising given the outcomes of earlier rate cases for Fortis (FTS) in Arizona. The ROO contains substantial modifications to the original proposal including a cap on deferrals of any amount exceeding the 3% year-on-year cap, an earnings threshold test, one filing within a 12-month period, and prudency review by the commission, among other modifications. One negative recommendation is disallowance of pension expense 'normalization' which would have averaged 2022 and 2023 pension expense, resulting in a ~$26m reduction. All in the ROO proposes a base rate increase of +$577m or 15.9% as compared to $690m requested by the company - at over 80% of the requested amount this represents one of the more constructive rate cases across our coverage in recent memory. We maintain Neutral on shares of PNW which have a balanced risk/reward and we look for a long-term earnings growth refresh with 4Q23 earnings.

Under-earning likely to persist beyond rate case

We recently refreshed our mini model estimates below.

- **Corporate drag mainly reflects 2025 refi.** At the holdco level we reflect the Jun 2025 refinancing of a $500m bond with a 1.3% coupon, with an after-tax EPS impact of 16c assuming refinancing at 6.25%. The impact is spread roughly evenly across 2025 and 2026 given the midyear maturity.

- **Pension impact abating by year-end, but still see under-earn in 2024.** Based on financial asset performance through late Dec we forecast a ~3c pension impact in 2024 y/y. Note that we still expect 125 bps of lag in 2024 given a partial year contribution from new rates, improving to 100 bps in 2025 and beyond.

We note inputs into the pension expense in particular can be volatile. In addition we do not reflect a reversal of the 2023 or modeled 2024 headwind, which can potentially become a tailwind if asset prices and rates reverse their recent moves.

Exhibit 95: PNW mini model

Expect that under-earning continues post rate case resolution

	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
ACC	8,600	9,100	9,800	9,900	10,630	11,800	12,715	13,478	14,205	14,897
FERC	1,700	1,800	1,900	2,000	2,250	2,500	2,700	2,862	3,016	3,163
Total	10,300	10,900	11,700	11,900	12,880	14,300	15,415	16,340	17,221	18,061
Equity	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
ACC	54.70%	54.70%	54.70%	54.70%	48.61%	51.73%	50.97%	50.50%	49.43%	48.64%
FERC	51.30%	51.30%	51.30%	51.30%	51.30%	51.30%	51.30%	51.30%	51.30%	51.30%
ROE - Authorized	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
ACC	10.00%	10.00%	10.00%	8.70%	8.70%	9.68%	9.68%	9.68%	9.68%	9.68%
FERC	10.75%	10.75%	10.75%	10.75%	10.75%	10.75%	10.75%	10.75%	10.75%	10.75%
Over/under earning	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
ACC					-0.85%	-1.25%	-1.00%	-1.00%	-1.00%	-1.00%
FERC	10.75%	10.75%	10.75%	10.75%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Earnings	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
ACC					392	489	542	574	594	614
FERC					117	131	143	153	162	170
Total	565	568	632	525	509	620	686	727	756	785
Shares out	113	113	113	113	114	121	126	131	132	132
EPS	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
ACC					3.44	4.04	4.29	4.38	4.51	4.67
FERC					1.03	1.08	1.14	1.17	1.23	1.29
Parent less NCI					(0.36)	(0.36)	(0.46)	($0.55)	($0.57)	($0.60)
Total	5.01	5.03	5.59	4.63	4.12	4.77	4.97	5.00	5.17	5.36

Source: BofA Global Research estimates, company report

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Transmission: key lever for additional investment?

Growth of rate base and earnings of PNW's FERC-regulated transmission investment is a notable bright spot for the company. The current capital and rate base guidance calls for annualized growth of ~10% in rate base from $2B in 2022 to $2.7B in 2025 – a key driver of growth with ROE set at 10.75%, well above ACC-approved levels and better than most regulated utility peers. With growing need to bolster the grid and ongoing concerns about the ability for APS to deploy incremental generation capital in the near term, look for mgmt to potentially rely on this lever to an increasing degree with forthcoming updates.

2024 drivers: Rate case outcome key unknown

Given the still-pending APS rate case, timing for formal 2024 EPS guidance may still align with the company's Q4 update in February. If a ROO is posted in early Jan, timing could align with an open meeting agenda in Feb. Our preliminary read of drivers is highly dependent on the rate case outcome – we embed a base increase of ~$225m which is below staff's position of $283m and slightly more than half of $376m requested by APS. We also assume O&M inflation which is largely driven by the company's forecast of a scheduled outage at Four Corners (approx. $30m alone).

Unlike previous years we also add share count dilution driven by our forecast of an issuance of $500m in 2024 which aligns with the existing guidance and will likely be achieved via block issuance. We stress balance sheet remains a growing variable as we see a split rating backdrop with the agencies (Moody's remains at A3 with a negative outlook). With APS below its 50% equity threshold today, we anticipate a need to demonstrate action to bolster its balance sheet alongside a potentially constructive affirmation of the Arizona construct in this rate case (which could help Moody's in particular reduce its minimum downgrade threshold of 18%). On balance we see the '24 story as evolving towards one focused on balance sheet and capex upon resolution of this rate case in the near-term.

Our forecast also assumes normal weather which will result in a -45c headwind given the very strong positive contribution from record high temperatures during the summer months. Load growth is admittedly a wildcard given uncertain contribution from residential and industrials – at 15c there could be upside to our estimate if residential growth is robust. Pension expense has moderated based on our mark to market and we now see -3c in 2024, a reduction from ~20c we had flagged earlier in the year which was before the Q4 run-up in financial and debt asset prices.

Based on these inputs we see 2024 EPS coming in at $4.77, a ~9% CAGR from the original 2022 midpoint of $4.00 which remains the base for mgmt's long-term target growth of 5-7%. Our forecast is 3% below Street at $4.90.

Exhibit 96: PNW EPS walk

$4.77 seen as 2024 EPS, highly dependent on rate case outcome

	EPS	1Q23	2Q23	3Q23	4Q23
FY22A Adjusted EPS	4.26	-0.03	0.94	3.50	-0.13
Weather (normalize)	-0.45	-0.10	0.12	-0.47	0.00
Normalized EPS	3.81	-0.13	1.06	3.03	-0.13
Base rate increase	1.59	0.25	0.39	0.65	0.30
Load growth	0.15	0.04	0.04	0.04	0.04
Transmission	0.20	0.05	0.05	0.05	0.05
LFCR - May	0.07	0.02	0.02	0.02	0.01
Other	0.00	0.00	0.00	0.00	0.00
Operating revenue	2.01	0.36	0.50	0.76	0.40
O&M	-0.28	-0.05	-0.05	-0.05	-0.13
D&A	-0.24	-0.04	-0.06	-0.07	-0.07
Other taxes	0.00	0.00	0.00	0.00	0.00
Pension & OPEB	-0.03	0.00	-0.01	-0.01	-0.01
Interest expense	-0.25	-0.07	-0.07	-0.07	-0.06
Corp & elimination, other	0.00	0.00	0.00	0.00	0.00
Share count dilution	-0.25	0.00	-0.08	-0.08	-0.08
FY24E Adjusted EPS	4.77	0.07	1.28	3.51	-0.08
FY24 Consensus	4.90	0.09	1.31	3.39	0.08
BofA Beat(Miss) vs Consensus	-3%	nm	-2%	1%	nm
FY24 Adj EPS Guidance (PNW)	$4.70-4.90				

Source: BofA Global Research, Bloomberg

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Credit steady but future moves uncertain

PNW has committed to not issuing equity until the conclusion of its existing rate case, and in the meantime its credit metrics remain pressured. Pinnacle West Corp's Baa1/BBB+/BBB+ is on negative outlook at all three rating agencies, with the regulatory backdrop frequently cited as the cause in updated credit analysis pieces. It is important to recognize that the credit rating is higher than that for many value utility peers.

Moody's currently applies an 18% threshold to PNW's parent, which is above our consolidated forecast and also represents the upper end of the 16-18% range that mgmt has targeted. Importantly, PNW management has not committed to defending its current ratings – this is likely a key consideration of regulatory and stakeholder discussions given the impact of ACC decisions on PNW's overall cost of capital as regulators seek ways to reduce lag across the jurisdiction.

Exhibit 97: PNW credit

Still see metrics trending above target with our equity issuance plan

Credit Ratings	**2020A**	**2021A**	**2022A**	**2023A**	**2024A**	**2025A**	**2026A**	**2027A**	**2028A**
CFO pre WC	1,181	1,214	1,238	1,289	1,422	1,519	1,593	1,666	1,730
FFO - Moody's Adj	**1,301**	**1,334**	**1,358**	**1,409**	**1,542**	**1,639**	**1,713**	**1,786**	**1,850**
Delta	**120**	**120**	**120**	**120**	**120**	**120**	**120**	**120**	**120**
Disclosed Total Debt	6,314	6,914	7,741	8,543	8,899	9,362	9,779	10,499	11,135
Disclosed Total Cash	60	10	5	33	62	91	120	148	147
Net Debt	6,254	6,904	7,736	8,509	8,837	9,271	9,660	10,351	10,988
Debt - Moodys Adj	**6,791**	**7,441**	**8,273**	**9,046**	**9,374**	**9,808**	**10,197**	**10,888**	**11,525**
Delta	**537**	**537**	**537**	**537**	**537**	**537**	**537**	**537**	**537**
CFO ex-WC/Debt - Moody's Adjusted	**19.2%**	**17.9%**	**16.4%**	**15.6%**	**16.4%**	**16.7%**	**16.8%**	**16.4%**	**16.1%**

Source: BofA Global Research estimates, company report

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Estimates

We update our forecast to reflect the EPS estimates detailed above. We continue to see a nonlinear growth story with a step change higher in 2024 followed by a moderation of growth given ongoing lag. Upside could materialize in out years of the forecast if the SRB is approved resulting in additional generation capital.

Given recent impacts of inflation and higher interest rates, another rate case filing is likely in the medium term as APS looks to catch up as its current rate case test year only runs through mid-2022. Expect clarity from the Arizona regulatory lag docket as well in coming months which could guide forward-looking rate setting policy.

Exhibit 98: PNW EPS forecast

We see growth in 5-7% range with a step change higher post 2024 rate case; we remain below Street on '25.

	2020	**2021**	**2022**	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**
Arizona Public Service	$5.20	$5.74	$4.78	$4.62	$5.13	$5.43	$5.53	$5.77	$5.96
Corporate	($0.15)	($0.12)	($0.37)	($0.20)	($0.22)	($0.32)	($0.42)	($0.44)	($0.47)
Non-controlling interest	($0.17)	($0.15)	($0.15)	($0.15)	($0.14)	($0.14)	($0.13)	($0.13)	($0.13)
PNW EPS	$4.87	$5.47	$4.26	$4.26	$4.77	$4.97	$5.00	$5.17	$5.36
Previous BofA estimate	$4.87	$5.47	$4.87	$4.26	$4.85	$5.06			
EPS y/y % CAGR	2.1%	12.2%	-22.0%	0.0%	11.9%	4.2%	0.7%	3.3%	3.7%
EPS % CAGR from 2022 midpoint ($4.00, guide 5-7%)				6.6%	9.2%	7.5%	5.8%	5.3%	5.0%
EPS Guidance				4.10-4.30					
Consensus PNW EPS	$5.06	$5.06	$5.06	$4.25	$4.90	$5.12	$5.33	$5.48	$5.75
EPS y/y % CAGR	6.1%	0.0%	0.0%	-16.0%	15.1%	4.7%	4.1%	2.8%	4.9%
EPS % CAGR from 2022 (guide 5-7%)				6.3%	10.6%	8.6%	7.5%	6.5%	6.2%

Source: BofA Global Research, Bloomberg

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Valuation

We have rolled forward our valuation and apply the latest peer group multiples of 13.8x for electric utilities. We maintain our relative premium/discount of +3x for transmission and -1x for ACC given respective growth characteristics and authorized returns. Our PO is $71 and we reiterate Neutral given the modest positive total return implied.

Exhibit 99: PNW valuation

PO moves to $71, reiterate Neutral

Price Objective $70
PNW Valuation: P/E Based on 2026 EPS
Price Objective

Group Peer Multiple - Electric	**13.8x**
Group EPS CAGR - Electric	**5.00%**
P/E Multiple - Utility Average	**14.5x**
ACC Relative Discount	**-1.0x**
FERC Relative Premium	**3.0x**
ACC 2026 Earnings ($m)	**575**
EPS ($/sh)	4.37
Multiple applied	13.5x
$/sh Equity value	**$58.9**
FERC 2026 Earnings ($m)	**153**
EPS ($/sh)	1.17
Multiple applied	17.5x
$/sh Equity value	**$20.4**
Parent drag ($/sh)	($0.42)
Non-controlling interest ($/sh)	($0.13)
Multiple applied	14.5x
$/sh Equity value	**($8.0)**
Price objective	**$71**
Shares outstanding (2026 BofAe)	131.6

Source: BofA Global Research, Bloomberg

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Title: Subtitle	Primary Author	Date Published
Pinnacle West: Will 2024 drive the long-awaited generation capex?	Julien Dumoulin-Smith	03 January 2024
US Utilities & IPPs: PowerPoints: PNW AZ, AEP KY, TX Power, PCG Update/Dividend, PPL, OGE, SRE LNG	Julien Dumoulin-Smith	27 November 2023
US Utilities & IPPs: PowerPoints V2: NFE Permits, MDU Beat/Spin, PNW Beat, PPL Scenarios, IDA	Julien Dumoulin-Smith	02 November 2023
Pinnacle West: A positive load growth story, but who will own the generation?	Julien Dumoulin-Smith	24 October 2023

PNM Resources Inc (PNM)

Originally published on 01/04/24

Lower allowed ROE dented EPS

We have recently reduced our EPS estimates throughout our forecast to reflect the new ratemaking parameters as outlined in the RD and affirmed by the final order (Docket: C-22-00270-UT). The NMPRC's final order did not completely match the RD; for example, the commission ultimately approved PNM's time-of-day rate pilot against the recommendation of the hearing examiners. However, with respect to traditional ratemaking, the commission affirmed the RD's 9.26% ROE and 49.61% equity ratio (unchanged) stipulations. Expectations for 2024 EPS growth were previously muted due to equity dilution and investment timing; we see the GRC outcome as having exacerbated this earnings stagnation over 2024 and 2025 before accelerating in 2026 thanks to 14% year-over-year rate base growth versus 2025. We embed few operational offsets to the impact of lower ROE to our 2024 estimate; the degree to which PNM can manage discretionary O&M or toggle other levers to improve EPS could deliver modest upside to our estimates.

Exhibit 100: PNM Dashboard

2020-2027 EPS CAGR still comfortably above 5%; back on pace in 2026 after rate case 'reset'; Ratebase acceleration helps.

PNM (PNM) Financial Snapshot	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	'20-'27	'24-'27
PNM	1.76	1.85	1.90	2.20	1.97	2.00	2.20	2.35	4.2%	6.0%
Guidance			1.96-1.98	2.19-2.21						
TNMP	0.74	0.75	1.07	1.09	1.17	1.26	1.38	1.48	10.5%	7.9%
Guidance			0.96-0.97	1.08-1.1						
Parent & Other	(0.22)	(0.14)	(0.29)	(0.51)	(0.53)	(0.54)	(0.55)	(0.52)		
Guidance			(0.29)-(0.27)	(0.52)-(0.51)						
BofAe Consolidated EPS	**2.28**	**2.45**	**2.69**	**2.78**	**2.62**	**2.72**	**3.04**	**3.31**	**5.5%**	**8.1%**
Guidance	**\$2.23 - \$2.31**	**\$2.27 - \$2.37**	**\$2.63-\$2.68**	**\$2.75 - \$2.80**						
Guidance 5% off \$2.28 2020A	**2.28**	**2.45**	**2.69**	**2.75**	**2.77**	**2.91**	**3.06**	**3.21**	5.0%	5.0%
BofA vs Guidance	**-0.1%**	**0.1%**	**-0.1%**	**0.9%**	**-5.5%**	**-6.4%**	**-0.5%**	**3.0%**		
Consensus	**2.27**	**2.41**	**2.64**	**2.78**	**2.78**	**2.94**	**3.13**	**3.38**	**5.9%**	**6.7%**
BofA vs Consensus	**0.5%**	**1.9%**	**1.6%**	**0.0%**	**-5.7%**	**-7.3%**	**-2.8%**	**-2.1%**		
Dividend per Share	**1.23**	**1.31**	**1.39**	**1.47**	**1.54**	**1.62**	**1.70**	**1.79**	**5.5%**	**5.0%**
Payout Ratio: Mid 50-60% Guidance	**54.0%**	**53.4%**	**51.7%**	**53.0%**	**58.9%**	**59.5%**	**56.0%**	**54.1%**		
FFO/Debt: Target 14-16%; 13% min per Moody's)	**14.5%**	**14.6%**	**14.2%**	**11.8%**	**12.5%**	**12.1%**	**12.3%**	**12.6%**		

Source: BofA Global Research, Company filings, Bloomberg

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CAGR conservatism removed, but capex upside remains

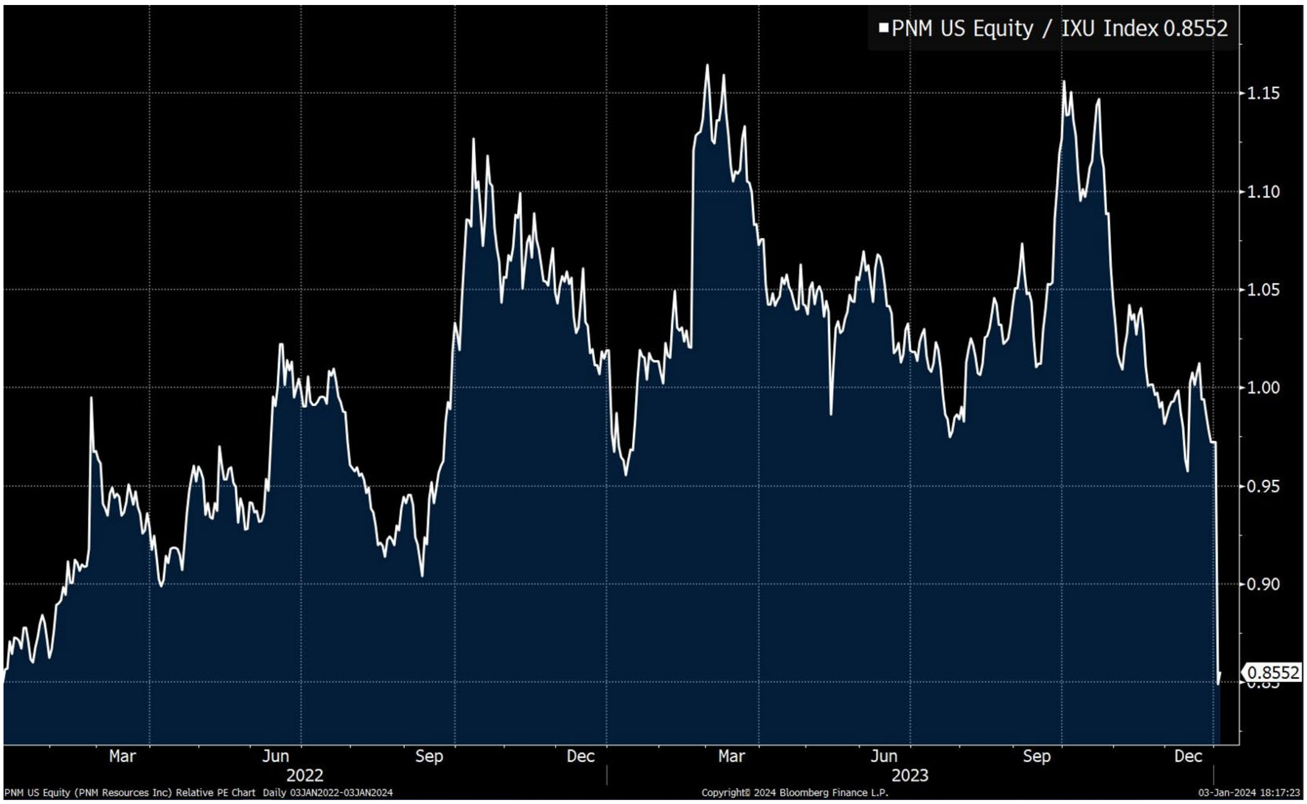
Without a stronger rate case outcome later in the planning period, the unfavorable GRC decision does absorb much of the upside we had previously identified in the walk from PNM's 10.6% rate base CAGR, less 250-300bps for equity dilution, to 5% EPS growth. However, we still see potential for incremental investment opportunities in excess of the identified \$5.9Bn plan from 2023 to 2027, particularly as they relate to generation and owned battery storage. Of note, the NMPRC recently approved PNM's application to install 12MW of utility owned distribution-level battery storage to expand the capacity of overloaded feeders at two locations; this was contemplated in PNM's existing capex plan.

The current capex plan includes \$241Mn for owned battery storage and \$373Mn for utility generation. Given the potential difficulty in investing in new natural gas or other fossil fuel generation in New Mexico, we expect there could be a significantly higher need than identified for utility owned battery storage or other renewable generation. We expect these opportunities could be identified later in the planning period. Watch this aspect of the outlook in particular for clarity.

Downside catalysts should abate

PNM's share price performance in 2023 was relatively detached from utility peers, owing to investor read-throughs to whether the New Mexico Supreme Court might remand the NMPRC's merger denial back to the commission. PNM began to meaningfully trade off from its prior norms in the high $40s beginning in May once the supreme court determined that the scope of the proceeding would be expansive over the course of several months. Once the merger was terminated, PNM fell to a strong relative discount to the group on a P/E basis. With both the merger and the NM GRC behind them, PNM should return to trading mostly on underlying fundamentals.

Exhibit 101: Relative Valuation
PNM shares fall to significant discount following termination of merger



Source: Bloomberg

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Balance sheet concerns manageable

Following termination of the merger and an unfavorable general rate case outcome issued Wednesday by the NMPRC, we see most aspects of the short thesis on PNM as having already played out with few incremental downside catalysts to go. Some may identify potential equity issuance to support PNM's relatively weak balance sheet as another potential pin to drop, exemplified by prospective FFO/debt that threatens the lower reaches of their 14% downgrade threshold and tenuous Baa3 issuer rating from Moody's, but we see nuances supporting the current ratings. The latest issuer estimates at S&P for PNM's FFO/debt of 13-15% bracket the downgrade threshold, and the agencies will continue to probe for lasting indications that the regulatory environment in New Mexico has become more credit supportive. Further, PNM management's long-term incentive compensation awards are partially contingent upon achievement of FFO/debt targets (2020-2022 three-year threshold was greater or equal to 13% with a target of greater or equal to 14%), which is fairly unique among our utility coverage. While likely that Moody's Positive outlook on PNM's Baa3 issuer credit rating will be rescinded as a result of the merger termination, we view that to be the extent of the outlook revision for now.

Valuation: it's discounted under most scenarios

Using our 2026E EPS estimate of $3.04, PNM is currently trading at 13.0x, a -0.8x discount to the peer electric utility multiple of 13.8x and a -1.5x discount to the peer multiple after grossing up by 5% to account for growth and appreciation across the sector. We are removing our prior +1x premium to the NM utility and now apply a -1x discount, reflecting the challenging return parameters established in the GRC. However, we still think PNM's acquisition premium should persist, as we believe there could be several public or private suitors interested in supplementing their portfolios with southwestern utility exposure. We continue to place a +1x premium at PNM's FERC and TX operations, reflecting the acquisition premium and attractive jurisdiction dynamics. This results in a blended -0.1x discount to the grossed-up peer electric utility multiple of 14.5x, which using our 2026 EPS estimate of $3.04 amounts to a PO of $44/sh, implying 15% total return at current levels. The recent $6/share reduction from our prior PO of $50 reflects lower EPS due to the change in ratemaking parameters, application of a -1x discount at the NM utility versus our prior +1x premium, and a modest impact from MtM of the peer electric utility multiple to 13.8x versus 14.1x prior.

We continue to ascribe a -1x discount vs a lower relative premium considering the shareholder friendly backdrop and board. We note AGR pro-actively chose to walk from its earlier bid rather than waiting for firm resolution from the courts and the commission. In turn, we remain very focused on management's next steps.

Overall we view the latest backdrop as likely the 'low water mark' in the stock this year, and expect gradual improvement as a host of more traditional utility developments help affirm an improved backdrop despite the latest setback with the rate case. Look for 4Q results to help articulate some degree of offsets as well as timeframe to another case. Finally, look for yet further capital investment discussions on both generation, modernization including smartmeters to make their way thru dialogue this year. On balance, remain constructive event after the latest slew of setbacks to start the year.

Exhibit 102: PNM Valuation

Discount in NM, premiums in FERC and TX

	2026E EPS				Peer	Prem/ Discount	Base	$/Sh
Group Peer Multiple - Electric & EPS CAGR	**13.8x**	x	**5.0%**	=	**14.5x**			
PNM - New Mexico	$1.67				14.5x	**-1.0x**	13.5x	$22.59
PNM - FERC	$0.53				14.5x	**1.0x**	15.5x	$8.19
TNMP - Texas	$1.38				14.5x	**1.0x**	15.5x	$21.42
Corporate & Other	-$0.55				14.5x	**1.0x**	15.5x	-$8.47
Total EPS	**$3.04**				**14.5x**	**-0.1x**	**14.4x**	**$43.73**
Consensus	**$3.13**							
Guidance: 2020-2027E and 2023+ 5%	**$3.06**							
Grand Total Equity Value								**$43.73**
Shares Outstanding (2026E)								95
Total Potential Equity Value								**$44.00**

Source: BofA Global Research, Company filings, Bloomberg

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BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
PNM Resources Inc.: EPS CAGR non-linear but still intact; is there any more earnings upside?	Julien Dumoulin-Smith	04 January 2024
US Utilities & IPPs: PowerPoints: PNM M&A, PEG & OGE cases, PPL-TLN, & ES/IDA/AGR/Oregon regulatory	Julien Dumoulin-Smith	02 January 2024
PNM Resources Inc.: Revamped capex forecast drives EPS higher, easing GRC concerns to CAGR	Julien Dumoulin-Smith	15 December 2023
US Utilities & IPPs: PowerPoints: PNM NM, FE-Icahn, ETR SERI & MISO Transmission, and HE Capex	Julien Dumoulin-Smith	12 December 2023
US Utilities & IPPs: PowerPoints: ALE M&A, PNM Mgmt, Oregon Wildfires, & ES Offshore Wind	Julien Dumoulin-Smith	06 December 2023
US Utilities & IPPs: PowerPoints: DTE Update, Power/Carbon, PNM/AEP Asset Sale, PCG/EIX Cali Latest	Julien Dumoulin-Smith	04 December 2023
US Utilities & IPPs: PowerPoints: LNT New CEO, XEL Guide, FE Pension, FTS Earnings, NWE & PNM CAGRs	Julien Dumoulin-Smith	27 October 2023

Southern Company (SO)

Originally published on 01/08/24

2024 range seen intact at $3.95-4.10 on easing rates

Our 2024 EPS estimate for SO is $4.01. Our preliminary 2024 EPS walk of $4.01 is in line with street estimates of $4.01 based on known and measurables to date. We note mgmt provided an initial 2024 EPS range of $4.00-4.30 over a year ago given disproportionate focus on the year that both Vogtle units are expected to be in service. The upper end of the range has since been moved down to account for increased parent interest expense and for O&M inflation. Unit 4 delays have been manageable and mgmt's latest messaging continues to point to a March in-service date, consistent with lowering the bottom end of the range by 5c. Achieving this range may have looked challenging in the middle of 2023 as rates peaked (recall the last update was Feb 2023) but with the recent move we expect mgmt will likely maintain or tighten by 5c. The bigger question in our view is the degree to which SO can sustain growth from the 2024 base relative to its 5-7% guidance.

We don't look for management to deviate from its existing '24 ranges, albeit certainly don't see upside. Rather '25 EPS appears a bit light vs Street too – although not substantively to get us concern. Much of the upside likely to be discussed with 4Q is likely to be biased towards '26+. See fewer factors to enable (further) positive re-rating with whitespace capex seemingly already substantively reflected.

Other areas attracting less attention of late beyond generation will be items such as coal ash where we could yet see further spending pending resolution of settlement talks with EPA in Alabama for instance.

Exhibit 103: SO EPS walk

Expect 2024 in line with guidance range of $3.95-4.10

SO Earnings Walk	FY24	1Q23E	2Q23E	3Q23E	4Q23E
Prior Period (FY23)	$3.61	$0.79	$0.79	$1.42	$0.61
Weather (vs Normalize YoY)	$0.08	$0.13	$0.04	-$0.09	$0.00
Actual Weather (vs Normal '23)	$0.00	$0.00	$0.00	$0.00	$0.00
Georgia Power Gross Margin	$0.60	$0.10	$0.12	$0.25	$0.13
AL/MS Growth	$0.10	$0.03	$0.03	$0.03	$0.03
Retail Revenue Impacts	$0.70	$0.13	$0.15	$0.28	$0.16
Retail Sales	$0.00	$0.00	$0.00	$0.00	$0.00
Rates Usage and Pricing	**$0.70**	**$0.13**	**$0.15**	**$0.28**	**$0.16**
O&M	$0.11	$0.02	$0.03	$0.03	$0.03
Other (D&A, interest, etc.)	-$0.48	-$0.12	-$0.12	-$0.12	-$0.12
State-Regulated Electrics	$0.41	$0.16	$0.10	$0.10	$0.07
Nicor	$0.00	$0.00	$0.00	$0.00	$0.00
AGL	$0.00	$0.00	$0.00	$0.00	$0.00
VA & TN	$0.00	$0.00	$0.00	$0.00	$0.00
Retail Revenue Impacts	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**
O&M	$0.04	$0.01	$0.01	$0.01	$0.01
Other (D&A, interest, taxes, etc.)	$0.05	$0.01	$0.01	$0.01	$0.02
Southern Company Gas	$0.09	$0.02	$0.02	$0.02	$0.03
New/Existing Assets	$0.00	$0.00	$0.00	$0.00	$0.00
O&M	$0.00	$0.00	$0.00	$0.00	$0.00
Southern Power	$0.00	$0.00	$0.00	$0.00	$0.00
Other/Interest	-$0.08	-$0.02	-$0.02	-$0.02	-$0.02
Dilution	-$0.02	$0.00	$0.00	$0.00	$0.00
Current Period	$4.01	$0.94	$0.88	$1.51	$0.67
FY24 Diluted Shares	1,100	1,099	1,100	1,101	1,101
FY23 Diluted Shares	1,099	1,098	1,098	1,099	1,099
Consensus Estimates	$4.01	$0.93	$0.96	$1.47	$0.58
Delta vs Consensus	0.0%	1.7%	5.1%	3.3%	16.5%

Source: BofA Global Research, Bloomberg

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Estimates

We recently made small tweaks to our model with EPS growth through 2028 compounding at +6.4% using 2022 as a base year, with estimates 1-2% below Street consensus in 2025-26 and incrementally higher in 2027+.

We continue to see 2024 as the future anchor for the company's 5-7% EPS CAGR with our estimate of $4.01 near the midpoint of the $3.95-4.10 guidance range and inline with Street consensus which has trended higher in recent months. Our updated forecast sees growth compounded at +6.4% through 2028 off the baseline of the 2022 EPS guidance midpoint.

Ahead of the expected 2024 EPS and capex roll-forward, we add additional whitespace capex at Georgia Power of $4.5B across 2024-2028, with $500m in 2024 and $1B annually thereafter. Georgia Power's resource plan which was updated in 2023 flags substantial need for additions of owned generation resources to keep up with growing demand spurred by economic development in the state. Our whitespace capex is supported by 40% equity funding at the parent – note that mgmt has been transparent about expectations for incremental (non-block) equity funding to add additional capital to the plan given that targets for premium balance sheet targets remain in place.

Below Street on '24/'25 along with a robust premium already on shares holds us back from being constructive. Upside appears bias towards later years of the plan, both around reinvigorated capex upside and in terms of sales growth. Look for datapoints around SO mid-cycle IRP with a focus on storage ownership as a further positive; related, look for how Alabama IRP spending is eventually incorporated into the plan.

Exhibit 104: SO estimates

Tweak estimates lower but still see a CAGR above midpoint

	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	'22-'28
Mississippi Power	0.14	0.15	0.15	0.15	0.18	0.18	0.18	0.19	0.19	3.7%
Alabama Power	1.08	1.16	1.24	1.28	1.41	1.46	1.52	1.58	1.65	4.9%
Georgia Power	1.72	1.73	1.68	1.86	2.03	2.18	2.33	2.54	2.81	9.0%
Total Electric	**2.94**	**3.04**	**3.07**	**3.29**	**3.62**	**3.82**	**4.03**	**4.30**	**4.65**	**7.2%**
Guidance	2.88	3.00	3.18	3.35						
Gas LDCs	**0.39**	**0.40**	**0.44**	**0.44**	**0.53**	**0.57**	**0.61**	**0.65**	**0.68**	**7.5%**
Guidance	0.36	0.39	0.44	0.45						
SO Power	0.22	0.25	0.33	0.24	0.25	0.26	0.26	0.26	0.26	-4.0%
Gas Midstream	0.09	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	-0.5%
Gas Retail (South Star)	0.05	0.06	0.06	0.07	0.07	0.08	0.08	0.08	0.09	5.5%
Total Energy Infrastructure (SO Power + Midstream)	**0.37**	**0.39**	**0.47**	**0.39**	**0.39**	**0.41**	**0.41**	**0.42**	**0.42**	**-1.8%**
Guidance	0.37	0.40	0.34	0.39						
Other & Eliminations	(0.48)	(0.44)	(0.38)	(0.51)	(0.53)	(0.53)	(0.53)	(0.54)	(0.54)	6.0%
Guidance - Parent Drag	(0.45)	(0.49)	(0.46)	(0.63)						
Consolidated	**3.23**	**3.39**	**3.60**	**3.61**	**4.01**	**4.27**	**4.52**	**4.82**	**5.22**	6.4%
Guidance: 5-7% Long-Term			***3.50-3.60***	***3.55-3.65***	***3.95-4.10***	4.23	4.48	4.75		
BofA vs Guidance				**-4.1%**	**-3.3%**	**1.0%**	**0.8%**	**1.5%**		
Consensus				**3.60**	**4.01**	**4.33**	**4.54**	**4.76**		
BofA vs Consensus				**0.3%**	**0.0%**	**-1.2%**	**-0.6%**			
Dividend per Share	**2.54**	**2.62**	**2.70**	**2.78**	**2.86**	**2.97**	**3.09**	**3.21**		**3.5%**
Payout Ratio	**78.7%**	**77.3%**	**75.0%**	**77.0%**	**71.3%**	**69.5%**	**68.4%**	**66.6%**		
CAGR off 2024 midpoint - 6% growth					**4.03**	**4.27**	**4.52**	**4.79**		

Source: BofA Global Research, Bloomberg

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Valuation

Our $70 PO is based on 14.2x for electric and 13.8x for gas. We reiterate our Neutral rating based on the modest upside implied by our valuation.

We acknowledge litany of derisking factors tied to Vogtle and Georgia overall in recent months have contributed to shares maintain a robust premium to peers. This makes sense to us.

Exhibit 105: SO valuation: premium company with a premium valuation to match already: sticking with Neutral.
PO $70, reiterate Neutral

Southern Company (SO) Sum of the Parts Analysis
All figures in $Mn except per share

	2026 EPS	Peer	Prem/ (Discount)	Base P/E	Equity Value
Group Peer Multiple - Electric	-	14.2x	-	-	-
Group EPS CAGR	-	5.0%	-	-	-
	-		-	-	-
Electric Utilities		14.9x			-
Mississippi Power	$0.18		2.0x	16.9x	$3.10
Alabama Power	$1.52		2.0x	16.9x	$25.66
Georgia Power (ex-CWIP)	$1.92		2.0x	16.9x	$32.55
Nuclear Earnings	$0.40		2.0x	16.9x	$6.82
Total Electric Utility Value	**$4.03**		**2.0x**	*16.9x*	**$68.13**
Group Peer Multiple - Gas		13.8x			
Group EPS CAGR		5.0%			
Gas Utilities		14.5x			
Southern Gas Utilities	**$0.61**	14.5x	0.0x	14.5x	**$8.79**
Infrastructure	2026 EPS				
SO Power Core - Wind	$0.12		0.0x	14.9x	$1.80
SO Power Core - Solar	$0.01		0.0x	14.9x	$0.17
SO Power Core - Gas	$0.09		0.0x	14.9x	$1.40
SO Power Core - Other	$0.03		0.0x	14.9x	$0.47
SO Gas - Midstream	$0.08		0.0x	14.5x	$1.10
SO Gas - Retail	$0.08		0.0x	14.5x	$1.16
Net Infrastructure Equity	**$0.41**		**0.8x**	*14.8x*	**$6.10**
Parent	2026 EPS	14.0x			
Parent & Other	-$0.53	14.0x	0.0x	14.0x	-$7.46
Add Back: Parent Interest Expense- 50% Weighted	$0.61	14.0x	0.0x	14.0x	$4.29
Parent Debt - 50% Weighted	$22,754				-$10.27
Parent & Other					**-$13.44**
Shares Outstanding					1,107
Total Equity Value					**$70.00**

Source: BofA Global Research, Bloomberg

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BofA Global Research Reports

Title: Subtitle	**Primary Author**	**Date Published**
Southern Company: Layering in the Whitespace: Remain Neutral, A Bit Early for Real EPS Upside	Julien Dumoulin-Smith	08 January 2024
US Utilities & IPPs: PowerPoints: PCG Convert, ES CT ROE, SO Georgia Election, NEE Maine, AES Coal	Julien Dumoulin-Smith	30 November 2023
US Utilities & IPPs: The Desert Event Continues at EEI – Day 2. More Dessert than Desert So Far	Julien Dumoulin-Smith	14 November 2023
US Utilities & Clean Tech: Earnings: AEP Beat, DUK Cut, SO Beat, EXC In-Line, CWEN Guide, NRG, EIX, OGE, ALE	Julien Dumoulin-Smith	02 November 2023
Southern Company: Large customers drive sharp upward inflection in latest IRP load forecast	Julien Dumoulin-Smith	31 October 2023

ONE Gas (OGS)

We forecast ONE Gas's 2024 EPS at $3.87, towards the midpoint of the company's $3.70-$4.00 EPS guidance range provided in November in another reset of long-term expectations. We had anticipated the reset with our downgrade report in October, yet our prior estimate of $4.03 still did not adequately account for significant incremental dilution anticipated through the planning period, in addition to continued elevated 5% O&M CAGR. Our new figure slightly trails consensus of $3.88.

- **Key drivers** – We see significant YoY headwinds from 5% O&M growth in line with company assumptions, incremental plant in service from higher capex, and nearly a nearly -20c headwind from dilution. We see offsets from interim rate relief in OK from the Performance Based Rate Change Tariff (PBRC), continued interim relief in KS from the Gas System Reliability Surcharge (GSRS) as well as late support from a general rate case (GRC), and assorted interim relief in Texas supplemented by ongoing Rio Grand Valley rate case with new rates effective in late 1Q24. Also see customer growth driving +10c EPS YoY and return to normal weather providing an incremental +3c.

- **Interest expense and sensitivity to rates** – OGS expects to refinance two maturities toward the end of 1Q24, with implications for approximately -34c of headwind in 2024 at current rates, which is actually a +6c improvement versus where rates were as of late October. A portion of this refinancing will be borne through higher balances of commercial paper throughout the year, which indicates that EPS upside could be further tied to rate movement throughout the year. While utility denominated debt will eventually be wrapped into cost of capital with each successive rate case filing, interest expense from commercial paper balances will remain unrecovered in rates and therefore could be a minor delta in 2024 and 2025, depending on quickly rates can return to contango.

- **Equity ratio in KS –** While more likely to be only a modest driver of FY24 EPS, one of the defining issues in the upcoming GRC with the Kansas Corporation Commission (KCC) will be OGS's authorized equity ratio for ratemaking. OGS does not have a defined equity ratio in KS given prior black box settlements, but current ratemaking parameters imply 56% equity capital structure in rates. OGS has called out its intention to request a 59% equity capital structure in its 2024 Kansas general rate case filing, with constructive precedent from KCC Staff testimony in in-state peer Atmos Energy's most recent rate case supporting a 59% equity ratio before that proceeding resulted in a settlement. While a limited driver to FY24 EPS with rates likely becoming effective in 4Q24, we see this as an important gain for OGS, and as such have embedded the expectation within our numbers from 2025 onward assumes 59% equity of total capital structure.

Exhibit 106: OGS EPS walk

We expect $3.87 EPS in 2024, mostly in line with $3.85 midpoint of 2024 guidance and consensus of $3.88

OGS Earnings Walk	EPS	1Q	2Q	3Q	4Q
FY23A Adjusted EPS	**$4.15**	**$1.83**	**$0.58**	**$0.45**	**$1.28**
Rate Relief and Revenue Growth					
Oklahoma Natural Gas	$0.37	$0.09	$0.09	$0.09	$0.09
Kansas Gas Service	$0.17	$0.03	$0.03	$0.03	$0.08
Texas Gas Service	$0.38	$0.09	$0.10	$0.09	$0.09
Customer Growth	$0.10	$0.03	$0.03	$0.03	$0.02
Weather / Volume	$0.03	$0.00	$0.02	$0.00	$0.00
Expenses					
O&M	($0.41)	($0.09)	($0.10)	($0.10)	($0.12)
Depreciation & Amortization	($0.35)	($0.08)	($0.09)	($0.09)	($0.09)
Interest Expense	($0.37)	($0.02)	($0.12)	($0.12)	($0.12)
Other/ Non Qualified Benefit Plan	$0.00				
Taxes	$0.00				
Dilution	**($0.20)**	**($0.10)**	**($0.03)**	**($0.02)**	**($0.05)**
FY24E Adjusted EPS	**$3.87**	**$1.80**	**$0.51**	**$0.36**	**$1.20**
FY Consensus	**$3.88**	**$1.78**	**$0.52**	**$0.39**	**$1.21**
BofA *Forecasted* Beat/(Miss) vs Consensus	**0%**	**1%**	**0%**	**-6%**	**-1%**
FY Adj EPS Guidance	**$3.70-4.00**				
BofA *Forecasted* Beat/(Miss) vs Guidance	**0%**				

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

4Q23 EPS in line; tightened guide points to low variance

Below we detail our 4Q23 EPS walk. We forecast EPS of $1.28, slightly above consensus of $1.27 and in-line with management's recently tightened guidance of $4.12 to $4.16. OGS has previously identified the base of its long-term EPS CAGR to be the midpoint of FY23 guidance at $4.14, which lessens the practical importance of meeting FY23 guidance, though we assume there to be no significant issues with the 4Q23 report.

- **Share issuance –** In 4Q23, OGS amended its forward share agreement to delay issuance of 657K shares to 1Q24. This removes some of the dilution impact in 4Q23 at the expense of focusing it to FY24, though the primary goal of the amended agreement was to ensure OGS's year-end equity/capital structure ratio would remain near 59%, in line with the company's expected equity/capital structure request in its upcoming Kansas GRC.

- **Pension MtM** – We project a +3c benefit to 4Q23 EPS from unrealized MtM of the non-qualified plan and the supplemental executive retirement plan (SERP). Given positive movements in the S&P 500 and LQD ETF relative to 4Q22, we expect MtM to be positive and more significant versus the prior-year quarter. OGS does not guide to MtM gain so this figure could represent upside to guidance.

Exhibit 107: FY23 EPS Walk
In line with tightened EPS guidance of $4.12 to 4.16.

OGS Earnings Walk	EPS	1Q	2Q	3Q	4Q
FY22A Adjusted EPS	$4.08	$1.83	$0.59	$0.44	$1.23
Rate Relief and Revenue Growth					
Oklahoma Natural Gas	$0.50	$0.15	$0.08	$0.10	$0.17
Kansas Gas Service	$0.12	$0.05	$0.03	$0.02	$0.03
Texas Gas Service	$0.43	$0.08	$0.12	$0.16	$0.08
Customer Growth	$0.08	$0.02	$0.02	$0.02	$0.02
Weather / Volume	($0.03)	$0.00	($0.02)		($0.00)
Expenses					
O&M	($0.40)	($0.07)	($0.12)	($0.12)	($0.10)
Depreciation & Amortization	($0.24)	($0.07)	($0.08)	($0.02)	($0.08)
Interest Expense	($0.40)	($0.14)	($0.09)	($0.12)	($0.05)
Other/ Non Qualified Benefit Plan	$0.20	$0.10	$0.09	($0.02)	$0.03
Taxes	($0.05)	($0.06)	($0.00)	$0.01	$0.00
Dilution	**($0.14)**	**($0.06)**	**($0.02)**	**($0.01)**	**($0.05)**
FY23E Adjusted EPS	**$4.15**	**$1.83**	**$0.58**	**$0.45**	**$1.28**
FY Consensus	**$4.15**	**$1.86**	**$0.59**	**$0.42**	**$1.27**
BofA *Forecasted* Beat/(Miss) vs Consensus	**0%**	**-1%**	**-1%**	**7%**	**1%**
FY Adj EPS Guidance	**$4.12-4.16**				

Source: BofA Global Research, company filings, Bloomberg

BofA GLOBAL RESEARCH

New EPS estimates still below 4-6% EPS CAGR

Below we detail our long-term EPS estimates for OGS from 2023 to 2028. We have reduced our prior estimates to reflect incremental dilution from approximately $1.1Bn of equity issuance through 2028. Below we show the spread between our forecasted net income CAGR over the planning period and our EPS CAGR, which shows a 5.1 ppt headwind to EPS CAGR through the planning period from dilution. We forecast net income CAGR of 8.8%, which compares to guidance of 7-9% from 2023, which contrasts to EPS CAGR of 3.7% through the planning period.

Exhibit 108: OGS EPS Dashboard
Still see sub-4% EPS CAGR through planning period; will interest rate cuts deliver upside?

One Gas EPS Estimates	2022A	2023E	2024E	2025E	2026E	2027E	2028E	'23-'28 Net Income CAGR	'23-'28 EPS CAGR
Kansas	$0.87	$1.20	$1.06	$1.18	$1.26	$1.29	$1.35	**7.3%**	**2.5%**
Oklahoma	$1.33	$1.74	$1.83	$1.83	$1.88	$1.91	$1.99	**7.6%**	**2.7%**
Texas	$0.88	$1.18	$1.25	$1.34	$1.49	$1.62	$1.80	**13.9%**	**8.8%**
ST Debt not at utility			($0.26)	($0.26)	($0.23)	($0.23)	($0.18)		
Consolidated	**$3.07**	**$4.11**	**$3.87**	**$4.10**	**$4.40**	**$4.59**	**$4.96**	**8.8%**	**3.7%**
Guidance: 4-6%	**3.96-4.20**	**4.12-4.16**	**3.70-4.00**	**4.56**	**4.79**	**5.03**	**5.28**		**5.0%**
BofA vs Guidance	**-24.6%**	**-0.6%**	**0.6%**	**-10.1%**	**-8.1%**	**-8.7%**	**-6.1%**		
Consensus	**4.07**	**4.15**	**3.88**	**4.10**	**4.55**	**4.82**	**5.10**		**4.3%**
BofA vs Consensus	**-24.4%**	**-0.8%**	**-0.1%**	**0.1%**	**-3.1%**	**-4.7%**	**-2.7%**		
Dividend per Share	**2.48**	**2.60**	**2.64**	**2.68**	**2.72**	**2.76**	**2.80**		**1.5%**
YoY Growth	**6.9%**	**4.8%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**		
Payout: 55-65%	**60.6%**	**63.2%**	**68.1%**	**65.3%**	**61.8%**	**60.1%**	**59.9%**		
Change in Estimates	*-24.6%*	*0.1%*	*-3.9%*	*-3.5%*	*-3.9%*				

Source: BofA Global Research, Company filings, Bloomberg

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Macro-driven upside dominates the conversation

From our discussions with investors, OGS has been primarily identified as a turnaround story fueled by potential improvement in interest rates if the macro environment cooperates. We see the logic in the story: with normalization of the yield curve, OGS's short-term debt balances become less onerous, and the stock can return to its traditional defensive focus in constructive regulatory jurisdictions that are likely to remain favorable to investment in gas infrastructure for decades to come. Still, the recovery also relies on execution in several consecutive rate proceedings across all of its operating jurisdictions, as well as further cost out, as we assess O&M CAGR to have been guided above utility peer average. We would like to see demonstration of improved cost management and regulatory execution before becoming more constructive on the story. We also still see downside to the stated 4-6% EPS CAGR if there is significant deviation from the macro assumption underlying OGS's guidance that rates reach contango in 2027.

PO to $58: still -1x discount, need macro cooperation

We reduce our PO to $58 from $60 prior. We roll over our valuation year to 2026. We continue to apply a -1x discount to the natural gas sector 2026 base P/E, marked-to-market at 13.6x and grossed up 5% for EPS growth, using our consolidated EPS estimate of $4.40. This implies downside of 5% and negative total return of -1.2%.

Exhibit 109: OGS SOTP Valuation

Implies negative total return at a -1x discount; currently trading evenly with group

One Gas Sum of the Parts Valuation	EPS 2026E	Peer	Premium		Base	Equity Value	
Natural Gas Base P/E		- 13.4x	-		-	-	-
Sector EPS CAGR		- 5.0%	-		-	-	-
Grossed-up Sector P/E		- **14.1x**	-		-	-	-
		- -	-		-	-	-
Kansas	$1.26	14.1x	**-1.0x**	**-7%**	13.1x	$17	
Oklahoma	$1.88	14.1x	**-1.0x**	**-7%**	13.1x	$25	
Texas	$1.49	14.1x	**-1.0x**	**-7%**	13.1x	$19	
Total OGS Utilities	**$4.63**	14.1x	**-1.0x**	**-7%**	*13.1x*	**$61**	
Less: Interest on ST Debt at OGS	-$0.23	14.1x				($3)	
Total OGS	**$4.40**					**$57**	
Grand Total Equity Value						**$57**	
Shares Outstanding 2026E						67	
Total Equity Value						**$57.00**	
Implied Consolidated P/E						*12.3x*	
Current Price						$62.39	
FY23 Dividend Yield						4.2%	
Total Potential Return						**-4.5%**	

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
ONE Gas, Inc.: Second cut is the deepest. FY24 -7% YoY with long-term dilution risk too	Julien Dumoulin-Smith	30 November 2023
ONE Gas, Inc.: Refinancing Headwind Renders Long-Term EPS CAGR Even More Back-Loaded	Julien Dumoulin-Smith	25 October 2023

Spire Energy (SR)

We forecast 1QFY23 EPS of $1.40 for Spire (SR), a slight beat versus consensus of $1.38 and no change from our prior estimate. We assume effective weather mitigation in Missouri and Alabama, and a sharp decline in gas marketing net economic earnings (NEE) as fiscal first quarter 2024 volatility in natural gas prices was much less volatile than the prior-year quarter.

Key discussions:

- **Normalization of Gas Marketing** – After three consecutive years of generating above run-rate financial results at Gas Marketing, indications off lower volatility in the first quarter of fiscal year 2024 could signal a return to normal, shutting off what has recently been a critical countersupport to weaker Gas Utility earnings. Without robust Gas Marketing contributions, could another utility shortfall set back FY24 guidance for yet another year? Additionally, we'll look for additional color on realized volatility in January during the brief spell of harsh winter weather across large swathes of the country, and what impact that could have looking forward to 2QFY24 and FY24 results at Gas Marketing.

- **Recent Midstream acquisition drives nonutility mix higher** – The recent closing of Spire's latest Midstream acquisitions, MoGas and Omega Pipeline, place a spotlight on the inorganic growth Spire has been able to build in nonutility platforms. While Midstream earnings can be utility-like, we still believe these acquisitions reduce the consolidated relative multiple of the company versus that of distribution utility peer plays. We think it will be critical to determine the organic growth prospects of the utility and newly acquired Midstream pieces going forward relative to execution of incremental acquisitions to shore up the earnings base of the company, given 2019 to 2024 the company's guidance midpoint of $4.35 implies just 3% EPS CAGR despite significant inorganic growth over the period.

Exhibit 110: SR FY24 EPS Walk
See EPS toward the midpoint of original FY24 guidance range

SR FY24 EPS Walk	FY23	1Q23	2Q23	3Q23	4Q23	SR Guide
Prior Period	**$3.86**	**$1.55**	**$3.70**	**($0.42)**	**($0.78)**	
Rates						
MO Rates (rate case and ISRS)		$0.29				
AL Rates (RSE)		$0.01	$0.02	$0.01	$0.01	
MS/Gulf Rates						
Volume						
Missouri		-$0.11			-$0.02	
Alabama					-$0.03	
Mississippi						
Consolidated Weather Disclosure (not inclusive of individual disclosure)			$0.08	$0.01		
Other Factors		-$0.05	$0.25	$0.21	-$0.03	
Rate Implementation/Margin Contribution	**$0.46**	**$0.15**	**$0.10**	**$0.24**	**-$0.07**	
O&M		-$0.02	-$0.02	-$0.02	-$0.02	
D&A		-$0.04	-$0.04	-$0.04	-$0.04	
Taxes Other Than Income (TOTI) (ex. gas receipts taxes)		$0.07	$0.03	$0.00	$0.13	
Other Income & Gas Carrying Costs						
Interest Expense		-$0.07	-$0.07	-$0.07	-$0.07	
Gas Utility	**$0.66**	**$0.15**	**$0.25**	**$0.11**	**$0.15**	
Marketing Contribution Margin						
O&M						
Other						

Exhibit 110: SR FY24 EPS Walk
See EPS toward the midpoint of original FY24 guidance range

SR FY24 EPS Walk	FY23	1Q23	2Q23	3Q23	4Q23	SR Guide
Gas Marketing	**-$0.48**	**-$0.31**	**-$0.34**	**$0.01**	**$0.16**	
Midstream Contribution Margin						
Midstream O&M						
Other						
Midstream	**$0.21**	**$0.02**	**$0.06**	**$0.07**	**$0.06**	
Other/Unallocated	$0.18	$0.01	$0.10	$0.13	-$0.05	
Dilution	-$0.31	-$0.02	-$0.09	-$0.06	-$0.11	
Current Period EPS	**$4.34**	**$1.40**	**$3.68**	**-$0.16**	**-$0.58**	**$4.25-$4.45**
Consensus	$4.34	$1.38	$3.69	($0.16)	($0.52)	
BofA vs Consensus (%)	**0.1%**	**1.2%**	**-0.2%**	**3.7%**	**10.8%**	

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH

Updated estimates for early Midstream acquisition close

We are updating our FY24 EPS estimates for Spire given the company's closure of the MoGas and Omega pipeline acquisition announced on January 19, 2024. We had conservatively assumed a March 31 acquisition close in our prior numbers. Adding more than two incremental months of MoGas and Omega contributions to our estimates adds an additional 3-4c to our EPS. As such, we have increased our 2024 EPS estimate to $4.34 from 4.30 prior. Below we detail our updated EPS estimates by business segment. Our future year EPS from 2025 to 2028 remains mostly unchanged.

Exhibit 111: SR EPS Dashboard
2024 EPS up +4c reflecting earlier close of the Midstream acquisition

EPS Estimates	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	'24-'28 CAGR
Spire - Utilities											
Spire Missouri				$2.23	$2.24	$2.42	$2.50	$2.65	$2.78	$2.89	4.5%
Spire Alabama				$1.31	$1.25	$1.40	$1.43	$1.50	$1.58	$1.65	4.1%
Spire Gulf				$0.24	$0.23	$0.25	$0.25	$0.26	$0.28	$0.29	3.5%
Spire Mississippi				$0.03	$0.03	$0.03	$0.03	$0.03	$0.03	$0.04	2.8%
Total Utilities	**$3.93**	**$4.16**	**$4.66**	**$3.82**	**$3.75**	**$4.11**	**$4.22**	**$4.44**	**$4.67**	**$4.86**	**4.3%**
Spire - Marketing	**$0.38**	**$0.18**	**$0.91**	**$0.52**	**0.91**	**$0.39**	**$0.37**	**$0.38**	**$0.38**	**$0.38**	**-0.5%**
Spire - Midstream				**$0.22**	**$0.28**	**$0.43**	**$0.50**	**$0.52**	**$0.52**	**$0.51**	**4.0%**
Spire - Pipeline				$0.21	$0.21	$0.32	$0.36	$0.36	$0.36	$0.35	2.6%
Spire - Storage				$0.02	$0.07	$0.12	$0.14	$0.17	$0.16	$0.16	7.5%
Other Parent				**($0.76)**	**(0.94)**	**($0.60)**	**($0.56)**	**($0.55)**	**($0.55)**	**($0.54)**	**-2.4%**
Consolidated	**$3.73**	**$3.76**	**$4.86**	**$3.86**	**$4.05**	**$4.34**	**$4.53**	**$4.78**	**$5.01**	**$5.21**	**4.6%**
Guidance				*3.75-3.95*	*4.05-4.25*	**4.25-4.45**					
Guidance Low (off '24 midpoint)			$4.30	$3.75	$4.05	$4.25	$4.57	$4.80	$5.04	$5.29	5%
Guidance High (off '24 midpoint)			$4.50	$3.95	$4.25	$4.45	$4.65	$4.98	$5.33	$5.70	7%
Guidance Midpoint			$4.40	$3.85	$4.15	$4.35	**$4.61**	**$4.89**	**$5.18**	**$5.49**	**6%**
Previous EPS	***$3.73***	***$3.76***	***$4.86***	***$3.95***	***$4.20***	***$4.13***	***$4.33***	***$4.54***	***$4.77***		
Consensus				**3.89**	**4.18**	**4.34**	**4.55**	**4.88**	**5.06**	**5.35**	**5.4%**
DPS	**2.37**	**2.49**	**2.61**	**2.74**	**2.88**	**3.02**	**3.17**	**3.33**	**3.49**	**3.67**	**5.0%**
Payout Ratio	64%	66%	54%	71%	71%	70%	70%	70%	70%	70%	

Exhibit 111: SR EPS Dashboard

2024 EPS up +4c reflecting earlier close of the Midstream acquisition

EPS Estimates	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	'24-'28 CAGR
Share Count	51	51	52	52	53	57	61	62	62	63	
Delta vs Guidance Midpoint					-2.4%	-0.3%	-1.9%	-2.1%	-3.3%	-5.3%	
Delta vs Consensus					-3.1%	0.0%	-0.6%	-1.9%	-0.9%	-2.7%	

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH

Valuation: PO to $56; can gas utility meet guidance?

We modestly reduce our PO to $56 from $58 prior, citing our forecast for below-sector-average EPS growth and potential shortfall risk of the stated 4-6% EPS CAGR. The current gas LDC group sector 2026E P/E multiple is 13.4x, which we gross up 5% to reflect group EPS growth. We continue to apply a -3.0x discount to the Missouri utility, given its less-constructive regulatory environment and the potential lag expected to occur between now and Spire's next general rate case, which if filed early could reintroduce considerable regulatory risk to the story.

At its smaller subsidiaries in the southeast, we continue to value these utilities at a peer-average multiple given their location and relatively de-risked nature. At current gas LDC peer multiples, we assess there may be better alternative opportunities with stronger growth outlooks and cleaner financial profiles in the sector.

For Spire's midstream assets, we continue to use our base EV/EBITDA multiple of 9.0x, continuing to apply a -3x uncertainty discount at storage, which through inorganic expansion is becoming a larger portion of the overall story. We continue to apply a 2x discount to marketing due to the historical volatility of its contributions to consolidated earnings. We apply a full midstream multiple to the pipeline business as we expect it to remain operable and core to the portfolio without significant future liability.

Exhibit 112: SR Valuation

Still see share price downside with -3x discount of MO utility

	Metric			P/E Multiple						Equity Value	
					Prem/						
Spire	*2026E*		*Low*	*Peer*	*Discount*	*Base*	*High*	-	*Low*	*Base*	*High*
Gas		-	-	**13.4x**	-	-	-	-	-	-	-
Group EPS '19-'23 CAGR - Gas		-	-	**5.0%**	-	-	-	-	-	-	-
		-	-	**14.1x**	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
Spire - MO	$2.65		10.1x	14.1x	**-3.0x**	11.1x	12.1x		$27	$29	$32
Spire - AL	$1.50		13.1x	14.1x	**0.0x**	14.1x	15.1x		$20	$21	$23
Spire - MS	$0.26		13.1x	14.1x	**0.0x**	14.1x	15.1x		$3	$4	$4
Spire - Gulf	$0.03		13.1x	14.1x	**0.0x**	14.1x	15.1x		$0	$0	$1
Total Spire Utilities	**$4.44**		*11.3x*			*12.3x*	*13.3x*		**$50**	**$55**	**$59**
Spire Midstream	**Metric**			**EV/EBITDA**						**Equity Value**	
					Prem/						
	EBITDA	*Prob*	*Low*	*Peer*	*Discount*	*Base*	*High*	-	*Low*	*Base*	*High*
Midstream - Pipeline, Storage & Marketing		-	-	**9.0x**							
Spire Pipeline	$46	100%	8.0x	9.0x	**0.0x**	9.0x	10.0x		$370	$416	$463
Spire Storage	$33	100%	5.0x	9.0x	**-3.0x**	6.0x	7.0x		$164	$197	$230
Spire Marketing	$31	100%	6.0x	9.0x	**-2.0x**	7.0x	8.0x		$184	$215	$246
Less Net Debt	-								($106)	($106)	($106)
Total Midstream	**$110**								**$612**	**$722**	**$832**
Net Midstream Value Per Share									**$10**	**$11**	**$13**
		($Mn)			*Weight*						
Parent Net Debt		**$670**			50%					($335)	
Parent & Other Drag	-$0.55	($35)		12.3x						($435)	-
Add back: Parent Interest Expense	$0.42	$27		12.3x	50%					$164	-
Total Parent									**($606)**	**($606)**	**($606)**
Grand Total Equity Value									**$51.00**	**$56.00**	**$63.00**
Shares Outstanding 2026E										64	
Total Equity Value									**$51.00**	**$56.00**	**$63.00**
P/E Discount to grossed-up gas LDC multiple of 14.5x										20%	
Current Price										$58.53	
NTM Dividend Yield										5.2%	
Total Return										**0.8%**	

Source: BofA Global Research, Company filings, Bloomberg

BofA GLOBAL RESEARCH

TransAlta Corp (TA)

Originally published on 01/26/24

Renewable development remains core strategy

TA continues to make incremental progress in moving forward its Canadian, Australian, and US-based pipeline of development-stage renewables and infrastructure projects. Management continues to flag the long-term target of deploying $3.5B in capital over the 2024-2028 period to develop 1.75 GW of assets with a target average EBITDA yield of 10%. Note that projects expected to reach final investment decision (FID) toward the back end of this period would also count toward the targets. Since rolling out these goals at the company's 2023 investor day, mgmt has hedged somewhat on total deployment targets, stressing capital discipline would guide investment decisions in favor of stretching to hit MW deployment milestones.

Brookfield conversion messaging becoming more explicit

Infrastructure fund Brookfield continues to hold conversion rights allowing it to buy in to TA's Hydro fleet at a price of 13x EBITDA using a running 36-month trailing average, with the proportion of the assets acquired scaled by the purchase price. Since signing the deal in 2019 TA has acknowledged that it sees a conversion as likely without specifying expected timing – in recent updates commentary has become more explicit, with mgmt estimating that based on the current 36-month window the conversion would be below 30%. All in a net positive that should help to crystallize the value of these assets which have been consistently proven to capture above-market pricing premiums given their dispatchable nature and minimal variable costs.

Capital allocation: one more deal, buyback renewed

TA shares underperformed following the 2023 investor day as mgmt did not announce a formal buyback target, opting to double down on organic growth led by renewable development. The late-Dec announcement of an automatic repurchase plan for up to 14m shares through May 2024 was an incremental positive as it allows the company to sidestep blackout periods. Mgmt had previously indicated C$12 as an attractive entry point for its own purchases of TA shares, making the current valuation rather attractive. Recent acquisitions including buy-in of its yieldco have reduced liquidity, however. Still pending is the acquisition of Heartland gas generation assets in Alberta which needs to pass federal competition review before proceeding. With less balance sheet flexibility, we still like potential buybacks as an incremental source of capital allocation.

We maintain our Neutral rating given uncertain future growth prospects given a backwardated Alberta forward curve and challenging renewable development economics, which offset an optically attractive valuation in our view.

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
TransAlta Corporation: Small steps forward after a year of transformational deals	Julien Dumoulin-Smith	26 January 2024
TransAlta Corporation: Investor Day 2023: Doubling down on renewable devco aspirations		22 November 2023
TransAlta Corporation: Latest acquisition balances renewables-first growth strategy		07 November 2023
US Utilities & IPPs: PowerPoints: Wisconsin LNT & XEL, TA M&A, HE latest, and AEP OH settlement	Julien Dumoulin-Smith	07 September 2023
US Utilities & IPPs: PowerPoints: D 3Q guidance light, PPL miss, TA beat & raise, and PNM in-line	Julien Dumoulin-Smith	04 August 2023

WEC Energy Group (WEC)

Originally published on 01/17/24

EPS preview: IL uncertainty keeps us below Street

We forecast WEC's 2024 EPS to come in at $4.90, slightly below Street consensus of $4.91. WEC's practice of guiding to EPS growth from the prior year's midpoint suggests an initial EPS range of $4.89-4.93 which our forecast is consistent with.

The largest unknown remains the impact of the latest IL rate case outcomes on People's Gas and North Shore Gas. WEC indicated the possibility of moving down capex at these utilities over the course of its 5-year plan, though 2024 may be more intact than other years given the need to complete in-progress emergency work – even this remains an open item pending commission review. Another key unknown lever is the degree to which WEC pulls back on O&M at these utilities given the unfavorable rate order. A further unknown remains Energy Infrastructure – expect some capex upside here to potentially be included in the plan as a means of backfilling lower spend in IL, though unlikely that a project that is added will enter service in 2024.

Our bottom line on WEC's messaging is that we expect the company to stick by its long-term financial targets and issue 2024 guidance that is consistent with the long-term EPS CAGR. We note WEC recently announced exercise of its early settlement right for validly tendered and not validly withdrawn $300m 2007 series A Junior Subordinated Notes due 2067 prior to the early tender time. ~$122m notes are expected to be accepted by the company for a total consideration of $943.75 (including a tender premium of $50). We expect this settlement would yield ~$7Mn pre-tax or $5Mn post tax or ~$0.02 EPS gain for FY24.

Exhibit 113: WEC EPS walk
Forecast 2024 EPS of $4.90

	2024	Q1	Q2	Q3	Q4
FY23A Adjusted EPS	4.62	1.61	0.92	0.92	1.14
Wisconsin Utilities	0.22	0.10	0.05	0.05	0.02
Illinois - PGS and NSG	-0.04	-0.01	-0.01	-0.01	-0.01
MERC/MGU	0.01	0.01	0.01	0.01	-0.01
ATC	0.04	0.01	0.01	0.01	0.01
Energy Infrastructure	0.06	0.02	0.02	0.02	0.02
Corp & Elimination	0.01	0.00	0.00	0.00	0.00
Share Count Dilution	-0.01	0.00	0.00	0.00	-0.01
FY24E Adjusted EPS	4.90	1.73	0.99	0.99	1.16
FY24 Consensus	4.91	1.56	1.03	1.08	1.18

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Capital lower in IL, but net move higher?

WEC's early 2024 has been uncharacteristic compared to prior years given lack of financial guidance. The company released an updated investor presentation detailing preliminary long-term capital considerations, as well as its 2023 adjusted EPS guidance and reaffirming the 6.5-7.0% annual EPS growth target 2023-2028 following uncertainty in the wake of the IL rate outcome.

Ahead of an updated spending plan which is expected on the Q4 call, WEC emphasized "capital plan flexibility" over the 2024-28 period including a reduction of Illinois natural gas -$700 to -$900Mn, offset by +$700 to $900Mn increasing unregulated energy infrastructure investment. Wisconsin utility capital investment could also increase +$200 to $400Mn. Shifting to higher ROE unregulated investments as well as more favorable Wisconsin regulatory jurisdiction would enhance the EPS growth profile but net shifting to unregulated would reduce the mix of regulated asset and earnings base unfavorably. We do not see business mix issues at present, even with a higher assumed share coming from the unregulated infrastructure segment.

While the IL natural gas utility rate order was cautious for WEC and caused the company to take a 2023 charge related to capital that was disallowed, messaging from the company suggests an upward bias to the overall capital plan – note two upside categories (WI and Infra) offsetting the IL reduction. While earnings quality does in theory deteriorate if replacing regulated investment with unregulated renewables, the capital tweaks as telegraphed likely give WEC a credible path to maintaining the long-term guidance target of 6.5-7.0%.

Wisconsin commissioner moves latest data point

The Public Service Commission of Wisconsin (PSCW) lost **two** of **three** members in a matter of days, with former Chair Rebecca Valcq stepping down on Jan 11th after five years on the commission and Tyler Huebner coming up short in a 21-11 confirmation vote by the state senate on Jan 16th. Both were appointed by Wisconsin's Democrat Governor Tony Evers. While the specific reason for former chair Valcq stepping down has not been disclosed, the senate vote denying Huebner confirmation fell largely along party lines with the senate split 22-11 in favor of Republicans. The presumptive chair is now Summer Strand, who was appointed by Gov Evers in Mar 2023 and who was confirmed by the state senate in a 27-5 vote. Following the senate vote Gov. Evers nominated Kristy Nieto, a member of the PSCW's staff to serve as commissioner replacing Huebner.

On balance the moves within the PSCW screen as modestly favorable for utilities in the state. Huebner had indicated in open meetings that he viewed approved ROEs for utilities as too high, starting with discussion of WEC's electric settlement in Dec 2022, while Valcq was seen as more of a balanced regulator. While Summer Strand is an Evers appointee, her smooth confirmation suggests a dynamic other than straight party-line politics. WEC, along with in-state peers LNT and MGEE, has plans in place to add solar and battery storage generation in coming years and a significant ideologic shift at the PSCW could yet shift the level of support for utility-owned renewables.

Estimates

We have largely maintained our forecast but brought down our 2023 estimate reflecting mild weather in Q4 – our estimate moves to $4.61 which reflects language in the company's Jan 8-k that affirmed expectations to reach the upper end of the guidance range. WEC has a strong track record of delivering on and exceeding financial targets - we expect a continued focus on achieving the EPS target CAGR while in the interim pulling back on IL capex. Our estimates remain below Street consensus which reflects growth along the midpoint of the range.

Exhibit 114: WEC estimates

Maintain our long-run view, low end of guidance bias

WEC EPS Estimates	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E
Wisconsin Electric (WE)	$1.16	$1.21	$1.26	$1.34	$1.52	$1.71	$1.91	$2.13	$2.33
Wisconsin Public Service (WPS)	$0.70	$0.73	$0.75	$0.81	$0.84	$0.91	$0.99	$1.06	$1.13
Wisconsin Gas (WG)	$0.26	$0.24	$0.35	$0.30	$0.33	$0.35	$0.39	$0.45	$0.50
Peoples Gas (PG)	$0.59	$0.65	$0.66	$0.67	$0.63	$0.63	$0.65	$0.66	$0.68
North Shore Gas (NSG)	$0.05	$0.06	$0.06	$0.07	$0.06	$0.06	$0.07	$0.08	$0.08
American Transmission Company (ATC)	$0.42	$0.44	$0.44	$0.46	$0.49	$0.55	$0.62	$0.70	$0.77
Minnesota Energy / Michigan Gas (MERC/MGU)	$0.12	$0.11	$0.21	$0.22	$0.23	$0.25	$0.28	$0.31	$0.33
Non-Utility (We Power, BlueWater, Infrastructure)	$0.82	$0.88	$1.03	$1.10	$1.15	$1.17	$1.18	$1.20	$1.16
Energy Infrastructure	$0.11	$0.20	$0.31	$0.38	$0.44	$0.49	$0.53	$0.58	$0.57
Parent & Int Expense	(0.34)	(0.21)	(0.29)	(0.35)	(0.36)	(0.44)	(0.53)	(0.66)	(0.73)
BofA Estimate	**$3.79**	**$4.11**	**$4.46**	**$4.61**	**$4.90**	**$5.19**	**$5.56**	**$5.92**	**$6.25**
Company Guidance		4.05-4.07	4.38-4.40	4.58-4.62					
CAGR off 2023 original midpoint of $4.60					*6.5%*	*6.2%*	*6.5%*	*6.5%*	*6.3%*
Consensus				$4.61	$4.91	$5.24	$5.59	$5.97	
BofA % over/under Street				*0.3%*	*-0.1%*	*-1.1%*	*-0.6%*	*-1.0%*	

Source: BofA Global Research estimates, Bloomberg

BofA GLOBAL RESEARCH

Valuation

Recent mark to market to latest peer multiples of 13.3x for electric and 12.6x for gas. This took our PO from $78 to $75 and we reiterated our Underperform given the negative total return implied by our valuation.

Exhibit 115: WEC valuation
PO $75, reiterate Underperform

Regulated Utilities	2026 EPS	2026 Net Income	P/E Multiple				Equity Value	
			Peer	Prem/ Discount	Base		Base	
Group Peer Multiple - Electric			13.3x					
Group EPS 'CAGR - Electric			5.00%					
Group Peer Multiple - Gas			12.6x					
Group EPS CAGR - Gas			5.10%					
Applied Multiple			Electric 14.0x Gas 13.2x					
WI Electric	$1.91	626		1.0x	15.0x		$9,371	$29
WPS	$0.99	323		1.0x	15.0x		$4,826	$15
WI Gas	$0.39	128		1.0x	14.2x		$1,818	$6
Peoples Gas	$0.65	212		-3.0x	10.2x		$2,170	$7
North Shore Gas	$0.07	24		-3.0x	10.2x		$243	$1
ATC	$0.62	203		4.0x	18.0x		$3,649	$11
We Power (PTF)	$0.63	207		-2.0x	12.0x		$2,473	$8
MERC/MGU	$0.28	92		3.0x	16.2x		$1,491	$5
Blue Water	$0.04	12		3.0x	17.0x		$201	$1
Parent & Int Expense	-$0.53	(175)		0.0x	14.0x		($2,438)	($7)
Total Implied Utilities	$5.03	1,651			14.4x		$23,804	$73
					26 EPS	Implied P/E		
Non Utility Energy Infrastructure					$0.53	10.4x	$1,811	$6
Infra projects - announced	NPV value	WACC Applied:	8.9%				$1,811	$6
HoldCo Debt Adjustment								
Add Back: 50% of Interest Expense	$0.35	115	13.4x		14.4x	15.4x	$1,772	
Subtract: HoldCo Debt (Net out 50%)	5,820	(2,910)					($2,910)	
Total Equity Value							$24,477	
Valuation							$75	
Shares Outstanding								327
Rounded 12 Month Target Price								
Price Objective							$75	

Source: BofA Global Research estimates, Bloomberg

BofA GLOBAL RESEARCH

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
WEC Energy Group Inc: EPS Preview: Upside levers, but business mix could move away from regulated	Julien Dumoulin-Smith	17 January 2024
US Utilities & Clean Tech: PowerPoints: ES Credit & CT, WEC Capex, PJM Power, AWK NJ, and New Nuclear	Julien Dumoulin-Smith	10 January 2024
US Utilities & Clean Tech: PowerPoints: Year Ahead 2024, WEC Guide, VST M&A, XEL/CNP/ALE, and D/CEG	Julien Dumoulin-Smith	08 January 2024
WEC Energy Group Inc: Downgrade to Underperform: Clouds to low-vol, dependable growth story	Julien Dumoulin-Smith	04 January 2024
US Utilities & IPPs: PowerPoints: WEC No FY24 Guide Yet, PEG FY24 Guide & Capex, and HE Credit Update	Julien Dumoulin-Smith	20 December 2023
WEC Energy Group Inc: Resetting expectations on Illinois regulatory – small enough to overcome	Julien Dumoulin-Smith	27 November 2023
US Electric Utilities & IPPs: Power Points: AEE and WEC IL Gas orders, UGI FQ4 beat, NY State EV funding	Julien Dumoulin-Smith	17 November 2023
US Utilities & Clean Tech: PowerPoints: EEI QBank, HE Guide, CA Cost of Capital, AQN, PCG, WEC, & PLUG	Julien Dumoulin-Smith	10 November 2023

Exhibit 115: WEC valuation
PO $75, reiterate Underperform

Regulated Utilities	2026 EPS	2026 Net Income	P/E Multiple	Equity Value

US Utilities & IPPs: PowerPoints: WEC Chair, TX Turnover, AEE /ATO/ORA EPS, D Latest + M&A, & EXC NJ Julien Dumoulin-Smith 09 November 2023

Xcel Energy (XEL)

Originally published on 01/29/24

Growth expected above top end of 5-7% range

Xcel Energy's (XEL) highly anticipated 4Q23 update led to an extension of the long-term EPS growth profile at the top-end of the 5-7% growth target. We had anticipated a stronger signal with a formal increase to 6-8%; however, nearly all our investor conversations focused on the high-end of 5-7%. Ultimately we believe this is a degree of semantics with XEL likely growing 7-8% when factoring in positive compounding with the company rebasing off actuals. The earnings call commentary was constructive as management pointed to EPS growth above the top end of its 5-7% range beginning in 2025 as the new capital spend begins to flow through rate base. Premium peer CMS Energy (CMS) is one of the only other companies that rebases off actual results versus the prior year's midpoint, a positive trait. Taken together the commentary suggests that coming acceleration in spend and earnings growth will be sustained for some time (Texas capex is yet more upside not yet in the plan) but that eventually growth should revert to historical levels. We remain confident in our earnings estimates which are consistent with the 'above the top end' commentary as the bulk of Colorado generation and transmission spend is invested. Note also that XEL's strong financial performance has been cited in recent regulatory proceedings by stakeholders and the EPS growth sends a signal to a variety of stakeholders. We maintain Buy on XEL as one of the increasingly few premium regulated utilities which still has future capex upside from renewable generation opportunities in Texas and elsewhere.

We see the backdrop on deciding not to move higher with its 5-7% EPS CAGR as respecting the regulatory backdrop more than any specific concern on the outlook. We appreciate the ongoing scrutiny applied in Colorado and saw the pullback on the margin in timing/size of proposal as in part reflecting some rate sensitivity. We appreciate the clear upward latitude in the program with its base ratebase growth enabling the top-end of EPS estimates already, prior to reflecting either the 'core' upside of $5 bn or the 'upside to the upside' in the full SPS expansion of $5Bn+ (seemingly another $5 bn+ of opportunity). On balance, we see latitude towards a healthy 7% figure with aspirations towards 8% EPS clearly in view.

On the regulatory front, we perceive more muted near-term risks. Natural gas in Colorado could prove an issue anew with the latest rate case in front of us, but we perceive much of the issues tied to bills to be legacy. Watch for some potential evolution on gas cost recovery. Much of the regulatory focus likely remains on just procurement, with SPS likely to garner a growing debate between NM/TX on the composition of the 5-10GW buildout and the amount that will be 'ownable' by SPS (via procurement; again, recall AEP SWEPCo's own recent challenges, although we think lessons have been learned there from all already).

Equity is the near-term focus: timing/size of equity in the near-term (beyond likely ~$2.5 Bn of ATM thru the plan) as well prospects for upside.

Exhibit 116: Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
AQN	AQN US	Algonquin Power	US$ 6.07	B-2-8
YAQN	AQN CN	Algonquin Power	C$ 8.13	B-2-8
LNT	LNT US	Alliant Energy Corp	US$ 49.19	A-1-7
AEE	AEE US	Ameren Corp	US$ 69.79	A-2-7
AEP	AEP US	American Elec Power	US$ 78.38	A-2-7
AWK	AWK US	American Water	US$ 125.75	B-3-7
AGR	AGR US	Avangrid	US$ 30.75	A-3-7
AVA	AVA US	Avista Corp	US$ 34.21	B-3-7
BKH	BKH US	Black Hills	US$ 51.95	B-3-7
CNP	CNP US	CenterPoint Energy	US$ 27.91	B-1-7
CMS	CMS US	CMS Energy	US$ 57.13	A-1-7
ED	ED US	Consolidated Edison	US$ 90.59	A-1-7
D	D US	Dominion Energy	US$ 45.43	B-3-7
DTE	DTE US	DTE Energy	US$ 103.84	A-1-7
DUK	DUK US	Duke Energy	US$ 95.77	A-1-7
EIX	EIX US	Edison Intl	US$ 67.7	B-3-7
ETR	ETR US	Entergy Corp.	US$ 99.74	B-1-7
WTRG	WTRG US	Essential Utilities	US$ 36.8	B-2-7
EVRG	EVRG US	Evergy	US$ 50.6	B-2-7
ES	ES US	Eversource Energy	US$ 55.16	B-3-7
EXC	EXC US	Exelon Corp	US$ 35.29	B-2-7
FTS	FTS US	Fortis	US$ 40.16	A-3-7
YFTS	FTS CN	Fortis	C$ 53.86	A-3-7
IDA	IDA US	Idacorp	US$ 94.44	A-2-7
MDU	MDU US	MDU Resources	US$ 19.57	B-1-7
NEE	NEE US	NextEra Energy	US$ 59.57	B-2-7
NWE	NWE US	NorthWestern Energy	US$ 48.63	B-1-7
OGE	OGE US	OGE Energy Corp	US$ 33.27	B-2-7
OGS	OGS US	ONE Gas, Inc.	US$ 62.39	B-3-7
PCG	PCG US	PG&E Corp.	US$ 17.03	B-1-7
PNW	PNW US	Pinnacle West Capit	US$ 70.26	B-2-7
PNM	PNM US	PNM Resources Inc.	US$ 37.2	A-1-7
POR	POR US	Portland General	US$ 41.07	B-1-7
PPL	PPL US	PPL Corp.	US$ 26	B-1-7
PEG	PEG US	Public Service	US$ 58.02	B-1-7
SRE	SRE US	Sempra	US$ 71.49	B-1-7
SO	SO US	Southern Company	US$ 69.19	A-2-7
SR	SR US	Spire	US$ 58.53	B-3-7
TAC	TAC US	TransAlta Corp	US$ 7.46	B-2-7
YTA	TA CN	TransAlta Corp.	C$ 10	B-2-7
WEC	WEC US	WEC Energy Group Inc	US$ 80.45	A-3-7
XEL	XEL US	Xcel Energy	US$ 59.66	A-1-7

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

Algonquin Power & Utilities Corp (AQN / YAQN)

Our PO of $6.00 (C$8.00) is based on a SOTP valuation. We assign P/E multiples on 2025E (13.7x electric, 13.3x gas, 20.4x for water) EPS based on expected 2025 breakdown. We reflect a -3x discount to the peer multiples to reflect risk of capex reductions and lack of clarity on growth prospectively. We back out future tax differential stemming out of tax rate normalization.

We value AQN's non-reg on EV/EBITDA basis. We assign a -2x discount to thermal, hydro, solar, and wind from the peer mult of 10x 2024E EBITDA to reflect the fact that as a likely seller AQN may see pressure on realized pricing.

We valued AQN's 44.2% stake in AY on mark to market basis and net out non-Utility debt.

Our assumed shares o/s numbers reflect our estimated equity issuance including converts in 2025.

Upside risks: 1) Higher USD/CAD F/X rate, 2) Constructive regulatory outcomes, 3) Lower interest rate, 4) Execution on the capital plan, 5) Dividend Growth from AY.

Downside risks: 1) Higher interest rates, 2) Lower USD/CAD F/X rate depending upon the exposure to the US, 3) Dilution risk associated with substantial equity issuance to finance capex, 4) Unfavorable regulatory actions, 5) Increase in Tax rate, 6) AY may not be able to sustain its current dividend levels, 7) Exposure in CA Renewables, 8) Balance Sheet quality, and 9) Natural disasters which could impact utility operating systems.

Alliant Energy Corporation (LNT)

Our $55 PO is based on a sum of the parts analysis employing relative premium and discounts to the large cap regulated peer multiple of 13.6x 2026E P/E. We note that electric peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector. We apply a 1.0x P/E premium on IPL as we see the rate case overhang being resolved. We apply a 2.0x P/E premium on Wisconsin Power & Light Company reflecting 1) low risk investment nature of the state, 2) above average ROEs, 3) higher than average growth runway for investments, and 4) potential risks around solar deployment in both WI and IA. At ATC, we reflect a 4.0 x P/E premium on LNT's 16% share in the transmission company. Growth expectations for this segment are high, paired with above average ROEs that we believe face less downward pressure vs. regulated state distribution ROEs. We apply an in line multiple at the parent to account for the blend of numerous businesses some which benefit from long term stable PPAs via intercompany generation. Risks to our Price Objective are: 1) rate case outcomes, 2) further equity dilution beyond our estimates, 3) interest rate fluctuations, 4) natural disasters, and 5) inflation and ability to earn the allowed rate of return

Ameren Corporation (AEE)

Our $77 price objective is predicated on a P/E based sum of the parts, valuing each business subsidiary relative to the 2026E ratebase weighted peer multiple of 13.6x for electric and 13.9x for gas. We apply a 1.0x premium to peers at AEE Missouri to account for the improving prospects of capital spend, supplemented by a regulatory jurisdiction becoming more favorable - but lack of decoupling. We apply -3x discount for AEE Illinois Electric and also AEE Illinois Gas to account for recent regulatory outcomes. At Ameren Transmission, we apply a 4.0x premium to peers to reflect the FERC ROEs and robust growth outlook. At the Parent, we assume inline multiple reflecting average of the subs and given the healthy debt metrics with FFO/Debt at 17%+. Electric peer P/E multiple is grossed up for a year by 5% to reflect capital appreciation across the sector. The risks to our price objective are the utilities earning their allowed returns or worse, a significant change in 30-year U.S. Treasury bond yields, and adverse regulatory outcomes that could impact mgmt's ability to earn its allowed return.

American Electric Power (AEP)

Our price objective of $78 is based on sum-of-the-parts (SOTP) analysis. We ascribe a peer forward FY26E P/E multiple (13.6x) with a 1.0x premium for its Texas transmission and distribution utilities and transmission-only utilities segments and a 0x premium (in-line multiple) for Ohio. We apply a -3x for ApCo on under-earn and coal securitization risk. We apply -4x at SWEPCO on regulatory execution risk. Elsewhere we apply -2x on earnings lag and below-average jurisdictions. Vertically integrated utilities are assigned a -2x discount on regulatory and execution risks. For the unregulated portion, we apply a 3.5x discount to the legacy energy supply and marketing business and an 8x premium to the contracted renewables business to reflect sale aspirations. Risks to achievement of the price objective are 1) regulatory outcomes are less favorable than expected, which could result in reduced return on equity (ROE), 2) large capital intensive projects are subject to delays or cost overruns, which can change the return profile, 3) natural disasters or catastrophic events can affect system reliability and are subject to regulatory cost recovery risk, 4) utilities are subject to interest rate risk to fund their business, which affects cost of capital, 5) uncertainty around announced asset divestitures versus guidance expectations, 6) volatility in volume of electric sales, 7) other adverse regulatory, political, or similar actions.

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.

Avangrid (AGR)

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

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

Avista (AVA)
Our $32 PO is based on our 2026E sum-of-the-parts (SOTP) analysis, based on the electric group multiple of 13.6x for electric and 13.4x for gas. Both electric and gas peer P/E multiples are grossed to reflect the group's 5% CAGR to reflect capital appreciation across the sector. We then use a blended electric and gas multiple of approximately 75% and 25%, respectively, for AVA's WA and ID jurisdictions given the composition of its rate base. We apply a -2x discounts to WA, ID, and OR to capture below average-growth, inconsistent execution, and regulatory uncertainty. We apply the gas multiple to its OR jurisdiction as it is entirely comprised of natural gas distribution assets. We apply an electric multiple to its Alaska subsidiary, AEL&P, as it is a vertically integrated electric utility, with a -1x discount. The Corporate & Other segment is valued with (1) a utility P/E multiple on the HoldCo expenses, (2) nearly offset by the disclosed fair market value of other assets & investments.

Upside/downside risks to achievement of the price objective are changes in: 1) regulatory, political, and legislative, 2) interest rates and commodities, 3) wildfires and natural disasters, 4) phase-out of natural gas, 5) capital expenditures, 6) debt and equity needs, 7) credit ratings, 8) clinical trials, and 9) other investments.

Black Hills Corporation (BKH)
Our $49 per share valuation is based on a sum-of-the-parts analysis. We apply the latest peer average electric (13.5x) and natural gas (13.4x) 2026E P/E multiples. We gross-up +5% the base multiples across the coverage universe to reflect capital appreciation in the sector. We apply a -2x discount for below average EPS and dividend growth prospectively. Coal Mine: We apply an 5x peer P/E multiple, which is in line with other PRB coal producers. Based on our view of the strength/maintainability of different coal plant output contracts, we apply a premium multiple to that portion of the mine. IPP Assets: We use the sale price and '23 EV/EBITDA multiple for Pueblo Airport and Wygen I assets, respectively. Parent Expense, Debt, and Eliminations: We apply an average regulatory P/E multiple to this segments income. This captures some Interco revenues that are double counted as well as parent SG&A drag and debt.

Downside risks: inability to earn the authorized rate of return, unfavorable regulatory outcomes, reductions in capital expenditures forecasts, higher operating and financing costs, lower sales volumes, unfavorable political and legislative changes, higher interest rates, and natural disasters.

Upside risks: ability to earn above the authorized rate of return, favorable regulatory outcomes, higher capex deployment, lower operating and financing costs, higher sales volumes, favorable political and legislative changes, decrease in interest rates.

CenterPoint Energy (CNP)
Our CenterPoint Energy PO is $30 using a 2025E sum-of-the-parts methodology. We apply the 14.4x electric and 14.4x gas base multiples. The base multiples are grossed-up +5% to reflect sector capital appreciation, a consistent approach across the coverage universe. We apply a 15% premium due to above-average growth and constructive jurisdictions.

Risks to achievement of the Price Objective are changes in 1) legislative, regulatory, and political outcomes, 2) capital expenditure forecasts and deployments, 3) earned return on equity, 4) asset sales, 5) capital markets access, costs, and needs, 6) interest rates, 7) weather and natural disasters, 8) management changes, and 9) inflation.

CMS Energy (CMS)

Our PO of $66 is based on a SotP relying on 2026E forward P/E multiples for the utility business and a 2025E forward EV/EBITDA multiple for CMS' IPP assets. For the utility seg we apply a 3.0x prem to the average 2026E regulated multiple P/E of 13.6x for the electric segment and of 13.9x for the gas segment, with the 10-yr capex update providing clear sight on ratebase growth and further upside, as well as continued favorable regulatory environment, and finally historically proven ability to consistently perform at the high end of guidance range. Both electric and gas peer P/E multiples are grossed up +5% to reflect capital appreciation across the sector. For CMS' merchant business we apply a 4x EV/EBITDA multiple, in line with current market value of CMS' power plants. We value Dearborn Industrial Generation (DIG) on a DCF basis through 2038 given the plant is no longer expected to be sold to Consumers.

Downside risks are: 1) earned ROEs declining which reduce CMS utility earnings 2) execution risk on capex and cost cutting which would primarily affect the utility earnings, 3) negatives changes to market energy prices which could affect the DIG plant's ability to re-contract at the assumed prices.

Consolidated Edison (ED)

Our $96 PO is based on a sum-of-the-parts analysis applying premiums and discounts to the regulated group multiples 14.8x/14.3x for electric/gas respectively with an in-line multiple for Electric, Steam, & Gas to reflect a combination of historically challenging regulation but above-peer growth and de-risked profile. We apply a 2x premium to electric and 1x premium to gas to reflect regulatory de-risk and growth prospects. Both electric and gas peer 2025 P/E multiples are grossed up by 5% to reflect capital appreciation across the sector.

For noncore segments we apply an in line valuation to Con Edison Electric Transmission (CET) given potential for earnings growth and attractive regulatory characteristics. For the Mountain Valley Pipeline stake we apply a 10x EBITDA multiple to our 2024 EPS estimate reflecting recent positive legal and legislative developments.

Upside/downside risks are 1) earned regulatory returns, 2) capital expenditures, 3) regulatory/political/legislative changes, 4) interest rates, 5) natural disasters, 6) execution on unregulated projects. Additional downside risk: lack of approval or modification of the JP by the New York state commission.

Dominion Energy (D)

We value Dominion Energy at $40 using a 2026E sum-of-the-parts analysis. For the utilities we apply the comparable 13.5x electric peer multiples which we gross-up by 5% to reflect capital appreciation across the sector. We apply -1.5x discount for base Virginia and -1.0x for South Carolina. We apply discount adjustments to lower value utility sources in South Carolina (NND nuclear and bill credits). The pension income is valued 4x P/E, consistent with the 12/31/22 valuation levels.

Contracted assets are valued using 2026 EV/EBITDA: 5x Millstone (13% FCF Yield), and 5x for renewables. For remaining debt beyond that allocated to state utilities, we include a 50% weight towards a straight netting of leverage, with the remaining 50% using a P/E multiple on associated interest expense, in line with the methodology employed for diversified utilities with relatively higher levers of leverage. The interest rate hedge is valued at the stated $1Bn value 9/30/23 less tax.

Risk to achievement of the Price Objective are 1) regulatory, legislative, and political actions, 2) ability to earn or exceed the regulatory allowed ROE, 3) capital markets and equity requirements, 4) changes to the capital expenditure and rate base forecast for both regulated & unregulated segments, 5) volatility in interest rates and pension returns, 6) changes in commodity prices, 7) natural disasters, nuclear accidents, and weather, 8) nuclear performance, 9) inflation, & 10) offshore wind construction.

DTE Energy (DTE)

We value DTE Energy at $115 using a sum-of-the-parts (SOTP) approach. We value the company using a 2026E forward P/E multiple basis. For the utility segment we apply a +1x for electric and in-line for natural gas to our regulated electric and gas utility peer multiples (of 13.6x and 13.9x, respectively). Both electric and gas peer P/E multiples are grossed up by 5% to reflect capital appreciation across the sector. We value DTE Vantage segment on a multiple of 2026 EPS - the grossed-up electric multiple of 14.3x to account for the renewable natural gas (RNG) business. We assign an equity value based on a -7x discount to the Equity Trading segment given potential for earnings volatility and opacity of the segment. We also reduce the equity value for estimated unallocated parent debt by applying a 14.4x multiple to both the interest expense and corporate overhead expenses at the parent.

Risks are: regulatory/political/legislative actions, realized returns from the unregulated Vantage segment, changes in equity needs, load growth/class mix, equity needs, weather/natural disasters, and interest rate fluctuations.

Duke Energy (DUK)

Our $105 PO is derived from a sum-of-the-parts valuation. We value the Electric and Gas utilities using peer 2026E P/E multiples. We apply a 3x multiple premium to Duke's operations in FL and 2x in IN to reflect more favorable regulatory environments (and potential generation opps in IN). We apply a 2x multiple to the Carolinas given upside to spending in improving regulatory construct combined with latest IRP & wider legislative reforms into 2023. We value the other regulated electric utilities at 13.9x and the gas utilities at peer group multiples of 13.4x 2026E P/E, respectively. Both electric and gas peer P/E multiples are grossed up by 5% for the groups CAGR to reflect capital appreciation across the sector. The commercial midstream, and transmission are valued on a 2025E EV/EBITDA basis. We use 8.0x multiples for midstream and 9.0x for transmission segments. We subtract out the impact of commercial debt, and add back for the renewable debt. Upside risks: constructive rate case results, higher capital expenditure additions vs our assumptions, lower interest rates. Downside risks: poor rate case results, operating errors, and negative changes in the regulatory environment, Macro risks: Increases in interest rates and decreases in equity market valuations.

Edison International (EIX)

Our $57 PO is based on sum of the parts analysis with a peer 16.3x 2024 P/E grossed-up 5% for group growth. A -3x P/E discount is applied to the CPUC, as well as the Parent/Other segment, and -1x P/E discount to FERC jurisdictional utilities. The discount reflects below-average growth and regulatory considerations, albeit FERC risk profile is less challenging than the CPUC. The negative wildfire adjustments are netted-out to reflect a probabilistic approach to the risk of shareholder funded wildfires and the ongoing contribution to the CA fund on an NPV basis.

Positive and negative risks are changes in: 1) Wildfire and other natural disasters/catastrophic events, 2) regulatory outcomes, 3) interest rates, 4) equity needs, 5) earned returns and operating costs, 6) Edison Energy returns, 7) ability to deploy capital, 8) environmental, social, & governance [ESG] profile, and 9) wildfire liabilities for shareholders.

Entergy (ETR)

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

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

Essential Utilities (WTRG)

Our Price Objective of $44 is based on a 2025 P/E sum-of-the-parts methodology. The base natural gas (15.8x) and water (24.9x) 2025 P/Es are used and grossed up +5% and +7%, respectively, to reflect capital appreciation opportunities across the subsectors. The water utilities are valued at a -2x P/E discount for below average growth. The natural gas utilities are valued at a -1x P/E due to regulatory uncertainty and historically earnings above allowed levels. The parent & other costs are valued at a blended water/natural gas multiple.

Positive and negative risks to achievement of the Price Objective are: 1) regulatory, legislative, judicial, and political outcomes, 2) ability to close pending and future acquisitions, 3) repairs tax guidance, 4) weather, natural disasters, and gas accidents, 5) change in interest/discount rates and pension returns, 6) ability to control costs and earn the allowed rate of return, 7) water contamination and standards, 8) bad debts and macroeconomics factors,

Evergy, Inc (EVRG)

Our $51 price objective for Evergy (EVRG) is based on sum of the parts valuation, applying an in-line utility peer 2026E P/E of 13.3x. The electric peer P/E multiple is grossed up for one year by 5% to reflect capital appreciation across the sector. We further apply a -2.0x turn discount across Missouri and -2x for the Kansas Central subsidiaries based on our perception of a challenging regulatory setup that will pressure future capital spend and Evergy's ability to sustain a consistent EPS growth rate in light of intense regulator scrutiny of customer bill pressures. Downside risks to our price objective are adverse regulatory outcomes, inability to deploy capital expenditures consistent with guidance, operational performance issues including at the nuclear facility, and earning below the authorized rate of return. Upside risks to our price objective are favorable regulatory outcomes in important proceedings, accretively deploying additional capital expenditures above guidance, higher than anticipated O&M benefits and merger synergies leading to a higher earned return on equity, and the ability to recover capital invested in retired coal assets

Eversource Energy (ES)

Our sum of the parts based price objective of $50 uses P/E multiples on 2025E earnings. The valuation is based on a 2025 sum of the parts analysis. We apply the 2025 average peer P/Es of 13.5x electric, 13.5x natural gas, and 20.0x water. For Connecticut electric & gas utilities, we value at -20% discount (-2.8x) to reflect historical challenges and prospective earnings risks. Connecticut water is valued in-line with natural gas. The other utilities are valued at a -15% discount (-2.1x) for below-average consolidated growth and weaker balance sheet metrics. Parent net loss per share is valued at an -1x discount to the electric utility average.

Upside and downside risks to our Price Objective are 1) regulatory/political/legislative changes, 2) capital expenditures forecasts, 3) ability to earn the regulatory allowed ROE, 4) offshore wind review, 5) natural disasters & storms, 6) operational performance and gas incidents, 7) integration of historical and prospective M&A, 8) pension plan performance, and 9) equity issuances.

Exelon (EXC)
Our $36 PO is based on an sum of the parts valuation. Our base electric peer 2026 P/E multiple of 13.2x is grossed up for a year by 5% to reflect capital appreciation across the sector. We apply an -0.5x discounted multiple across EXC utilities PECO, BGE, PHI with average consolidated EPS growth and a below-average balance sheet warranting a lower valuation. The large Illinois ComEd jurisdiction has a -2.0x (-15%) discount applied to reflect the 8.9% authorized return on equity in the multi-year plan which is punitive relative to most other utility jurisdictions.

Risks to achievement of the rating and price objective include: 1) Adverse regulatory, political, and legislative outcomes, 2) inability to deploy the guided capital expenditures, 3) equity needs that differ from guidance, 4) storms, weather, and other natural disasters, 5) inability to control operating costs, 6) changes in effective tax and interest rates, and 7) changes in credit rating agency metric requirements.

Fortis (YFTS / FTS)
Our C$50 (US$37) PO is based on our sum of the parts methodology. We assign a 2026E forward base peer P/E multiple of 13.5x to the US utility business with an in line multiple for UNS Energy (AZ) to reflect regulatory risk balanced by solid earnings growth, a 3.0x premium for ITC for long-term expansion investment opportunities, and in-line Central Hudson (NY).

For Canadian utilities, we assign a base peer 2026E P/E multiple of 15.1x. Lower ratebase growth profiles and generally lower authorized equity layers/ROEs, paired with a more challenging regulatory environment, will continue to warrant a discount to US peers, in our view.

At Caribbean utilities, we apply 60% ownership share to the publicly listed subsidiaries' current market cap.

We assign an 6.0x 25E EV/EBITDA multiple to FTS's non-regulated segment seeing the contracted nature of its non-regulated segment positively offset lower growth opportunities. We account for FX upside based on current spot prices

Upside risks are: 1) favorable regulatory outcomes, 2) improvement in USD/CAD exchange rate, 3) performance at the unregulated Fortis Energy segment which largely depends on Belize Hydro and moves directionally with seasonal rainfall.

Downside risks are: 1) unfavorable regulatory outcomes, 2) regulatory lag and overall inability to achieve the allowed ROEs, 3) deterioration in USD/CAD exchange rate, and 4) dilution from additional equity to strength credit ratings

Idacorp (IDA)
Our $97 PO is based on a sum-of-the-part valuation (SOTP) of the utility and parent segments. Our utility valuation is based on applying the 2026E sector P/E multiple of 13.4x that is subsequently grossed-up +5% to reflect anticipated sector growth which is

consistent with our valuation approach for the regulated utility coverage universe. We apply a 2.0x P/E premium to the base peer multiple to reflect the positive attributes including constructive regulation, execution track record, strong balance sheet, and ESG attributes.

Upside and downside risks to our Price Objective are: 1) political, regulatory, or legislative changes, 2) execution of capital projects, including major investments, 3) workforce attrition and operating cost inflation, 4) changes in interest rates, 5) capital markets access and pricing for debt/equity, 6) ability to earn the regulatory allowed rate of return, 7) crypto mining, memory chip, data center, & large customer load patterns, 8) permitting, 9) natural disasters, precipitation, and weather patterns.

MDU Resources Group, Inc. (MDU)

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

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

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

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

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

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

NextEra Energy (NEE)

Our $61 PO is derived using an sum-of-the-parts (SOTP) approach, with the utilities and parent segment valued on a 2025E P/E basis, and the generation segment valued on a 2025E EV/EBITDA basis. In addition, we include NEE's ownership stake in NextEra Energy Partners (NEP) as well as the value of fixed fee IDR (DCF, at 10% disc rate). We assign 25E peer multiples of 14.9x for electric and 21.4x for water (grossed up by 5% and 7%, respectively, to reflect capital appreciation) with discount/premium to reflect the growth/risk profile of the businesses. We apply a 15% premium for FPL and Gulf. For NEER, we apply a peer EV/EBITDA multiple of 10.0x, which we adjust depending on asset type. We give contracted renewables an in line multiple with peers. We utilize a DCF (12% discount rate) of new renewable for projects beyond 2024 and include a 12x terminal multiple. We value contracted nuclear on a DCF approach using an 10% discount rate. We apply a 1x premium multiple to pipelines, -6.0x discount to gas infrastructure and -4x discount for supply and trading given lower asset quality, a 0x premium for contracted gas peakers and 1x discount for merchant peakers (other), again based on asset quality.

Risks to our PO are: 1) regulatory/political/legislative outcomes, 2) weather and natural disasters, 3) commodity price changes, 4) fluctuations in stock prices for NextEra Energy Partners, 5) renewable development margins & margin, and 6) election commission review.

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.

OGE Energy Corp (OGE)
Our OGE PO is $35/share based on a sum of the parts. For the utility and HoldCo we apply the FY26 peer multiple of 13.4x. Electric peer P/E multiple is grossed up for +5% to reflect capital appreciation across the sector, a consistent methodology across our coverage universe. We apply a 0.5x premium for incremental growth not yet embedded in plan as well as the above-average balance sheet metrics.

Upside and downside risks are changes in: 1) regulatory, legislative, and political outcomes, 2) ability to earn the allowed rate of return, 3) interest rates and commodity costs, 4) customer and sales growth, particularly energy and data mining customers, 5) natural disasters, 6) credit rating agency requirements, 7) capital expenditure plan, and 8) request for proposal outcomes.

ONE Gas, Inc. (OGS)
We use a sum-of-the-parts analysis to calculate our $57 price objective for OGS, applying a FY26E Gas LDC peer multiple of 13.4x (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.

PG&E Corporation (PCG)
Our PO of $19 reflects an in-line P/E versus the respective electric (16.1x) and gas (16.0x) peer P/E groups with both grossed-up by 5% to reflect capital appreciation across the sector) based on 2025E. The acute wildfire risk is incorporated separately via a scenario probability weighted at 100% assuming PCG hits the cap in 3-year increments. Lastly, we net out 50% weighting of HoldCo debt and add back 50% weighting of interest expense to derive our Price Objective.

Risks to achievement to estimates and Price Objective are: 1) Wildfire and other natural disasters/catastrophic events, 2) regulatory outcomes, 3) interest rates, 4) equity needs, 5) earned returns and operating costs, 6) Fire Victim Trust monetizations, 7) ability to deploy capital, 8) asset sales, 9) management changes, and 10) environmental, social, & governance [ESG] profile.

Pinnacle West (PNW)
Our price objective of $71 is based on a peer utility P/E multiple of 13.8x, grossed up for a year by 5% to reflect capital appreciation across the sector.

For Arizona Corporation Commission (ACC) regulated assets we apply a -1x discount to reflect the relative quality of the jurisdiction and ongoing earned ROE lag.

For Federal Energy Regulatory Commission (FERC) regulated assets we apply a +3x premium to reflect a premium ROE and rider recovery of invested capital.

Upside and downside risks to the Price Objective are changes in 1) regulatory, political, and legislative relationships/outcomes, 2) load growth in territory versus expectations, 3) riders and capital trackers implementation 4) weather, nuclear, and natural disasters, 5) interest rates, 6) pension liabilities and asset returns, 7) equity needs relative to forecasts, 8) capital expenditures, and 9) ability to control costs to earn a return on equity.

PNM Resources Inc. (PNM)

We value PNM Resources at $44 based on a 2026E sum of the parts valuation methodology utilizing P/E multiples for each business segment. We mark-to-market the electric utility average 13.8x 2026E (versus 14.1x in our last update) which we gross up for +5% reflect capital appreciation across the sector. This is a consistent approach for the coverage universe. We now apply a -1x discount to the NM utility versus a +1x premium prior, reflecting more adverse ratemaking parameters following the most recent general rate case. We still apply a +1.0x premium to the TX and FERC jurisdictions due to their strong growth and attractive investment opportunities.

Risks to the achievement of our price objective and estimates are changes in: 1) regulatory, political, judicial, and legislative outcomes, 2) operating and financing costs, 3) interest rates and asset returns, 4) potential M&A activity, 6) natural disasters and weather, 8) commodity prices, 9) capital expenditures, 10) credit rating agency actions.

Portland General Electric Company (POR)

Our $55 price objective is based on our 2025E EPS estimate using the 16.3x electric peer P/E base multiple. We gross-up +5% to reflect capital appreciation across the sector, a consistent approach across the coverage universe. We value shares based on a 2025E P/E methodology applying a -1x discount which we believe is appropriate for the below-average growth profile that is based in part on success in forthcoming competitive generation solicitations.

Positive and negative risks to achievement of the Price Objective are 1) political, regulatory, or legislative changes 2) power costs in the Power Cost Adjustment Mechanism [PCAM], 3) wildfires and other natural disasters, 4) ability to deploy capital, 5) ability to control operation expenses to achieve the allowed rate of return, 6) changes in interest rates, 7) load growth/contraction, 8) request for proposals, and 9) trading profits or losses.

PPL Corporation (PPL)

Our $32 price objective is based on a sum of the parts methodology applying respective premium/discounts to the 2025E peer group multiple of 16.0x. Electric peer P/E multiple is grossed up by 5% to reflect capital appreciation across the sector, a consistent methodology across our coverage universe. We value all of the utility subsidiaries at +0.5x premium to the sector to reflect the lack of regulatory activity, above-average credit metrics, transmission earnings mix, and reasonable jurisdictions.

Risks to the achievement of our Price Objective are: 1) Integration of Rhode Island assets, 2) regulatory/political/legislative changes, 3) capital markets, 4) ability to earn at or above the regulatory allowed return on equity, 5) cost control, 6) capital expenditures forecasts and execution, 7) natural disasters/weather, 8) equity issuance/repurchase plans, 9) corporate taxes, 10) pension returns, and 11) litigation.

Public Service Enterprise Group (PEG)

Our $66 PO is derived from our 2025 sum of the parts valuation. For the regulated utilities we utilize the electric (14.2x) and gas (14.2x) 2025E sector P/E multiples, which we then gross-up by 5% to reflect capital appreciation across the sector. We apply a +10% premium to PSE&G Utility due to increasing comfort with the growth outlook in a favorable jurisdiction. PSE&G Utility offering low-risk transmission & distribution (T&D) profile. The Power business is valued at a 14% 2025 free cash flow yield. The other businesses and corporate drag are valued using a discounted P/E versus utility assets.

Upside/downside risks to achievement of our price objective are: 1) regulatory/political/legislative outcomes, 2) changes in capital expenditures relative to forecasts, 3) nuclear incidents and natural disasters, 4) equity and capital markets needs, cost and timing adjustments for offshore wind developments, 5) ability to earn the regulated rate of return, 6) inflation, 7) interest rates, and 8) pension returns.

Sempra (SRE)

Our $82 PO is based on a sum of the parts valuation of 2025E earnings. The US utilities are valued using the electric (16.3x) and gas (16.2x) average P/E that we grossed-up +5% to account for sector growth. We apply a -2x discounted valuation to the California gas utility (SoCal Gas) for concerns about long-term use of natural gas. We apply a -1x discounted valuation to the California electric utility (SDG&E) to reflect the wildfire risk exposure. We apply a +2x premium to the TX utility (Oncor) for above average growth and high visibility into rider recovery. The Infrastructure segment (SIP) is valued at 10x EV/EBITDA, an implied premium to the Mexican market (5.5x) and select premium US midstream comparable (Williams and TC Energy at approximately 9-10x) on EV/EBITDA due to its long duration contracted cash flows. The parent drag is treated on a balanced blend of P/E and HoldCo debt and cash netting.

Risks to achievement to our price objective are: 1) Wildfire and other natural disasters/catastrophic events, 2) regulatory outcomes, 3) interest rates, 4) equity needs, 5) earned returns and operating costs, 6) LNG development, 7) ability to deploy capital, and 8) environmental, social, & governance [ESG] profile.

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.

Spire (SR)

Our $56 PO for SR is based on a sum-of-the-parts analysis. Consistently across our coverage universe we apply the peer gas 2026 P/E multiple (13.4x) 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 9.0x EV/EBITDA multiple with a 3x discount for storage given uncertainty, and a 2x discount for marketing due to volatility.

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, and 6) 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 performance at the unregulated subsidiaries, and 7) natural disaster.

TransAlta Corporation (YTA / TAC)

Our C$14 PO (TAC US$11) is based on a combination of DCF and multiples analysis. We value segments with a finite asset life (Gas, Energy Transition) and ongoing sustaining Off Coal Agreement, Sustaining Capex, and DevCo using discounted cash flow valuation. Our DCF assumes a 3.9% risk-free rate, 5.7% equity risk premium to account for exposure to carbon-emitting resources, and adjusted beta of 0.52 to reach a cost of equity of 6.8%.

We value the Hydro segment at 13x 2025 EBITDA. This is in-line with the multiple agreed as part of Brookfield's 2019 investment.

We value the Energy Mkt segment at a multiple of 6x 2025 EBITDA given potential for earnings volatility and exposure to market fluctuations.

We value the renewables segment at 10X 2025 EBITDA, in line with peer comps.

We apply a 9x EBITDA multiple to parent drag, using an average of segment multiples.

Upside risks are higher merchant prices in Alberta and multiple expansion associated with a greater share of renewable generation in TA's asset mix.

Downside risks are new entrants to the Alberta power market driving prices lower, operating risks, fuel price exposure, and legislation adversely affecting the energy sector eg, carbon pricing.

WEC Energy Group Inc (WEC)

Our $75 PO is based on 2026E SoTP, with a large cap electric group multiple of 13.3x and gas regulated multiple of 12.6x. Electric and gas peer P/E multiples are grossed up for a year to reflect capital appreciation across the sector. We apply a 1.0x premium to WEC's WI electric & gas subs for surety in earnings growth for the next two years following the Commission's recent settlement. We ascribe a 4x premium vs. the group at ATC to account for steady earnings growth as well as above avg Federal ROE's. IL Gas receives a -3x discount given the cautious tone set in the most recent rate case. We give Power the Future (PTF) a -2.0x P/E discount given nonutility risk profile. We ascribe an in line multiple for the parent accounting for the interest expense which finances overall utility operations. We value Energy Infrastructure on a net present value basis using a WACC of 8.9%, in line with other renewable assets. We net out 50% of HoldCo debt from equity valuation and adjust to add back the parent drag on interest exp.

Upside risks to our PO: better than expected regulatory outcomes driving improved earnings and higher capital spend, lower interest rates, execution on unregulated projects at favorable returns. Downside risksare: worse than expected regulatory outcomes driving lower earned returns and lower capital spend, higher interest rates, inability to execute on unregulated projects.

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

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

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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	Julien Dumoulin-Smith
	MDU Resources Group, Inc.	MDU	MDU US	Julien Dumoulin-Smith
	Nextracker Inc	NXT	NXT US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Energy Group	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra	SRE	SRE US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith
	Vistra Corp	VST	VST US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	Paul Zimbardo
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Paul Zimbardo
	AltaGas	YALA	ALA CN	Cameron Lochridge
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Cameron Lochridge
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxeon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	New Fortress Energy	NFE	NFE US	Cameron Lochridge
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Julien Dumoulin-Smith
	TransAlta Corporation	YTA	TA CN	Julien Dumoulin-Smith

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

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: Algonquin Power, Alliant Energy Corp, Ameren Corp, American Elec Power, American Water, Avangrid, Avista Corp, Black Hills, CenterPoint Energy, CMS Energy, Consolidated Edison, Dominion Energy, DTE Energy, Duke Energy, Edison Intl, Entergy Corp., Essential Utilities, Evergy, Eversource Energy, Exelon Corp, Fortis, Idacorp, MDU Resources, NextEra Energy, NorthWestern Energy, OGE Energy Corp, ONE Gas, Inc., PG&E Corp., Pinnacle West Capit, PNM Resources Inc., Portland General, PPL Corp., Public Service, Sempra, Southern Company, Spire, TransAlta Corp, WEC Energy Group Inc, Xcel Energy.

BofAS or an affiliate was a manager of a public offering of securities of this issuer within the last 12 months: Alliant Energy, Amer Elec Power, American Water Works, Black Hills Corporat, CMS Energy, Duke Energy, Edison Intl, Essential Utilities, Evergy, Eversource Energy, Fortis, Idacorp, ONE Gas, Inc., PG&E Corp., Public Service, Southern Company, WEC Energy Group Inc, Xcel Energy Inc.

The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: Algonquin Power, Alliant Energy, Amer Elec Power, Ameren Corporation, American Water Works, Avangrid, Avista, Black Hills Corporat, CenterPoint, CMS Energy, Consolidated Edison, Dominion Energy, DTE Energy, Duke Energy, Edison Intl, Entergy, Essential Utilities, Evergy, Eversource Energy, Exelon Corp., Fortis, Idacorp, NextEra Energy, NorthWestern Energy, OGE Energy Corp, ONE Gas, Inc., PG&E Corp., Pinnacle West Capita, PNM Resources, Portland Genl Elec, PPL Corp., Public Service, Sempra, Southern Company, TransAlta Corp, WEC Energy Group Inc, Xcel Energy Inc.

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