



Edison Electric
INSTITUTE



Revised: April 2023

America's Electric Companies

Delivering Resilient Clean
Energy Across Our Economy

Electric Power Industry Outlook

February 21, 2023



2023 Industry Priorities



Clean Energy
& ESG



Resilience &
Grid Security



Storm Response
& Wildfire
Mitigation



Siting &
Permitting
Reform



Electric
Transportation



DEI &
Workforce
Development

Achieving a Clean Energy Economy



Leading on Clean Energy

Changing U.S. Energy Mix

>40%

CARBON-FREE



↓ CO₂

CARBON EMISSIONS

From the U.S. Power Sector

ARE AS LOW AS THEY WERE IN 1984,

While Electricity Use Is Up 73% Since Then



Increasing Investments

>\$130 Billion

Per Year on Average

**TO MAKE THE ENERGY GRID
SMARTER, CLEANER, STRONGER,
MORE DYNAMIC, AND MORE SECURE**



>60%

Over the Past 10 Years,
More Than 60% of New Electricity
Generation Capacity Was
WIND AND SOLAR



More than

21 Gigawatts

of
RENEWABLE TECHNOLOGIES
added in 2022



Investing

>\$4 Billion

to Deploy
**EV CHARGING
INFRASTRUCTURE**



Using

93%

of all
U.S. ENERGY STORAGE

Bipartisan Infrastructure Law



\$5.05B

Expanding Access
to Clean Energy &
Energy Efficiency



\$16.5B

Grid Resilience &
Improvements



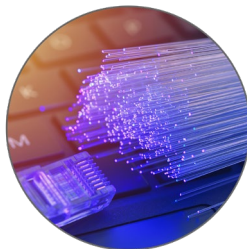
\$6.7B

Maintaining Our
Existing Clean
Generation Fleet



\$21.5B

Clean Energy
Demonstration &
Research Hubs



\$43.4B

Broadband
Development &
Infrastructure



\$8.9B

Electric Vehicle
Infrastructure

IRA's Clean Energy Tax Package

**\$272
Billion**





Siting and Permitting Reform

To facilitate investment in much-needed infrastructure, we need siting and permitting processes that are:

- Clear
- Coordinated
- Consistent
- Transparent
- Efficient

Electrifying Transportation and Other Sectors



Electric Transportation Trends

TODAY



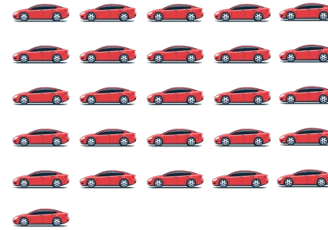
There are more than
3 million

electric vehicles on U.S. roads.

>\$4 billion

EEl's member companies are investing more than \$4 billion in customer programs and projects to deploy charging infrastructure and to accelerate electric transportation.

IN 2030



The number of EVs on U.S. roads is projected to reach more than

**26
million.**



140,000

EV fast charging ports will be required to support this number.

We Are Supporting
Our Customers,
Communities,
and Workforce.



#Committed2Clean®

Across the nation, EEL's member companies are working every day to get the energy we provide as clean as we can as fast as we can, while maintaining the reliability and affordability that our customers value.



Institute for the Energy Transition

The Institute for the Energy Transition will:

- Provide accessible qualitative summaries of key carbon-free technologies.
- Identify barriers to deployment.
- Summarize takeaways from key demonstration project.
- Develop materials to educate key stakeholders.



The Edison Foundation

Institute for
The Energy Transition

Environmental Regulations

- The U.S. Supreme Court's decision in *West Virginia v. EPA* provided clarity on EPA's authority to regulate greenhouse gas emissions.
- As EPA works to propose new regulations this year for fossil fuel-based generation, EEI is advocating for the continued responsible use of natural gas to help deploy renewable energy reliably.
- EEI continues to support EPA's efforts to finalize its proposed methane regulations, which are essential to ensuring the continued use of natural gas as a 24/7 on-demand energy source.

Advancing DEI & Environmental Justice

EEI and our member companies are:

- Committed to building a clean energy future that benefits *all* Americans in *all* communities.
- Ensuring that justice and equity are built into the clean energy transformation.
- Continuing to engage with communities and other stakeholders to build the infrastructure needed for our resilient clean energy vision.
- Expanding access to jobs and contracting opportunities.
- Expanding access to clean energy while maintaining our focus on affordability.

Enhancing Reliability, Resilience, & Security



Advancing Key Regulatory Policies

EEI supports:

- Reforms in transmission planning, cost allocation, permitting, siting, and generator interconnection.
- The development and refinement of critical reliability standards.
- Clear and stable policies for cost-recovery of unforeseen emergencies.
- Broader recognition of the importance and customer benefits of the regulatory compact.

Adaptation, Hardening, & Resilience

- Smart investments in AHR allow electric companies, communities, and customers to operate through challenging conditions.
- In a higher-cost inflationary environment, it is critical that electric companies can continue to make needed investments today that will help them to deliver a resilient clean energy future tomorrow.
- While investments in AHR have increased significantly over the past decade, more investments are needed to meet the challenges of climate change and to enhance the overall reliability and resilience of the energy grid.

Addressing Wildfire Risks

Industry and government leaders are partnering to:

- Implement more effective wildfire mitigation and response efforts.
- Invest in research, development, and deployment of technologies that proactively mitigate wildfire risks.
- Enable wider utilization of drones for wildfire prevention efforts and other infrastructure inspections.
- Establish shared information platforms that will expand access to mapping tools, satellite data, fire-spread modeling, and other analytics that will help to drive real-time decisions and actions.

Securing the Energy Grid

- Cross-Sector Coordination
- Culture of Security Initiative
- Cyber Mutual Assistance
- Enhancing Physical Security and Resilience Against All Hazards
- Supply Chain Constraints and Security



Electricity Subsector
Coordinating Council



Delivering Strong Financial Performance



Industry Financial Highlights

Stock Performance

	EEI Index	DJIA	S&P 500	NASDAQ
1-year	1.15%	-7.02%	-18.32%	-33.51%
2-year	18.47%	13.38%	6.08%	-18.68%
3-year	17.09%	23.93%	25.16%	17.00%
5-year	52.70%	48.82%	56.08%	50.59%

Dividends

- Yield = 3.4%
- 38 of 39 companies are currently paying a dividend
- 87% of companies increased their dividend in 2022

Credit Ratings

- BBB+ Average Industry Credit Rating
- Outlook 86% Stable or Positive

Note: Stock returns are total returns, ending 12-31-2022, (i.e., include dividends) except for NASDAQ, which is price appreciation only.
Source: EEI Finance Department, S&P Global Market Intelligence.

Industry Capital Expenditures

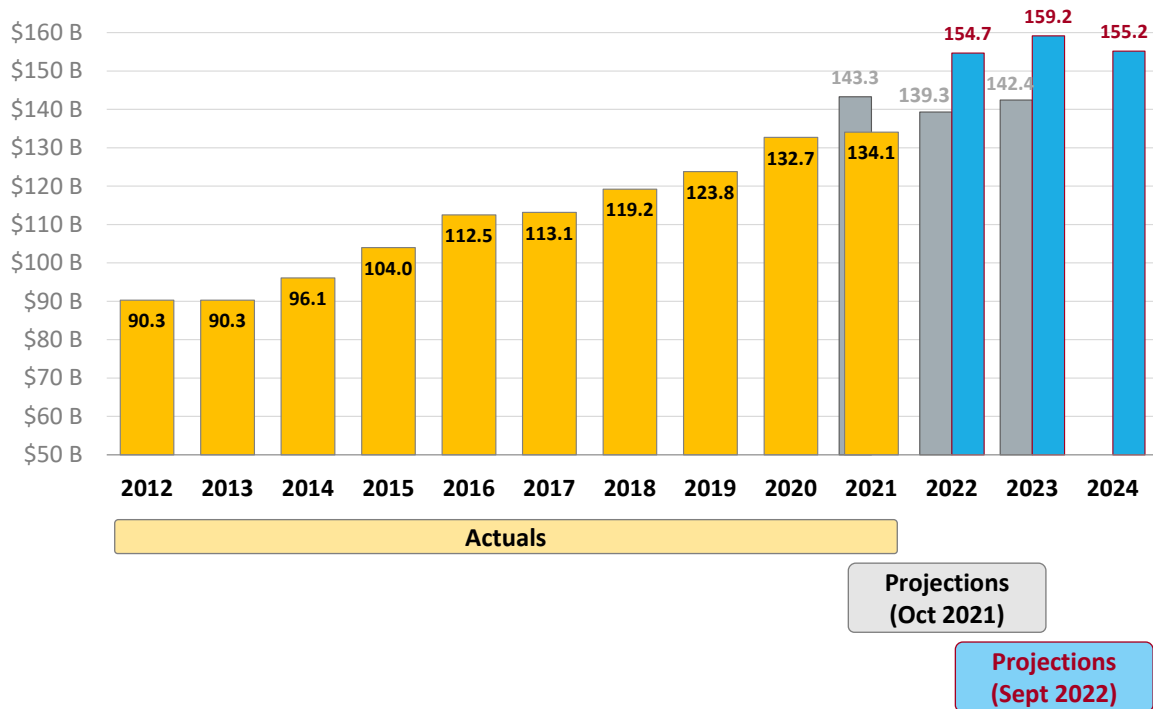


Chart represents total company spending of U.S. Investor-Owned Electric Companies, consolidated at the parent or appropriate holding company.

Note: At the industry level, CapEx tends to be overestimated for the current, or first year's projection, and underestimated for the two following years. Although the chart indicates investments are trending down in 2024 relative to 2023 levels, we expect a continued level of elevated spending after accounting for the historical trend of over- and underestimation.

Source: EEI Finance Department, member company reports, and S&P Global Market Intelligence (updated Sept. 2022).

Projected Functional CapEx

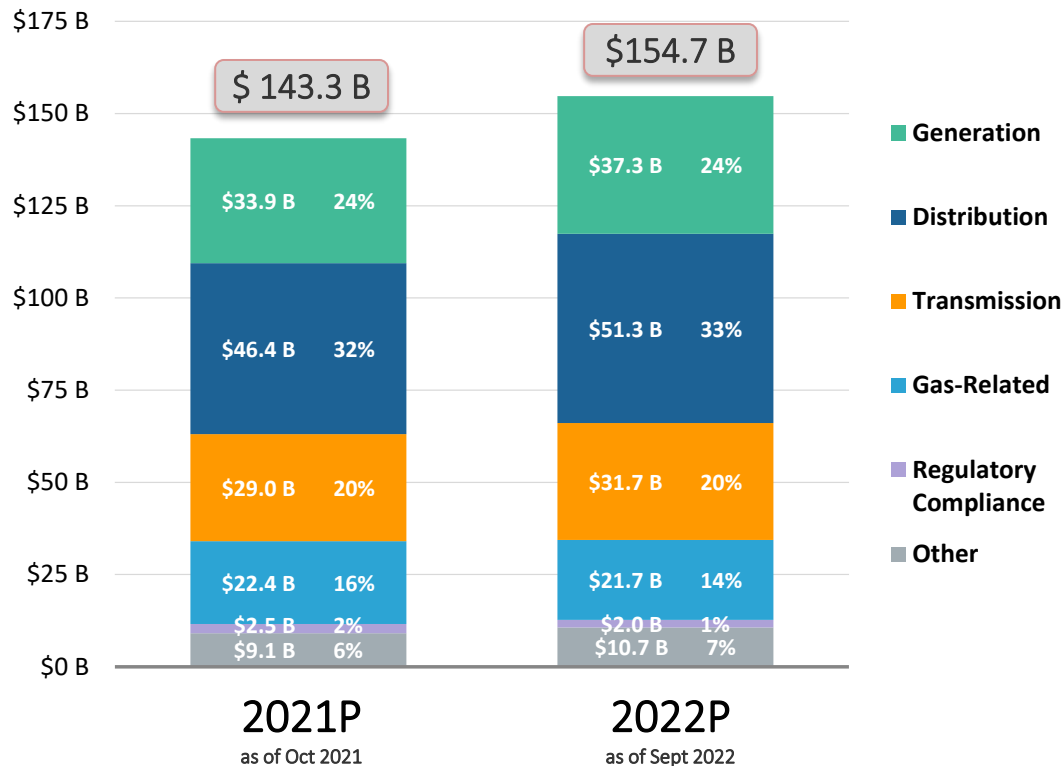


Chart represents total company functional spending of U.S. Investor-Owned Electric Companies. Individual years may not sum to 100% due to rounding error.

Note: Each annual functional projection is compiled during the calendar year for which it is reported and is not revised to align with the actual total. Therefore, the projected total dollar amounts in the functional chart do not align with the actual totals reported on the enclosed industry capital expenditures chart.

Source: EEI Finance Department, company reports, and S&P Global Market Intelligence (updated Sept. 2022).

IRA Implementation

- EEI and our members are leading IRA implementation efforts at Treasury.
- We are advocating for proper implementation of the corporate alternative minimum tax (CAMT), including:
 - Taxpayers' ability to reduce adjusted financial statement income (AFSI) for repair costs deductible for regular tax purposes that are capitalized for financial statement purposes.
 - Guidance confirming general depreciation adjustments (e.g., cost of goods sold and other items) when determining an applicable corporation's AFSI, including adjustments for differences in financial statement basis and tax basis of depreciated property.
 - Guidance with respect to the methods by which they may allocate consolidated CAMT to members of a consolidated group.
 - Taxpayers' ability to exclude certain extraordinary transactions and unrealized gains/losses from AFSI for the CAMT calculation.
 - Clarification on how normalization rules apply to the CAMT.

SEC ESG-Related Rulemakings

- EEI advocated for reporting of financially material ESG climate change information that provides helpful disclosures for issuer companies and investors. We asked that the final rule:
 - Remove the assurance requirements for scope 1 and 2 emissions
 - Allow greater flexibility for relevant scope 3 reporting
 - Strengthen the safe harbor for scope 3 reporting and add scopes 1 and 2 climate goals to that safe harbor
 - Remove the proposed changes to Reg. S-X, including the 1-percent materiality threshold
 - Lengthen the compliance phase-in period by at least an additional year
- Regarding SEC's proposed rule on ESG cyber governance and disclosure, EEI advocated for a rule that provides adequate disclosures of cyber events to investors, while ensuring that national security considerations are respected.



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Access prepared remarks, slides,
and industry financials at:

www.eei.org/wsb



Appendix



Creating Value in America's Economy



Contribute

5%

annually to U.S. GDP



Support

7 million+

jobs across the
United States

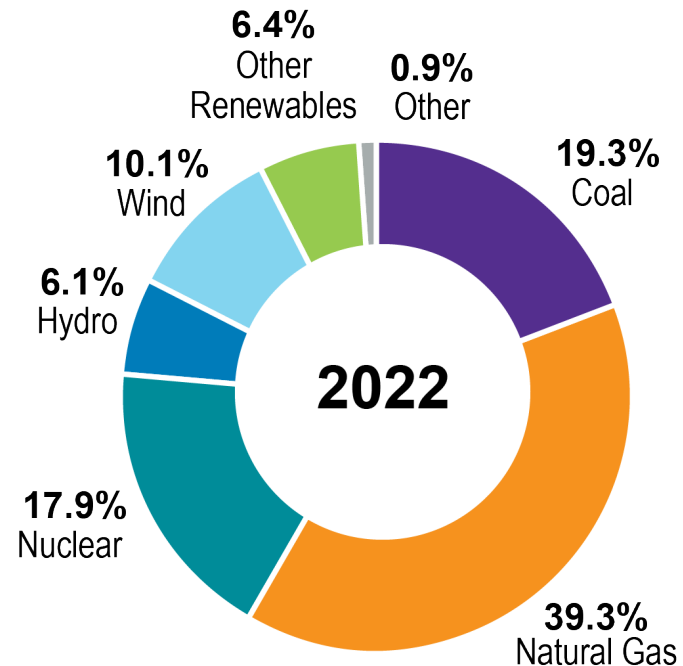
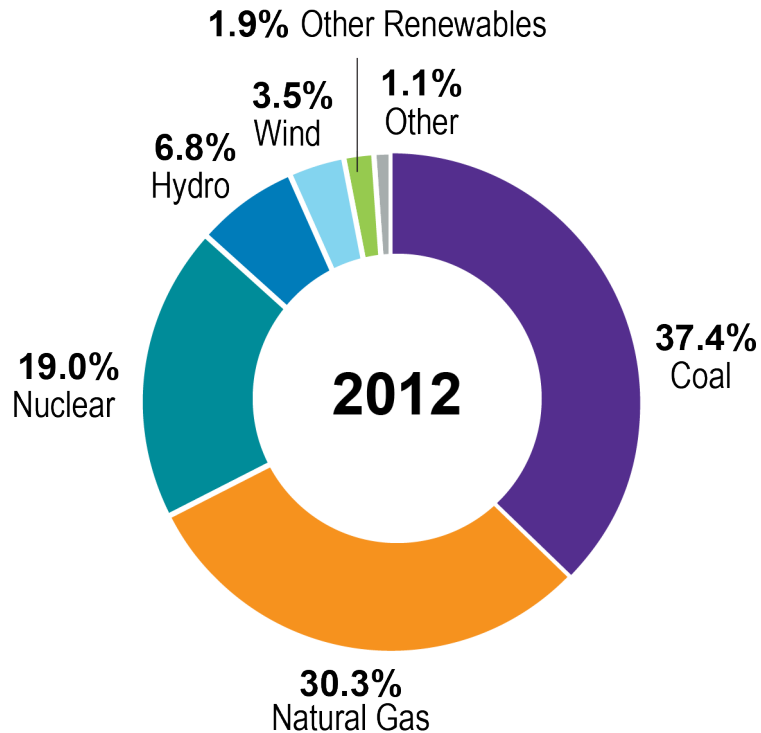


Invest

\$130 billion+

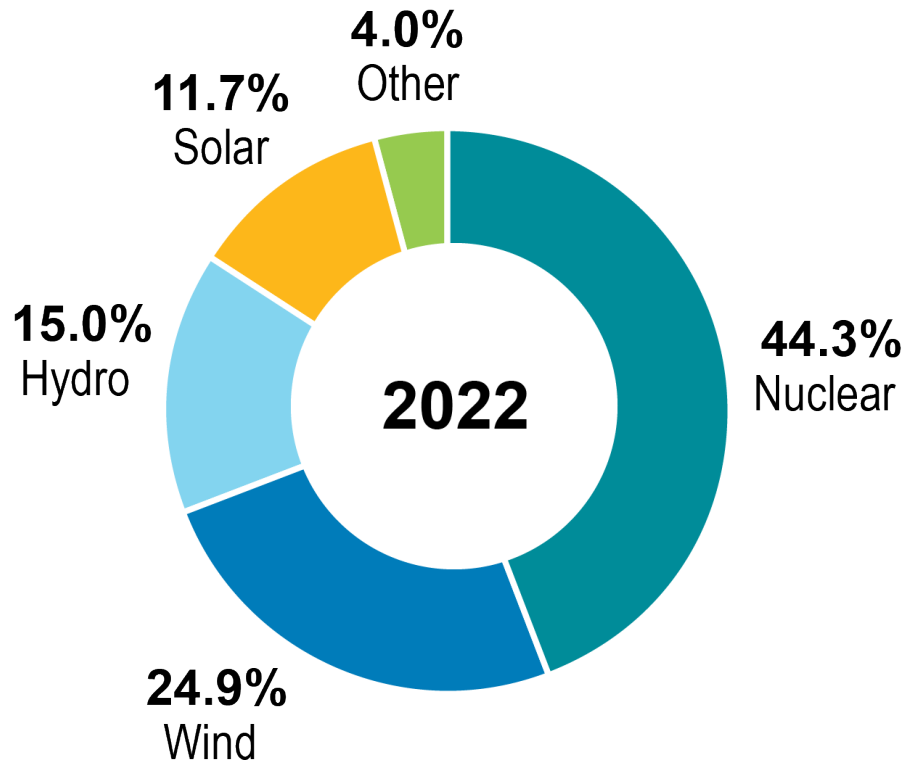
per year to build
smarter, cleaner, stronger,
and more secure
energy infrastructure

Transforming the Energy Mix



Note: "Other Renewables" includes universal (or large-scale) solar, private (or rooftop) solar, geothermal, and generation from biomass sources (agricultural waste, landfill gas recovery, municipal solid waste, wood, non-wood waste). Source: U.S. Department of Energy, Energy Information Administration (EIA).

Carbon-Free Electricity Generated

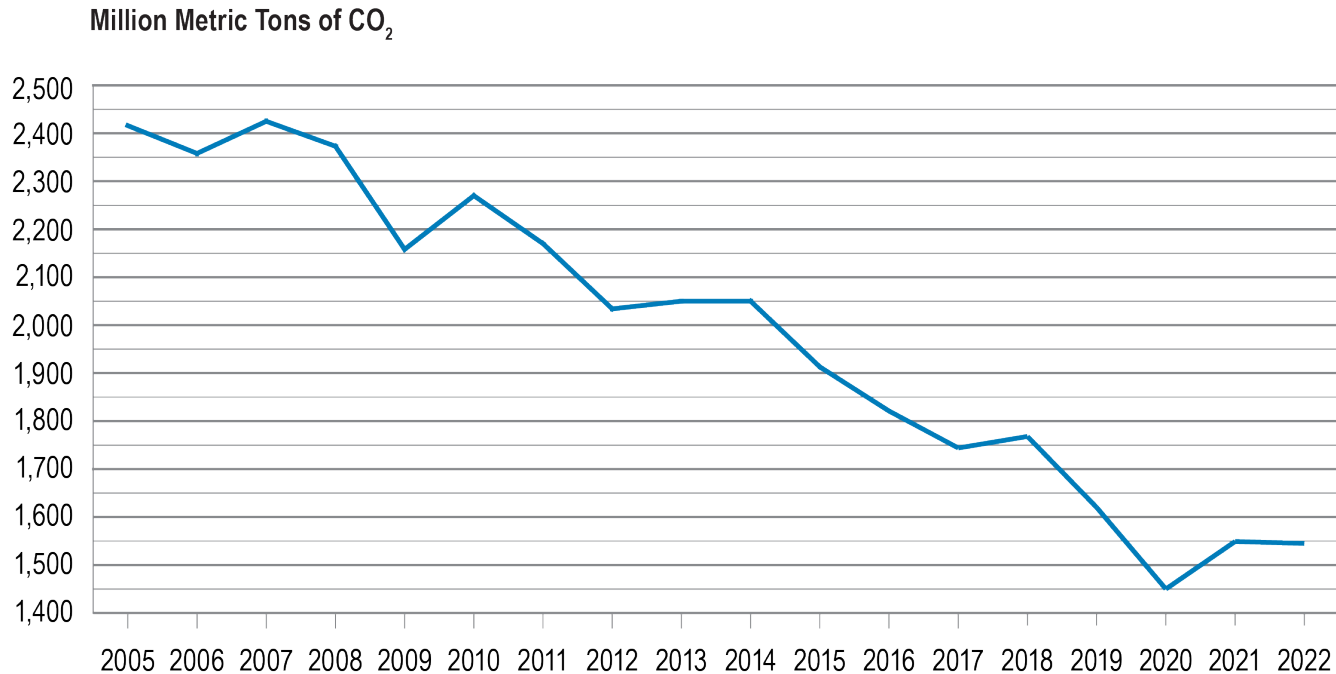


- Nuclear energy remains the largest source of carbon-free electricity.
- Since 2015, annual generation from wind has more than doubled.
- Generation from solar sources has doubled since 2019 and is four times the generation total from 2016.
- Today, wind and solar combined make up 15% of the total electricity generated in the U.S.

*Other includes biomass, geothermal, and landfill gas.

Source: U.S. Department of Energy, Energy Information Administration (EIA).

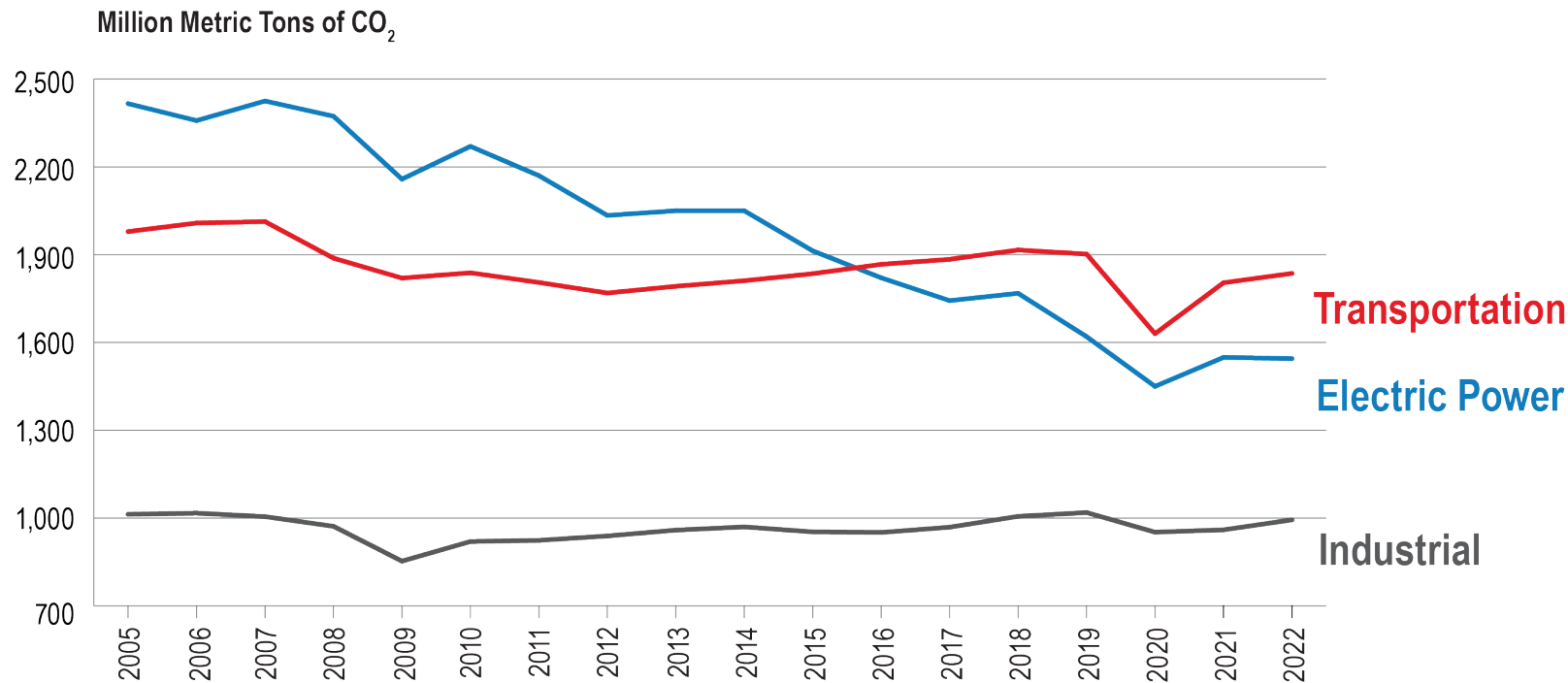
Reducing Carbon Emissions



- Today, more than 40 percent of U.S. electricity comes from carbon-free sources
- As of 2022, electric power industry CO₂ emissions were 36 percent below 2005 levels
- Overall trajectory is expected to continue based on current trends

Source: Preliminary estimate from U.S. Department of Energy, Energy Information Administration (EIA), *Monthly Energy Review*, March 2023.

Comparing CO₂ Emissions

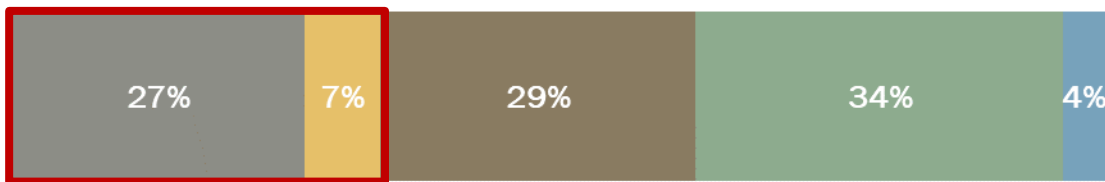


Source: Preliminary estimate from U.S. Department of Energy, Energy Information Administration (EIA), *Monthly Energy Review*, March 2023.

AHR as a Driver of Future Electric T&D Investment

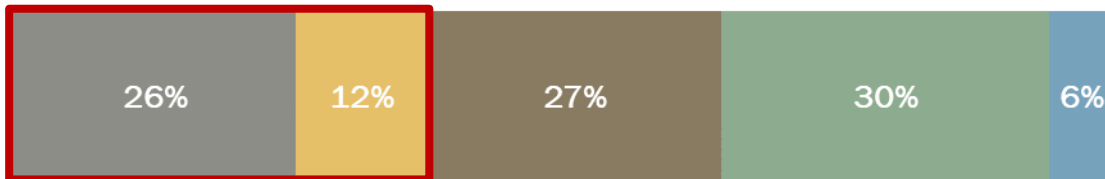
Adaption, Hardening, and Resilience

Transmission



Transmission AHR CapEx = 34%

Distribution



Distribution AHR CapEx = 37%

- AHR: Hardening & Resilience
- AHR: Advanced Technology
- Expansion
- Replacement
- Other

Note: Individual years may not sum to 100% due to rounding error.

Source: EEI Financial Analysis and Business Analytics, EEI member company survey.

Sector Specific Guidelines

Consistent approach for company-level reporting

ESG/Sustainability Template

(Version 3 - Released 2021)

❑ Qualitative

- **Governance:** Management and oversight
- **Strategy:** Practices, programs and initiatives toward clean energy future and Social opportunities/ human capital management

❑ Quantitative

Customized Excel based data reporting template for regulated electric and natural gas companies

- **EEI Metrics:** Portfolio, emissions and resources for electric company disclosure
- **AGA Metrics:** Natural gas company disclosure

Natural Gas Sustainability Initiative (NGSI)

Methodology

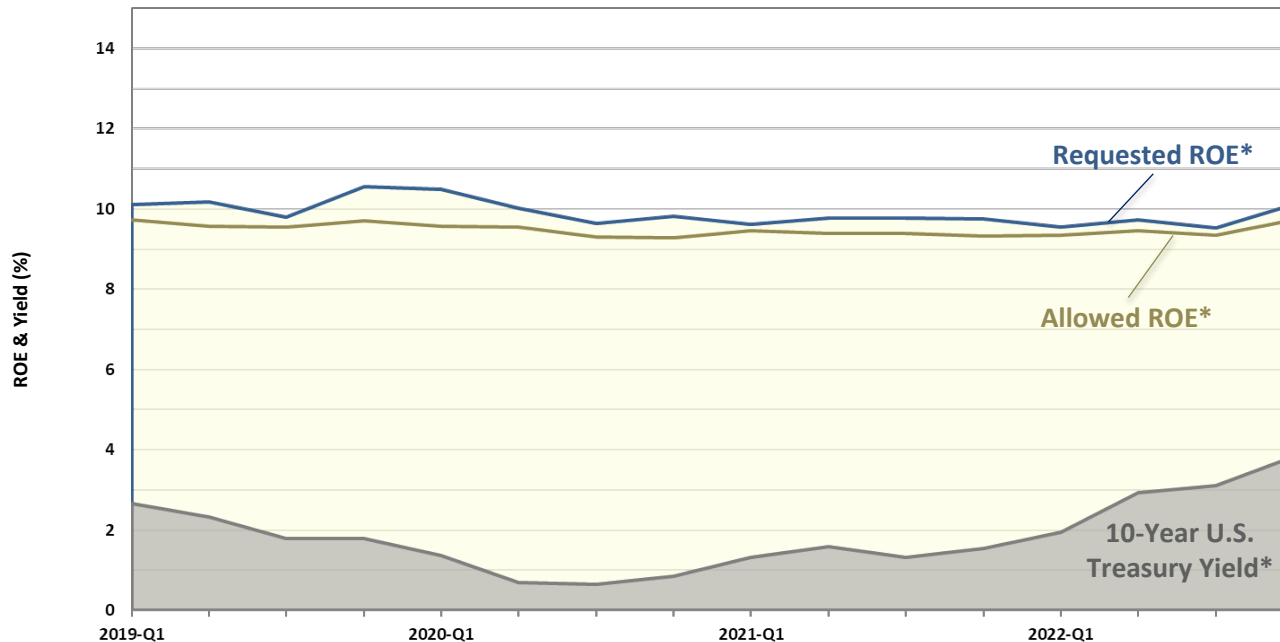
$$= \frac{\text{Methane Emissions}}{\text{Methane Throughput}}$$

Segments

- Onshore Production
- Gathering & Boosting
- Processing
- Transmission & Storage
- Distribution

Rate Review Activity: Average ROEs

Requested ROE vs. Allowed ROE and 10-Year US Treasury Yield



*The Allowed ROE represents the electric reviews settled during the indicated period while the Requested ROE represents the value requested by the company when the reviews were initially filed, generally during an earlier period (i.e., the regulatory lag is not factored in). Average returns are equal-weight. 10-Year U.S. Treasury Yield is the average of daily reported yields during each period.

Source: S&P Global Market Intelligence / Regulatory Research Associates (RRA), EEI Finance Department.

Projected Functional CapEx

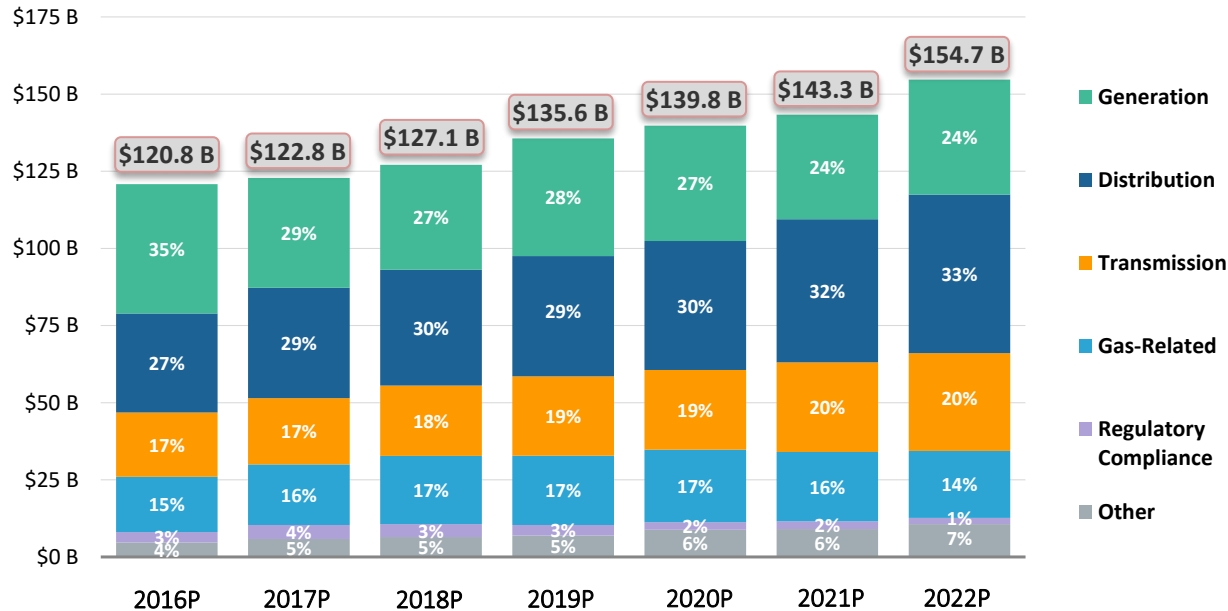


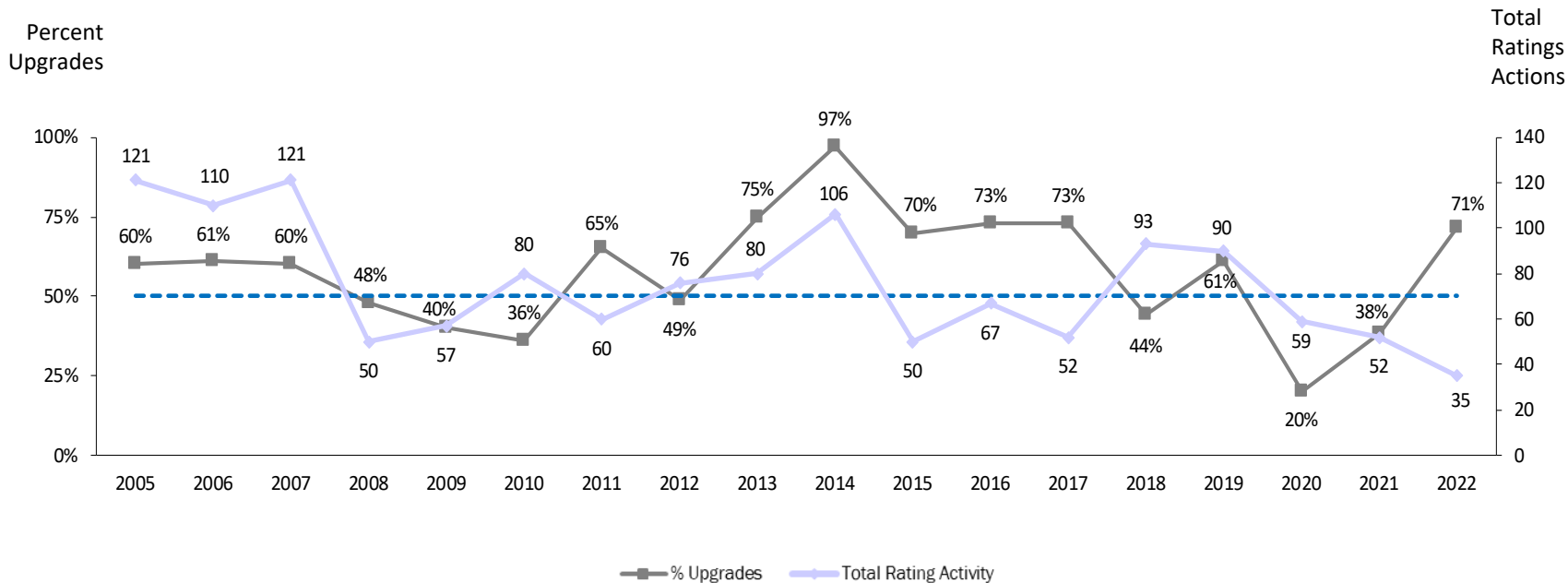
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Source: EEI Finance Department, company reports, and S&P Global Market Intelligence (updated Sept. 2022).

Direction of Rating Actions

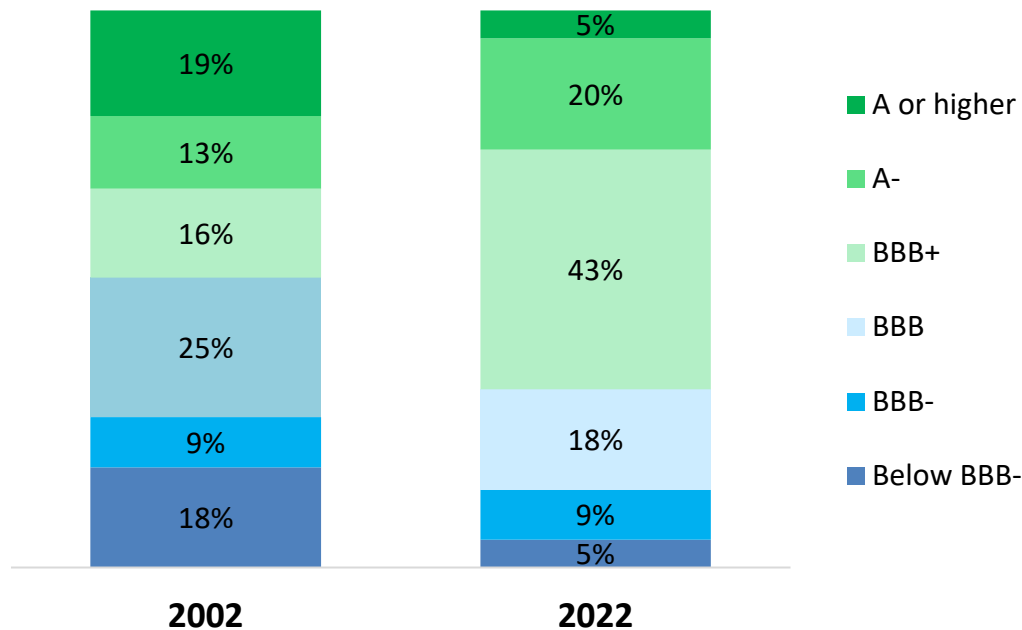
U.S. Investor-Owned Electric Companies, 2005-2022



Source: EEI Finance Department, Fitch Ratings, Moody's, and Standard & Poor's.

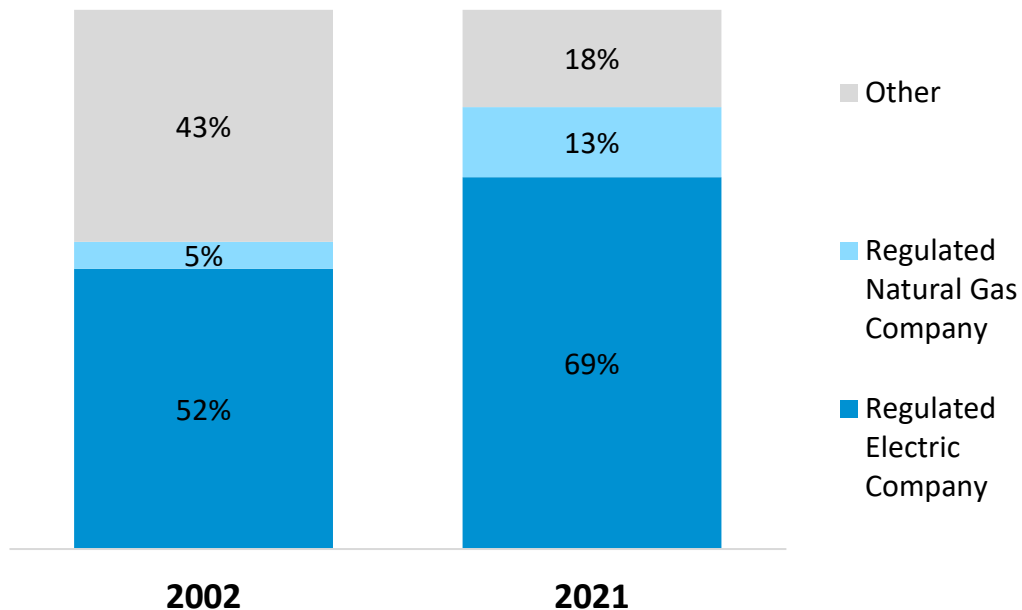
U.S. Electric Industry Rating History

Industry maintains BBB+ rating since 2014; vast majority of outlooks stable or positive



Shift to More Regulated Business Strategies

Industry gradually increased to 82% regulated in 2021 from 57% in 2002



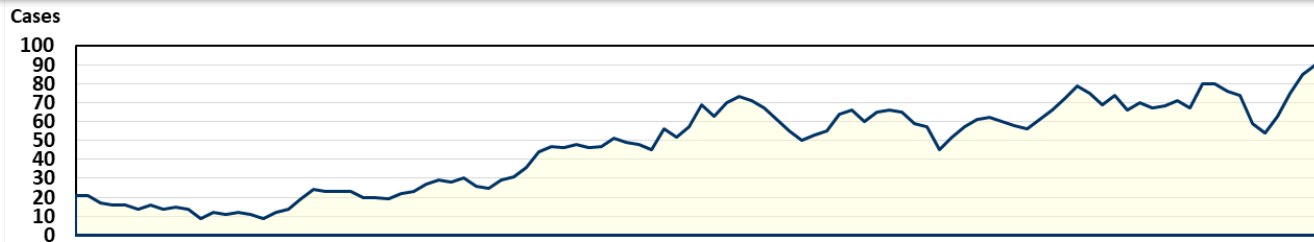
Note: Based on 2021 year-end assets.

Source: EEI Finance Department.

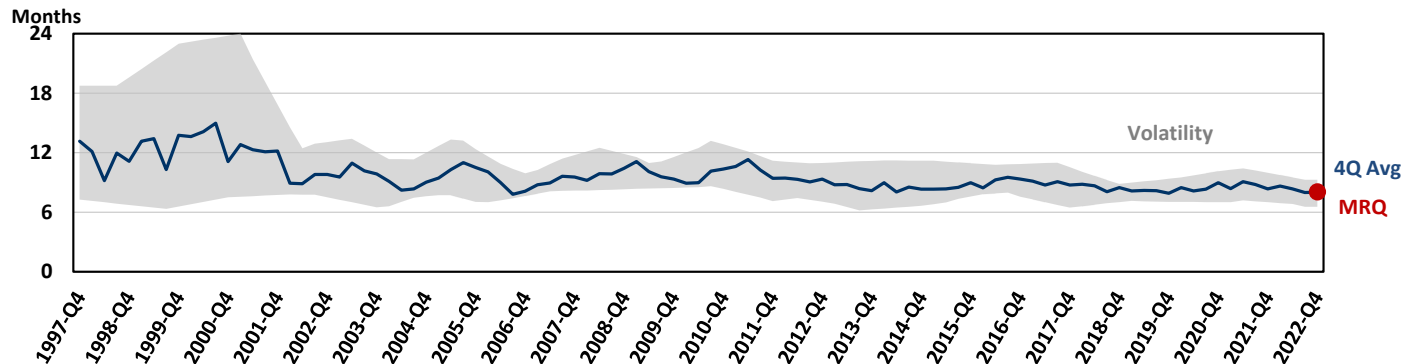
Rate Review Activity: Volume and Lag

U.S. Investor-Owned Electric Companies

Number of Electric Rate Reviews Filed (Trailing 12 Months)



Average Regulatory Lag (Quarterly)*

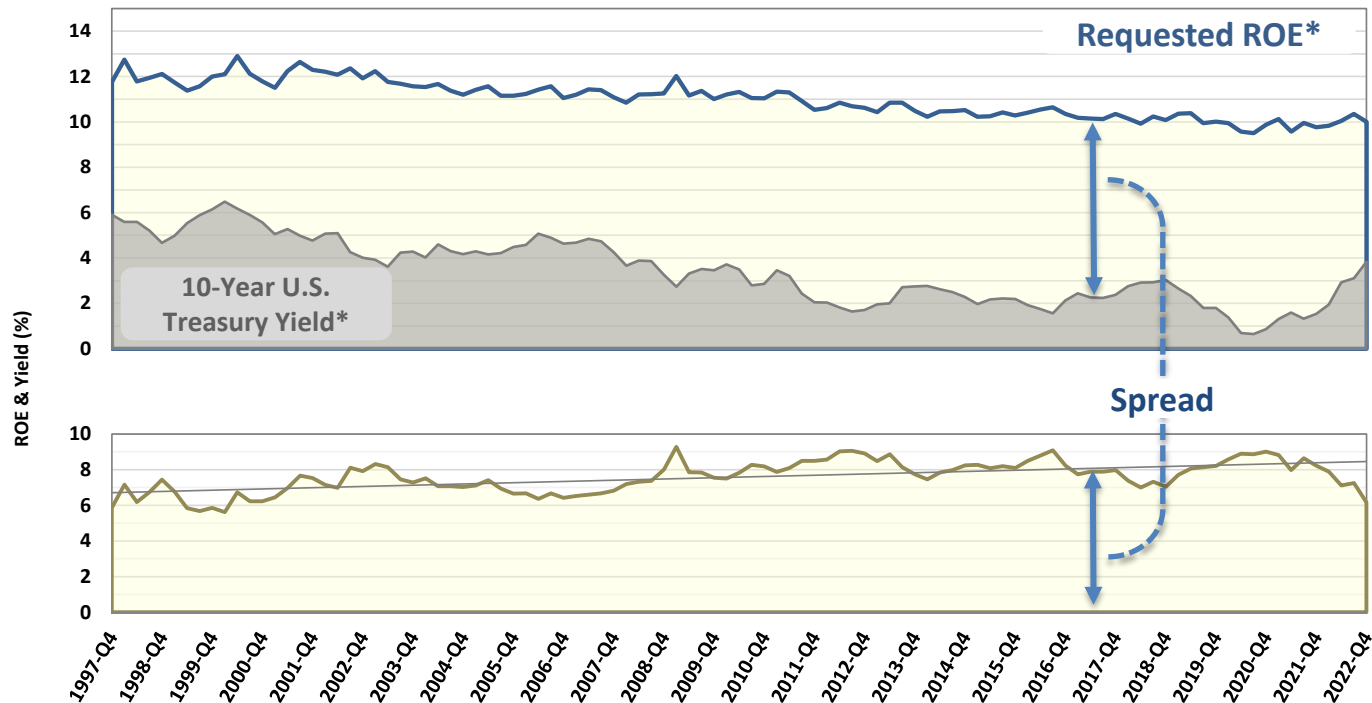


*Average Regulatory Lag is defined here as the amount of time between the filing of and ruling on a rate review. This does not take into consideration the preparation time leading up to an initial filing. MRQ = Most Recent Quarter. 4Q Avg = Trailing four-quarter average.

Source: S&P Global Market Intelligence / Regulatory Research Associates (RRA), EEI Finance Department.

Rate Review Activity: Average ROEs

Requested ROE vs. 10-Year US Treasury Yield

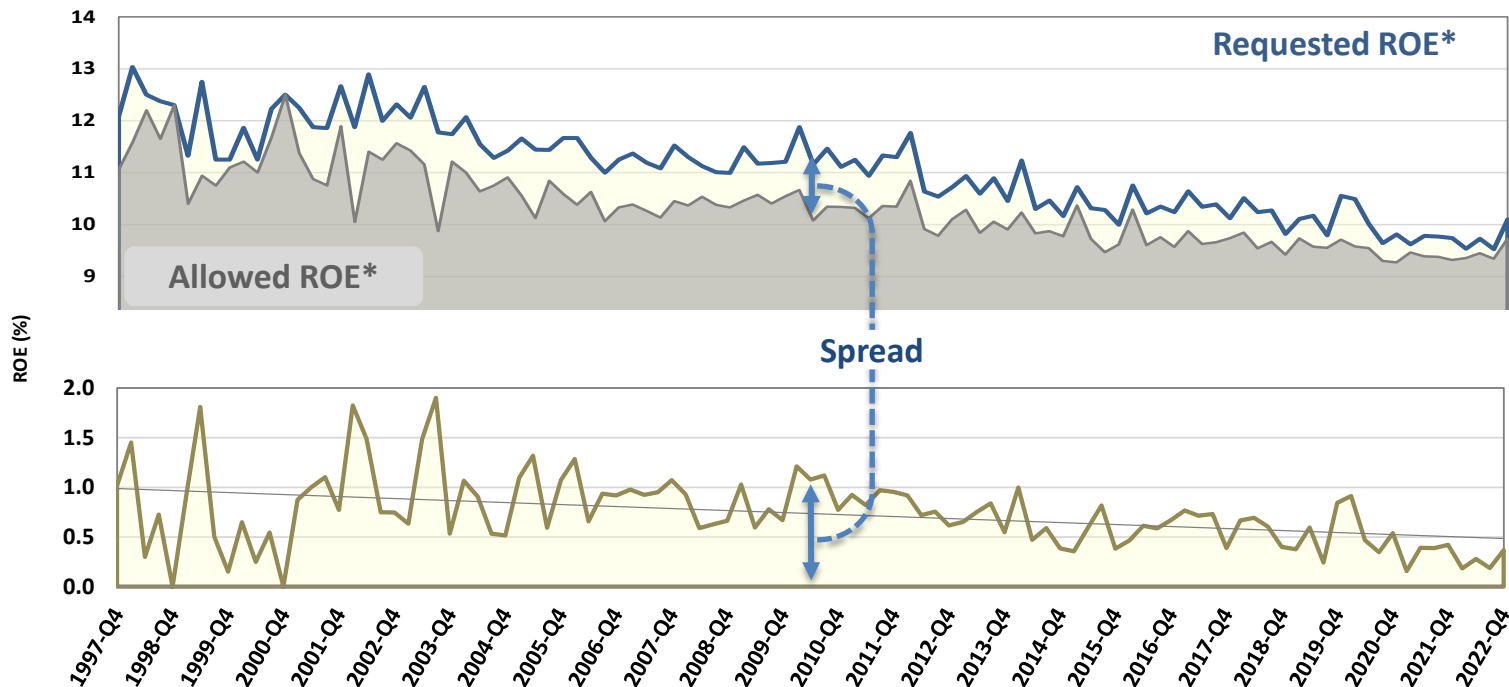


*Requested ROE represents the equal-weight average of all electric reviews filed during the indicated period. 10-Year U.S. Treasury Yield is the average of daily reported yields during each period.

Source: S&P Global Market Intelligence / Regulatory Research Associates (RRA), EEI Finance Department.

Rate Review Activity: Average ROEs

Allowed ROE vs. Corresponding Requested ROE



*The Allowed ROE represents the electric reviews settled during the indicated period while the Requested ROE represents the value requested by the company when the reviews were initially filed, generally during an earlier period (i.e., the regulatory lag is not factored in). Average returns are equal-weight.

Source: S&P Global Market Intelligence / Regulatory Research Associates (RRA), EEI Finance Department.

EEI Financial Analysis Resources

Examples of EEI Financial Public Reports & Data

Items updated quarterly unless otherwise indicated

Financial Review (annual)

Incorporates the following reports and additional industry material

Stock Performance

Financial market performance (Price, TSR, etc.) of proprietary EEI member index and equity analyst opinions

Credit Ratings

Holding company ratings & rating agency activity

Dividends

Dividend-related actions of EEI members and relevant issues

Rate Review Summary

Aggregate industry statistics on quarterly rate review data

Industry Consolidated Financial Statements (annual)

- Income Statement
- Balance Sheet
- Cash Flow Statement

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