Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **AES Corp (NYSE: AES)** | Buy<28 | 17.82 | 3.87 | -23.28 | -6.91 | 0.17 | 35.9 | B | 4/30/2024 | 5/15/2024 | 4.9 | 78.7 | Utility, Renewable Energy |
| Q1 2024 Return: -5.95%. Dividend increased 4%. Next earnings expected May 3. US utility sells $400 mil of 10-year bonds at yield to maturity of 5.787%, coupon yields of debt maturing this year are in same range though most is floating rate. Quality Grade B (No Change) Breakdown: 1. Payout well covered by contracted and regulated cash flow, 2-3% annual increases targeted. 2. Revenue Reliability is solid with 85% plus of earnings from either regulated utilities or under long-term contract sales. Earnings growth guidance is 7-9% through 2027. EBITDA growth guidance is 5-7%. 2024 earnings guidance range of $1.87 to $1.97 per share, $2.6 to $2.9 bil EBITDA. 3. Regulatory Relations steady overall as diversification limits political riskk, issues in Ohio now appear resolved. 4. Near-Term Refinancing risk is manageable as parent level is key, has $7.244 bil in overall debt maturities through the end of 2025 but just $1.1 bil at parent level. No exposure to floating rate debt at parent level, has 59% of debt overall at floating rates but is at project and subsidiary level where the cost is offset. Company expected to generate $550 mil in 2024 free cash flow after dividends, and has $1.8 bil cash in the bank. June 2049 bonds yield 5.72% to maturity. 5. Operating Efficiency boosted by cost cutting with EBITDA margin expected 21.1% for 2023 and 29% for 2024. | | | | | | | | | | | | | |
| **AGL Energy (OTC: AGLXY, ASX: AGL)** | Buy<8 | 5.47 | 3.61 | 6.87 | -14.54 | 0.17 | 53.4 | B | 2/21/2024 | 3/28/2024 | -29.2 | 36 | Australia retail/generation |
| Q1 2024 Return: -12.95%. Semi-annual dividends declared for calendar 2024 are up 225% in Australian dollar terms from 2023. Next semi-annual earnings expected August 6. Partners with technology company backed by largest shareholder (Mike Cannon-Brookes 22%) to build solar panel manufacturing plant at site of decommissioned Liddell coal-fired power plant. Quality Grade B (No change). Breakdown: 1. Dividend policy is to pay out 50-75% of underlying earnings on semi-annual basis. Dividend appears on track to triple in FY2024 from FY2023 if earnings expectations. 2. Long-term Revenue Reliability ensured by leading market position in Australia fossil fuel power generation, renewable energy, distributed solar (rooftop)/storage and retail energy, which now includes communications offerings. Integrated strategy likely to focus on technology, retailing and renewable energy replacing coal. Guidance range for full-year FY2024 underlying earnings (end June 30) is AUD680 to AUD780 mil, with management guiding to the top end of range." 3. Regulatory Relations generally supportive under Labor Party government as company accelerated transition off coal is a plus, also supported at state level. 4. Near-Term Refinancing Risk is reduced with $580 mil maturing debt through end of 2025, 88% is variable rate debt. Cost of debt capital is manageable, bonds of Sept 2025 yield 6.06% to maturity, was 6.1% 15 months ago. 5. Operating Efficiency improvement is key to better results, EBITDA margin for FY2024 (end June 30) expected at 16.1%, was projected at 14.1% three months ago. | | | | | | | | | | | | | |
| **Algonquin Power & Utilities (NYSE: AQN, TSX: AQN)** | Buy<8 | 6.23 | 6.97 | -20.91 | -1.73 | 0.11 | 81.9 | C | 3/27/2024 | 4/15/2024 | -11.2 | 55.1 | Utility/Renewable Energy |
| Q1 2024 Return: 1.72%. No change in dividend so far in 2024. Next earnings expected May 10. Sells $1.15 bil 2-year bonds at coupon rate of 5.365%. Activist investor nominates 3 new board members. Quality Grade C (no change). Breakdown: 1. Dividend is supported by regulated utility business alone. 2. Revenue Reliability is strong with regulated utilities currently at around 80%, long-term contracted renewable energy is most of remainder and with creditworthy counterparties like Chevron. Residential is 80% of regulated electricity, gas distribution and water revenue, renewable energy plants advantaged in markets, contracts have 13 year weighted average). Management does not issue 2024 guidance due to uncertainty about sale of unregulated renewable energy generation operations, as well as 42.16% ownership stake in Atlantica Sustainable (NSDQ: AY), says sales process is advancing but is "confidential" and targets a sale by mid-2024. Says sale proceeds will be used to cut debt with any "excess" used for stock buybacks. Expects "mid-single digit" percentage earnings growth for regulated utility side of business going forward and should support current dividend rate. 3. Regulatory Relations good in US states and Canada. 4. Near-Term Refinancing Risk is manageable and will be reduced further by sale of contracted renewable energy assets as well as 42.16% ownership interest in Atlantica Yield. Total debt maturities through 2025 are manageable at $528 mil excluding convertible preferred that will be paid off in shares of stock limiting cash outlays, sale of unregulated contract renewable energy operations and stake in Atlantica will reset debt at much lower level. Cost of debt capital manageable with Feb 2050 bonds yielding 5.12% to maturity, was 5.16% at start of 2023. 5. Operating Efficiency strong, expected EBITDA margin for full-year 2024 is 44.2%. | | | | | | | | | | | | | |

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Allete (NYSE: ALE)** | Buy<60 | 60.06 | 4.7 | -2.18 | -2.4 | 0.71 | 75.2 | A | 2/14/2024 | 3/1/2024 | 3.3 | 34.6 | Regulated Elec/Gas |
| Q1 2024 Return: -1.33%. Dividend raised 4.1%. Next earnings expected May 3. Quality Grade A (No Change). Breakdown: 1. Payout ratio is conservative, dividend growth is likely to stay in low to mid-single digits. 2. Revenue Reliability backed by regulated utilities and contracted wind farm business, large industrial base adds some cyclical exposure with recession risk rising in US. New Energy Equity LLC unit adds distributed solar energy expertise and reach. Utility sales by volume just 8% residential, 5% municipal and 23% to other power suppliers. Industrial is 46%. Primary industrial customers are taconite miners (69%), followed by 14% paper companies and 17% pipelines/other industrial. 5-year capital spending plan $4.3 bil, guidance for long-term growth of 5-7% per year for earnings with commensurate dividend growth is extended through 2028 "and beyond." 2024 earnings guidance of $3.60 to $3.90 per share. 3. Regulatory relations uncertain but outcome of Minnesota rate case now looks like it should be amicable. 4. Near-Term Refinancing risk is a non-issue with only $88 mil in debt maturities through end of 2025. Exposure to variable rate debt also now a non-issue after being as high as 36.8% in mid-2023. Cost of long-term debt capital manageable with bonds due July 2042 yielding 5.5% to maturity, was 5.54% at start of 2023. 5. Operating Efficiency steady, EBITDA margin expected 27.5% in 2024. | | | | | | | | | | | | | |
| **Alliant Energy Corp (NYSE: LNT)** | Buy<60 | 49.97 | 3.84 | -3.03 | -2.74 | 0.48 | 61.2 | A | 1/30/2024 | 2/15/2024 | 6 | 58.4 | Regulated Elec/Gas |
| Q1 2024 Return:-0.81%. Dividend raised 6.1%. Next earnings expected May 3. Quality Grade A (No Change). Breakdown: 1. Dividend payout ratio is conservative, backed by regulated utilities and contracted renewable energy, 16% interest in transmission company ATC. 2024 annual dividend target is $1.92 per share. 2. Revenue Reliability backed by stability of FERC-regulated transmission investment, regulated electric utilities (84% total sales) revenue is 40% residential, 32% industrial, 28% commercial. Natural gas utility is 57% residential, 33% commercial. 2024 earnings per share guidance range of $2.99 to $3.13. 2023 earnings per share guidance range is $2.85 from $2.93, 5-7% annual growth target through 2027. 3. Regulatory Relations strong in Wisconsin and Iowa. 4. Near-Term Refinancing Risk is manageable with $1.1 bil in debt maturities through end of 2025, total debt 7.8% floating rate with about half due in 2025. Cost of long-term debt capital modest with bonds of April 2050 yielding 5.51% to maturity, was 5.34% at beginning of 2023. 5. Operating Efficiency solid with EBITDA margin expected at 41.9% in 2024. | | | | | | | | | | | | | |
| **Altagas Ltd (TSX: ALA, OTC: ATGFF)** | Buy<25 | 21.86 | 4.08 | 37.49 | 6.19 | 0.3 | 48.9 | B | 3/14/2024 | 3/28/2024 | 4.7 | 53.4 | Gas Utility/Energy Transport |
| Q1 2024 Return: 6.77%. Dividend increased 6.3%. Next earnings expected April 26. Sells CAD350 mil 10-year bonds at yield to maturity of 5.141%, CAD250 mil 30-year bonds at 5.597%. Quality Grade B (no change). Breakdown: 1. Dividend is backed by stable revenue from natural gas utilities (55% EBITDA) and contracted midstream assets in western Canada. 2. Revenue Reliability secured by regulated utilities and highly contracted/hedged Canadian midstream. Propane export terminal Ridley Island volumes look well hedged against commodity spreads risk with expansion ongoing. WGL unit has revenue decoupling from demand in DC, Maryland, Virginia meaning steady cash flow regardless of weather. Petrogas optimizes midstream assets while adding little risk. Montney midstream assets expand ability to profit from growing Canadian NGL exports. 2024 financial guidance earnings per share range of CAD2.05 to CAD2.25, EBITDA range of CAD1.68 to CAD1.78 bil, CAPEX of CAD1.2 bil to be entirely self-funded with operating cash flow excluding asset retirement obligations. Target per share 5-7% annual earnings growth through 2026, payout ratio targeted at 50-60% of earnings. 3. Regulatory Relations steady at utilities. Mountain Valley Pipeline on track for completion in Q1 2024, plans to sell 10% ownership. 4. Near-Term Refinancing Risk is reduced with no maturing debt in 2024 and $996 mil in 2025, 38% of total debt is at variable rates. Cost of debt capital manageable with bonds of Sept 2049 yielding 5.47% to maturity, was 5.41% at beginning of 2023. 5. Operating Efficiency improves with streamlining, strong results for NGL exports, EBITDA margin expected at 12.4% for 2024, affected partly by frac spreads. | | | | | | | | | | | | | |
| **Altice USA (NYSE: ATUS)** | Hold | 2.5 | N/A | -26.9 | -22.12 | 2.04 | 0 | F | 6/7/2018 | 6/6/2018 | N/A | 101.7 | Communications |

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: -19.69%. No dividend. Next earnings expected May 3. Charter still rumored to be preparing a takeover offer, would be best exit strategy for heavily indebted but still asset rich company. Quality Grade F (no change). Breakdown: 1. No Payout. 2. Revenue Reliability continues to take hits as competition pressures sales and margins, fiber broadband deployment is cut back. No guidance from management on EBITDA for free cash flow this year. 3. Regulatory relations face no immediate challenge despite operating in tough New York environment, takeover by Charter could be challenged by Biden Administration. 4. Refinancing Risk is greatly reduced with debt swap, now has just $112 mil in maturing debt through end of 2025, was $3 bil plus three months ago, 27% of debt is at variable rates. Bonds of January 2030 still have distressed yield to maturity of 19.5%, up from 16.9% three months ago, was 20% plus nine months ago. 5. Operating Efficiency still steady with EBITDA margin now expected at 39.2% for full year. | | | | | | | | | | | | | |
| **Ameren Corp (NYSE: AEE)** | Buy<75 | 73.8 | 3.63 | -11.72 | 0.65 | 0.67 | 58 | A | 3/12/2024 | 3/29/2024 | 7.6 | 59 | Regulated Elec/Gas |
| Q1 2024 Return: 3.17%. Dividend raised 6.4%. Next earnings May 3. Missouri regulators OK 500 megawatt capacity solar investment in 3 projects to be in service 2025. Sells $500 mil 10-year bonds at yield of 5.2%. Quality Grade A (No change). Breakdown: 1. Current payout ratio is conservative, projected growth is mid-single digit percentages. 2. Revenue Reliability backed by revenue decoupling at Illinois electricity and natural gas distribution units. Missouri electric revenue is 47% residential, industrial just 9%, commercial 39% with rest street lighting and public authority and secure. Transmission revenue is FERC regulated. Target 6-8% annual earnings growth through 2028 with commensurate yearly dividend growth, 8.2% compound annual rate base growth through 2028 expected. 5-year total CAPEX $21.9 bil with focus on Missouri rather than Illinois. Says has $55 bil in investment targeted over next 10 years. Sets 2024 earnings per share guidance range of $4.52 to $4.72. 3. Regulatory Relations stable in Missouri, Illinois sets return on equity of just 8.72%, may make it challenging to stick with growth guidance if utility is unable to renegotiate grid plan. 4. Near-Term Refinancing Risk is manageabl, still has $1.16 bil in maturing debt by end of 2025, but no variable rate debt. Cost of long-term debt capital manageable with March 2051 bonds yielding 5.3% to maturity, was 4.83% at beginning of 2023. 5. Operating Efficiency steady with EBITDA margin expected at 41.6% for 2024, had been expected at 39.8%. | | | | | | | | | | | | | |
| **America Movil (NYSE: AMX, MM: AMXL)** | Buy<22 | 18.66 | 2.79 | -8.86 | 1.03 | 0.26 | 37.7 | A | 11/9/2023 | 11/20/2023 | 14.6 | 60.4 | Intl Communications |
| Q1 2024 Return: 0.76%. Dividend raised 4.4%. Next earnings expected April 25. Plans roughly $1 bil share buyback. Sells MXN17.5 bil bonds at premium of just 90 basis points to Mexican benchmark. Quality Grade A (no change). Breakdown: 1. Payout ratio is conservative and covered by secure cash flow, mid to upper single digit percentage increase this year would be well covered by projected earnings and cash flow. 2. Revenue Reliability underscored by dominant market positions in several countries. Company manages exchange rate volatility from owning companies in several countries well. Plans overall CAPEX reduction to $7 bil in 2024 from $8.6 bil in 2023 on more targeted investment. 3. Regulatory Relations appear stable in key markets including Mexico, Brazil relations also appear solid. 4. Near-Term Refinancing is manageable though balance sheet is complex with $26.4 bil in total debt, 42% in US dollars, 30% in Mexican Pesos, rest in Euros, Brazilian Real, British Pounds mainly. Floating rate debt is about 21% of total. Just $1.56 bil matures by end of 2025, down from $5.64 bil three months ago. Cost of long-term debt capital drops with April 2049 bonds yielding 5.23% to maturity, was 5.21% at beginning of 2023. 5. Operating Efficiency improves with network upgrades, cost cutting. EBITDA margin expected 39.3% this year. | | | | | | | | | | | | | |
| **American Electric Power (NYSE: AEP)** | Buy<90 | 85.21 | 4.13 | -2.32 | 3.63 | 0.88 | 62.5 | A | 2/8/2024 | 3/8/2024 | 5.9 | 63.3 | Regulated Elec/Gas |

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 7.10%. Dividend raised 6%. Next earnings April 30. Sells two tranches of 10-year bonds, $400 mil at coupon rate of 5.65% for Appalachian Power unit and $450 mil at 5.15% for transmission unit. Quality Grade A (No Change). Breakdown: 1. Dividend is well covered by earnings, mid-single digit percentage growth likely. 2. Revenue Reliability is ensured by mix of contracted renewable energy, power transmission (FERC), regulated electric utilities with generation and regulated distribution utilities. Residential sales are 45% of integrated utility sales, commercial and industrial 26% each. Rate base growth in most states appears locked in and robust. Guidance annual 6-7% long-term profit and commensurate dividend growth rate, 2024 earnings guidance at range of $5.53 to $5.73 per share. Primary fuel for growth is $43 bil capital spending plan through 2028, with $27.3 bil allocated to transmission and distribution, $9.4 bil renewable energy. 3. Regulatory Relations are solid overall, Ohio issues appear resolved for now. 4. Near-Term Refinancing Risk is manageable with $3.2 bil ($4.77 bil three months ago) in debt maturities through 2025, 6.7% of total debt is floating, adjustable and variable rate debt. April 2050 bonds yield 5.35% to maturity, was 5.28% at beginning of 2023. 5. Operating Efficiency steady with EBITDA margin expected at 39.9% for 2024. | | | | | | | | | | | | | |
| **American States Water (NYSE: AWR)** | Hold | 70.01 | 2.46 | -19.64 | -12.5 | 0.43 | 60.4 | A | 2/16/2024 | 3/1/2024 | 8.8 | 54.2 | Regulated Water |
| Q1 2024 Return: -9.63%. No change in dividend so far in 2024. Next earnings expected May 10. Quality Rating A (no change). Breakdown: 1. Payout ratio is low and earnings should support at least low-to-mid single digit annual dividend growth. 2. Revenue Reliability backed by new California water conservation law that regulators must follow, 90% of water revenue is from"residential and commercial customers," unregulated business is providing water and wastewater service under contract to 8 US military bases. Water usage is decoupled from revenue, which is a return on rate base. Electric utility unit in California revenue is decoupled from power demand. California return on equity is 10.06% after January boost, reflecting rate formula that boosts ROE by half a percentage point for every one point boost in Moody's Aa utility bond index rate. 3. Regulatory Relations stable with recent water rate case handled amicably, California is always key. Next cost of capital rate proceeding is postponed to next year by mutual consent. 4. Near-Term Refinancing Risk now a non-issue with no debt maturities through 2025, floating rate debt is 48% of total debt. Cost of debt capital manageable with April 2041 bonds yielding 5.21% to maturity, was 5.44% at beginning of 2023. 5. Operating Efficiency solid with EBITDA margin 39.9% expected in 2024. | | | | | | | | | | | | | |
| **American Tower Corp (NYSE: AMT)** | Buy<200 | 192.18 | 3.37 | -2.76 | -12.17 | 1.62 | 60.4 | A | 4/11/2024 | 4/26/2024 | 12.5 | 81.3 | Communications |
| Q1 2024 Return: -8.47%. Dividends declared so far in 2024 are up 6.4% against 2023 period, though payment for April is -4.7% below February payment. Next earnings expected April 26. Quality Grade A (no change). Breakdown: 1. Payout ratio conservative, mid-single digit growth likely. 2. Revenue Reliability underscored by contract model, high demand, creditworthy customers, offset partly by exposure to multiple developing markets with currency risks, though proposed sale of India operations will reduce this. Data centers have more upside for growth as economies of scale expand, management says all are "AI ready." 2024 outlook for $10.21 to $10.45 adjusted FFO per share. Sale of India operations expected mid-year. 3. Regulatory Relations vary with international focus but risk to any one jurisiction is still low. India is currently a troublespot as major tenant Vodafone Idea is flailing. 4. Near-Term Refinancing Risk is manageable though balance sheet is complex with $40.8 bil in total debt, 77% in US dollars, 19% in Euros, rest in a mix of Indian Rupees, Brazilian Real and currencies matching operations outside US. Floating rate debt is 11.7% of total debt, has $6.42 bil of maturing debt through 2024. Cost of long-term debt capital drops with yield to maturity on bonds due June 2050 at 5.5%, was 5.6% at start of 2023. 5. Operating Efficiency is steady though developing market expansion adds risk, operating margin expected at 30.1% in 2024. | | | | | | | | | | | | | |
| **American Water Works (NYSE: AWK)** | Buy<150 | 119.56 | 2.37 | -16.62 | -9.93 | 0.71 | 59.3 | A | 2/7/2024 | 3/1/2024 | 8.8 | 56 | Regulated Water |

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: -6.87%. Dividend not increased so far in 2024 but May boost ahead. Next earnings May 2. Quality Grade A (No Change). Breakdown: 1. Payout ratio modest, target 7-9% annual dividend growth through 2027. 2. Revenue Reliability high from regulated water business and company continues to add new customers and increase rate base nationally with system upgrades and low risk acquisitions of smaller utilities. 2024 earnings guidance range $5.20 to $5.30 per share with 7-9% annual earnings and dividend growth guidance through 2028, based on 8-9% annual rate base growth including acquisitions. 3. Regulator Relations strong with no major issues in any jurisdiction, though states appear to be approving municipal system acquisitions at a slower pace. Geographic diversification also a plus. California conservation legislation a major boost in that state. Recovers 75% of overall CAPEX through rate mechanisms and without filing formal rate cases, greatly reducing lag of investment recovery. Pennsylvania is 31% of rate base. 4. Near-Term Refinancing Risk is reduced with $581 mil ($981 mil three months ago) in maturing debt through end of 2025, has 3.8% variable rate debt. Cost of debt capital manageable with bonds due May 2050 yielding 5.17% to maturity, was 5.23% at beginning of 2023. 5. Operating Efficiency is steady and strong, EBITDA margin expected at 55.4% in 2024. | | | | | | | | | | | | | |
| **APA Group (OTC: APAJF, ASX: APA)** | Buy<9 | 5.68 | 6.64 | -11.67 | -4.18 | 0.27 | 63.3 | A | 12/28/2023 | 3/14/2024 | 0.4 | 85.8 | Australia Energy Transport |
| Q1 2024 Return: -9.14%. Semi-annual dividends declared so far for payment in calendar 2024 are up 1.9% from a year ago in Australian dollar terms. Next semi-annual earnings August 27. New 2-year gas transportation agreement with Strike Energy is a major plus. Quality Grade A (No Change). Breakdown: 1. Payout ratio is conservative and supports consistent low to mid-single digit percentage annual growth. Plans to pay dividend of AUD 56 cents per share for fiscal year. 2. Revenue Reliability underscored by company's dominance and diversification, long-term contracts (average remaining life 12 years) with solid counterparties. Management says "almost all" revenue is linked to either Australian or US inflation rates. Primary driver of growth is AUD1.4 bil "organic development pipeline." 85.4% of revenue secured by either "take or pay" capacity based contracts or regulated returns and therefore with no exposure to volatility in volumes. FY2024 guidance is for EBITDA of AUD1.87 to AUD1.91 bil. Alinta acquisition expected to be accretive in FY2025. 3. Regulatory Relations no major issues as Australian government allows acquisitions and expansion as well as acquisitions. 4. Near-Term Refinancing Risk is manageable, balance sheet is complex with $9.25 bil in total debt, 33% in Euros, 22% in US dollars, 21% in British pounds and just 20% in Australian dollars despite basically 100% of revenue in AUD. Has 19% at floating rates, $1.54 bil of maturing debt through end of 2025. Cost of debt capital manageable with March 2035 bonds yielding 5.69% to maturity, was 5.98% at start of 2023. 5. Operating Efficiency steady with EBITDA margin projected at 60.3% for FY2024 (end June 30). | | | | | | | | | | | | | |
| **Artesian Resources Corp (NSDQ: ARTNA)** | Buy<45 | 35.74 | 3.24 | -33.74 | -11.67 | 0.29 | 56.5 | A | 2/8/2024 | 2/23/2024 | 4.2 | 44 | Regulated Water |
| Q1 2024 Return: -9.77%. Dividends not increased so far in 2024 but two boosts likely, first in May. Next earnings expected May 9. Quality Grade A (No Change). Breakdown: 1. Payout ratio modest, should continue increases on a semi-annual basis at low to mid-single digit annual percentage rate. 2. Revenue Reliability high from regulated water business and company continues to add new customers and rate base with system upgrades and acquisitions of smaller systems. Residential and government 72.8% of revenue, industrial just 0.1%. Commercial 21%. Adding more scale in wastewater is also a plus as business is very steady. 3. Regulatory Relations have been strong in Delaware (most important state), Maryland, Pennsylvania. 4. Near-Term Refinancing Risk a non-issue with no debt maturities until 2028, 100% of debt is fixed rate. Cost of debt capital manageable with bonds due October 2049 yielding 5.68% to maturity, was 5.63% at beginning of 2023. 5. Operating Efficiency is steady, EBITDA margin 42.6% last 12 months. | | | | | | | | | | | | | |
| **AT&T (NYSE: T)** | Buy<16 | 17.52 | 6.33 | -2.69 | 3.23 | 0.28 | 46.1 | A | 4/9/2024 | 5/1/2024 | -18.9 | 57 | Communications |

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 6.56%. No dividend increase so far in 2024 or likely as management holds same 27.75 cents per share paid since Mary 2022. Next earnings Jan 24. Quality Grade B (No Change). Breakdown: 1. Dividend is covered with free cash flow, surplus enough to retire 2024 debt maturities. Increases unlikely until leverage reduction targets met. 2. Revenue Reliability affected by competitive and inflation pressures. Target is 2.5 times debt to EBITDA ratio by first half of 2025, 2024 guidance for earnings of $2.15 to $2.25 including 17 cents per share higher non-cash depreciation expense. Expects EBITDA growth of 3%, free cash flow of $17 to $18 bil. Wireless service growth expected at 3% with broadband growth of 7%. CAPEX target is still $21 to $22 bil. 3. Regulatory Relations stable with no major issues. Lead cable issue has vanished. 4. Near Term Refinancing Risk manageable though balance sheet is complex with total debt of $150.8 bil, 76% in USD, 16% in Euros, rest in British Pounds, Canadian dollars and other currencies. Has 5% of debt at floating, variable or "step coupon," rest is at fixed rates. Company has $8.39 bil ($13.4 bil three months ago) in maturing debt through end of 2025. Cost of long-term debt capital manageable with yield to maturity on bonds due August 2058 at 5.94%, was 5.84% at beginning of 2023. 5. Operating Efficiency improves with cost cutting efforts, 2024 EBITDA margin expected at 36.1%. | | | | | | | | | | | | | |
| **Atlantica Sustainable Infrastructure (NSDQ: AY)** | Buy<30 | 18.5 | 9.63 | -31.83 | -10.89 | 0.45 | 87.7 | A | 3/11/2024 | 3/22/2024 | 2.1 | 76.1 | Contract Assets/Renewables |
| Q1 2024 Return: -11.97%. No dividend increase so far in 2024. Same dividend of 44.5 cents per share paid since Sept 2022. Next earnings expected May 6. Buys two wind facilities in Scotland with total capacity of 32 megawatts for $66 mil, assets hold "renewables obligation certificates" until 2033, fit mold of company's current bite-sized growth initiatives. Quality Grade A (No change). Breakdown: 1. Payout well covered but management holds back increases to self-fund CAPEX and debt reduction. 2. Revenue Reliability ensured by long-term contracts (average remaining life 18 years), strong counterparties, US dollar pricing. Asset expansion is primary driver of growth, with annual development goal of $300 mil. Management says value of power sales agreements is uptrending, 52% of revenue is indexed to inflation. Strategic review still "ongoing" with only incremental moves announced so far. 2024 EBITDA guidance range of $800 to $850 mil, CAFD of $220 to $270 mil implying modest growth for both as new projects come on stream. Has two battery projects in California that will be fully contracted when completed this year. Sale of interest in Monterey (Mexico) natural gas plant is on track to close later this year. " 3. Regulatory Relations strong in all jurisdictions and geographic diversification reduces risk of weather and regulation. 4. Refinancing risk is manageable though balance sheet is complex. Has $3.63 bil in total debt, 60% USD with rest in Euros. Has $160 mil in maturing debt through end of 2025, all at asset level (none at parent level). 100% of asset/project level debt amortizes as maturity approaches and is matched to contracts, so no refinancing needed. 69% of all debt is at floating rates, but all is matched to contracts and parent level debt is at fixed rate. No parent level debt maturities until 2028. Yield to maturity of June 2028 bonds is 5.96%, was 6.44% at beginning of 2023. 5. Operating Efficiency solid with EBITDA margin of 70.5% expected for 2024. | | | | | | | | | | | | | |
| **Atmos Energy Corp (NYSE: ATO)** | Buy<115 | 117.77 | 2.73 | 7.67 | 1.44 | 0.81 | 52.9 | A | 2/23/2024 | 3/11/2024 | 8.8 | 39.8 | Regulated Gas/Pipelines |
| Q1 2024 Return: 3.26%. Dividend increased 8.8% for current fiscal year. Next earnings expected May 3. Quality Grade A (No Change). Breakdown: 1. Payout ratio is low, supports upper single digit increases going forward. 2. Revenue Reliability secured by regulated utilities at 69% of cash flow, most protected by weather adjustment. Industrial revenues are 4.1% of regulated utilities, commercial 25.8%. Regulated pipelines in Texas are 31% but focused on transporting and storing natural gas for distribution systems in Texas and Louisiana, other utilities though also power companies. FY2024 (end Sept 30) earnings guidance range is $6.45 to $6.65 per share with $2.9 bil in planned CAPEX, 6-8% annual earnings growth guidance through 2028. Rate base growth of 11-13% projected, difference is company's very conservative financing policy uses 60% equity ratio versus 40-50% typical of industry. Expected FY2028 earnings per share are $8.35 to $8.75. 3. Regulatory Relations have been positive in all states, Texas is most important. Most states where company is operating have passed laws forbidding local authorities from restricting new distribution infrastructure expansion. 4. Near-Term Refinancing Risk very low, $7.55 bil total debt is 0% floating rate. Has $22 mil debt maturities through end of 2025. Long-term cost of debt capital manageable with bonds due September 2049 yielding 5.28% to maturity, was 5% at beginning of 2023. 5. Operating Efficiency is steady with EBITDA margin expected at 44.4% for fiscal 2024 (end Sept 30), previous projection was 40.8%. | | | | | | | | | | | | | |
| **Avangrid (NYSE: AGR)** | SELL | 36.05 | 4.88 | -4.73 | 9.76 | 0.44 | 84.2 | B | 2/29/2024 | 4/1/2024 | 0 | 37.1 | Utility/Renewable Energy |

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 13.80%. Dividend no change since October 2018. Next earnings expected April 25. Parent Iberdrola makes offer for shares held by public for $34.25 per share, no timeline on deal to date. Offer seems likely to be increased, could see some regulatory pushback. Quality Grade B (no change. Breakdown: 1. Earnings cover dividend but increases not likely with CAPEX needs elevated. Target payout ratio of 65-75%. 2. Revenue Reliability anchored by utilities with cost of service rates. Has revenue decoupling in Connecticut, Maine, Massachusetts and New York. Regulated utilities are 80% of planned CAPEX currently. Renewable energy unit is third largest US wind power producer (69% long-term contracted to utilities) with broad diversity of projects, earnings are affected by wind conditions. Vineyard offshore wind facility is now producing energy. 2024 adjusted earnings per share guidance range of $2.17 to $2.32. Risk to guidance looks much reduced from a year ago with focus on utility CAPEX and onshore renewables. 3. Regulatory Relations are solid with Connecticut, Massachusetts and New York regulatory relations amicable. 4. Near-Term Refinancing Risk is manageable, just 7% of debt is floating or adjustable rate, was 37% three months ago. Has $1.67 bil in maturing debt through end of 2025. Cost of debt capital manageable with September 2049 bonds yielding 5.77% to maturity, was 5.48% at beginning of 2023. Iberdrola SA is ultimate financial backstop with 81.61% ownership of company as its US unit. 5. Operating Efficiency steady with EBITDA margin expected at 29.8% for 2024. | | | | | | | | | | | | | |
| **Avista Corp (NYSE: AVA)** | Buy<44 | 35.05 | 5.42 | -13.06 | -1.42 | 0.48 | 77.2 | A | 2/22/2024 | 3/15/2024 | 4.2 | 55 | Regulated Elec/Gas |
| Q1 2024 Return: -0.68%. Dividend raised 3.3%. Next earnings expected May 3. Quality Grade A (no change). Breakdown: 1. Payout ratio is safe, long-term goal is 65-70% of recurring earnings, low to mid single digit percentage dividend growth is likely. 2. Revenue Reliability now backed by rate deals in all states, electric and natural gas revenues are decoupled from volume sales in all states, company making progress toward earning allowed return on equity. Guidance for customer growth is 1-1.5% per year as driver for earnings. 2024 guidance of $2.36 to $2.56 per share, sticks to projected 4-6% annual growth now off a 2023 base year. 3. Regulatory Relations now appear stable though officials keep tight grip on allowed returns. Risk to wildfire liability appears manageable. Doing business in multiple states limits risk in any one, though Washington is most important. Consolidated wildfire damage lawsuits pose some risk but damage was not catastrophic and likely covered by insurance, company says it's innocent of wrongdoing and does not face inverse condemnation as California utilities do. Outcome of 2024 Washington general rate cases ($77.1 mil for electric and $17.3 mil gas) is key, 70% on electric side is cost of exiting Colstrip coal plant as required by Washington regulators. Company also wants to level off earnings impact of ERM energy mechanism, increase wildfire mitigation spending. 4. Near-Term Refinancing Risk is a non-issue, 17% total debt is at floating rates, $3.4 mil maturing debt by end of 2025 with another $7.3 mil for 2026-27. Cost of debt capital manageable with bonds maturing in December 2051 yielding 5.71%, was 5.28% at start of 2023. 5. Operating Efficiency stable with EBITDA margin for 2024 expected to be 34.6%. | | | | | | | | | | | | | |
| **BCE (NYSE: BCE, TSX: BCE)** | Buy<55 | 32.94 | 8.96 | -20.92 | -16.66 | 1 | 80 | A | 3/14/2024 | 4/15/2024 | 3.8 | 63.8 | Canada Communications |
| Q1 2024 Return: -11.84%. Dividend raised 3.1%. Next earnings May 2. Moody's and S&P cut outlook on credit rating to negative, cite slower than expected pace of debt reduction but ratings are still solidly investment grade. Quality Grade A (No Change). Breakdown: 1. Dividend payout ratio is conservative and supports continuing mid-single digit percentage increases. 2. Revenue Reliability high despite competition as company network is best in class, wireless and fiber broadband see increased traffic and benefit from "convergence" as well on costs and capability, media operations have recovered from pandemic. 5G and fiber broadband uptake should be a strong driver of revenue next few years. Expects tougher competition at Quebecor competes in wireless and Canadian government orders open access to fiber broadband network. Guidance range for 2024 EBITDA growth is 1.5% to 4.5% with revenue of 0-4%, earnings per share -2% to -7%. 3. Regulatory Relations are uncertain as Canadian government actions restrain investment in broadband, company cuts back media operations and draws ire of regulators. 4. Near-Term Refinancing Risk is manageable though balance sheet is complex, $24 bil total debt, 11% of total debt is floating and variable rate, 73% Canadian dollars and rest in US dollars. Has $1.7 bil ($3.1 bil three months ago) in maturing debt through end of 2025. Cost of long-term capital manageable with December 2054 bonds yielding 5.86% to maturity, was 6.23% at beginning of 2023. 5. Operating Efficiency steady with EBITDA margin 42.8% expected in 2024. | | | | | | | | | | | | | |
| **Black Hills Corp (NYSE: BKH)** | Buy<70 | 54.22 | 4.8 | -10.07 | -0.56 | 0.65 | 66.7 | A | 2/15/2024 | 3/1/2024 | 4.7 | 57.1 | Regulated Elec/Gas |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 2.42%. Dividend increased 4%. Next earnings expected May 3. Quality Grade A (no change). Breakdown: 1. Payout ratio is conservative, dividend likely to be increased at mid-single digit percentage rate going forward. 2. Revenue Reliability backed by reliance on regulated natural gas and electric utilities, contracted power sales. Mining attached to coal-fired power plants with company itself the main customer, eventual phaseout should be relatively painless given regulatory support and rate base investment opportunity over next decade. Electric utility retail revenue is 35% residential, 40% commercial, 21% industrial, 4% municipal. Gas utilities don't have revenue decoupling but are 70% residential, industrial not key to margin. Long-term earnings growth target of 4-6% through 2028, primary driver for growth is $4.3 bil CAPEX plan. 2024 earnings per share guidance range of $3.80 to $4. 3. Regulatory Relations good, multi-state diversification is a plus. 4. Near-Term Refinancing Risk is manageable with $600 mil in maturing debt in 2024, none in 2025, less than 1% floating rate debt. Cost of long-term debt capital manageable with October 2049 bonds yielding 5.97% to maturity, was 5.78% at start of 2023. 5. Operating efficiency strong, EBITDA margin expected at 31.4% for 2024, three months ago forecast was 29.4%. | | | | | | | | | | | | | |
| **Blackrock Utilities, Infrastructure & Power Opportunities (NYSE: BUI)** | Buy<26 | 21.18 | 6.86 | -5.56 | -1.94 | 0.12 | 203.3 | A | 4/12/2024 | 4/30/2024 | 0 | N/A | Closed-End Fund |
| Q1 2024 Return: 0.53%. Management policy is to hold monthly dividend level at rate paid since August 2014. Quality Grade A (no change). Breakdown: 1. Fund's current yield is 2.5 times the average dividend yield of top 10 holdings. Distribution increases unlikely but management has many levers to pull to maintain payout and motivated to do so. 2. Revenue reliability is underscored by high quality of portfolios, Top 10 holdings as of end of Q4 (last available information) are all investment grade with safe and growing dividends, renewable energy is still a focus but not the only one. 3. Regulatory Relations good for holdings. 4. Refinancing Risk is low as fund uses no leverage, policy enabled it to avoid forced sales in 2020 market meltdown, protected from 2022 declines as well. 5. Operating Efficiency good as fund has low expense ratio of 1.1%. | | | | | | | | | | | | | |
| **Boralex (TSX: BLX, OTC: BRLXF)** | Buy<35 | 20.97 | 2.32 | N/A | -15.66 | 0.17 | 37.7 | B | 2/28/2024 | 3/15/2024 | -1.2 | 64.1 | Renewable Energy |
| Q1 2024 Return: -16.39%. No change in dividend since November 2018. Next earnings expected May 10. Quality Grade B (no change). Breakdown: 1. Payout ratio is conservative, expansion spending likely to limit dividend growth next several years. 2. Revenue Reliability backed by long-term contracts with mostly government and other investment grade entities, well-run wind and hydro facilities, 97% government and utilities. Primary driver of growth is asset expansion. Management affirms 2025 Strategic Plan is on track, total project pipeline is 6.8 gigawatts, has installed capacity of 3.1 GW. 3. Regulatory relations are good as carbon free power is popular in Canada and Europe, opportunity to grow in France as government wants to double onshore wind capacity and quadruple solar energy by 2028. 4. Near-Term Refinancing Risk is manageable though balance sheet is complex. Company has $94 mil in maturing debt through end of 2025. 89% of $3 bil in total debt is at floating rates but project level debt amortizes over life of loan limiting refinancing risk, has $90 mil in parent level debt maturities in 2025, parent level debt is 74% at floating rates. Debt is 33% in Euros, 42% Canadian dollars and rest US and Euros. Cost of long-term debt capital is still manageable. 5. Operating Efficiency improves with growth in scale of business, EBITDA margin expected at 71.8% for 2024. | | | | | | | | | | | | | |
| **BP (NYSE: BP, LSE: BP)** | Buy<40 | 38.65 | 4.46 | 6.81 | 10.21 | 0.44 | 31.4 | A | 2/15/2024 | 3/28/2024 | 2.7 | 42.5 | Super Major Oil/Gas |

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 7.68%. Dividend not increased so far in 2024. Next earnings May 7. Moody's raises credit rating to A1 with stable outlook, cites debt reduction and modest dividend growth. Will sell US produced oil to India, cuts Permian Basin rig but holds to 10% output growth target. Suspends $2 bil Israel gas deal due to regional conflict, books $900 mil in North Sea asset impairments. Quality Grade A (no change). Breakdown: 1. Dividend policy is to return 80% of "surplus" cash flow (free cash flow) to shareholders in dividends and stock buybacks. 2. Revenue Reliability still depends on oil prices but diversification into renewable energy should reduce volatility. Plans 2024 CAPEX of $16 bil. 2030 annual EBITDA target range of $53 to $58 bil, planning $14 to $18 bil annual CAPEX, allocating 60% of 2023 surplus cash flow to buybacks. Focusing CAPEX on "low carbon investments" when Brent crude oil prices are less than $90 a barrel. 3. Regulatory Relations improve with renewable energy push, climate related litigation doesn't appear to be a major threat now. 4. Near-Term Refinancing Risk is very low because of massive balance sheet cash ($34 bil) and expected free cash flow generation after dividends ($10 to $12 billion in 2024). Balance sheet is complex with $62 bil total debt, 63% in US dollars, 32% in Euros, rest in British pounds, Canadian dollars mostly. Total debt is 22% variable, floating and adjustable rate. Has $5 bil in debt maturities through 2025. Cost of long-term debt capital is manageable with bonds of March 2050 yielding 5.14% to maturity, was 5.48% at beginning of 2023. 5. Operating Efficiency rising with cost cutting, EBITDA margin of 18.3% expected in 2024. | | | | | | | | | | | | | |
| **Brookfield Renewable Energy Partners (NYSE: BEP, TSX: BEP-U)** | Buy<40 | 23.02 | 6.17 | -22.94 | -10.12 | 0.36 | 86.5 | A | 2/28/2024 | 3/28/2024 | 3.2 | 49.8 | Renewable Energy |
| Q1 2024 Return: -10.25% BEP, -13.42% BEPC. Dividend raised 5.2%. Next earnings expected May 6. Westinghouse (50-50 owned with Cameco) has contract to build nuclear plants in Poland. Issues $150 green perpetual notes at interest rate of 6.78%, will trade NYSE under symbol "BEPJ." Quality Grade A (No Change). Breakdown: 1. Payout ratio is well covered by distributable cash flow, guidance is for annual dividend growth target of 5-8%. 2. Revenue Reliability ensured by contracted generation (95% of cash flow), geographic diversification, weather has quarter-to-quarter impact but less so as portfolio has grown. Number of projects and geographic diversification adds complexity, currency and political risk but also scale that has reduced weather-related volatility in cash flow. Hydro is still 66% of generation and low cost, wind 27% and solar 7%. Distributed generation has different economics but company has demonstrated ability to manage them. Asset expansion is primary driver of growth with company adding major ventures in energy storage recently to mix. FFO per unit annual growth target of 10%. New development is 90% contracts with corporate customers as data center demand expands with artificial intelligence rollout. Advanced stage development pipeline is 24 GW. 3. Regulatory Relations are solid in all jurisdictions, diversification a strength. India growth appears to be going well. 4. Near-Term Refinancing Risk is low despite balance sheet complexity with $536 mil of maturing debt through end of 2025, no significant maturities until 2028. Cost of capital is still manageable. Support of parent Brookfield Asset Management (25.87% owner) is a plus, but company now has BBB+ credit ratings on its own from S&P and Fitch with stable outlooks. Can also issue low cost green bonds. 5. Operating Efficiency strong with EBITDA margin of 49.7% expected for 2024. | | | | | | | | | | | | | |
| **BT Group (OTC: BTGOF, LSE: BT)** | SELL | 1.37 | 7.15 | -18.59 | -14.38 | 2.31 | 21 | C | 12/28/2023 | 2/2/2024 | N/A | 62.2 | UK Communications |
| Q1 2024 Return: -13.75%. No dividend increase so far in 2024. Next earnings May 16. Sells GBP750 mil 30.5 year hybrid securities with yield of just 5.25%. Canadian Pension Plan Investment Board is heavily short stock. Quality Grade C (no change). Breakdown: 1. Dividend re-established at rate with uncertain sustainability next few years as CAPEX and competitive threats to business will restrain growth. 2. Revenue Reliability threatened by competition, UK regulation and labor relations. 5G uptake and fiber construction should be a growth driver next few years though rising cost of deployment a risk in high inflation UK, rate hike to offset inflation is also a near-term plus. FY2024 (end Mar 31) financial guidance is for free cash flow at "top end of guidance range" of GBP1 to GBP1.2 bil, maangement says on track to meet GBP3 bil annual cost savings target for end of FY2025. 3. Regulatory Relations challenging in UK, potential Labour government could be even more so. 4. Near-Term Refinancing Risk elevated and balance sheet is complex with debt 43% in Euros, rest mainly in US dollars and British Pounds. Has $2.33 bil in debt maturities through end of 2025. Variable rate bonds are 14% of total debt of $23.3 bil and don't mature until 2080. Cost of long-term debt capital manageable with November 2047 bonds yielding 5.33% to maturity, was 5.67% at start of 2023. Altice has 24.5% of company, Deutsche Telekom 12%. 5. Operating Efficiency depends on cost cutting, EBITDA margin for 12 months ending March 31, 2024 expected at 39.1%. | | | | | | | | | | | | | |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **California Water Service (NYSE: CWT)** | Hold | 46.02 | 2.43 | -19.29 | -10.78 | 0.28 | 123.1 | A | 2/9/2024 | 2/23/2024 | 6.9 | 46.6 | Regulated Water |
| Q1 2024 Return: -9.85%. Dividend raised 7.7%. Next earnings expected April 26. California regulators approve amicable water rate deal ending prolonged deliberations. Will receive $39.2 mil retroactive to 2023, $32.2 mil in 2024 and $31.7 mil in 2025, with total investment of $1.21 bil for 2021-2024 period approved. Utility has spent 100% of approved budget and rest will go to strengthened finances. Company will now file next multi-year rate plan in July. Quality Grade to A from B on amicable decision in California rate case, earnings and balance sheet recovery. Breakdown: 1. Payout ratio is conservative, dividend growth likely mid-single digit percentages going forward. 2. Revenue Reliability depends largely on California (93.8% of revenue). Hawaii is 3.8%, Washington 1.8%, New Mexico 0.6%. Water revenue is decoupled from demand in California. Electric utility revenue is decoupled from power sales. CAPEX and customer growth particularly with acquisitions is primary driver of growth. Limited direct earnings exposure to state's ongoing drought. Cost of capital in California is key. 3. Regulatory Relations at this point appear amicable in all jurisdictions as final decision is reached in pivotal California rate case with rate hike retroactive to beginning of 2023, authorizes $1.2 bil investment from 2021-24, "progressive" rate design to ensure budget stability. 4. Near-Term Refinancing Risk is very low with just $20 mil maturing debt through end of 2025, 43% of debt at floating rates. Cost of debt capital manageable with December 2040 bonds yielding 5% to maturity, was 5.04% at start of 2023. 5. Operating Efficiency remains steady, EBITDA margin for 2024 expected at 34.2%. | | | | | | | | | | | | | |
| **Canadian Utilities (TSX: CU, OTC: CDUAF)** | Hold | 22.22 | 6.09 | -15.7 | -6.43 | 0.45 | 76.9 | A | 1/31/2024 | 3/1/2024 | 0.4 | 59.7 | Canada Electricity |
| Q1 2024 Return: -4.89%. Dividend raised 1%. Next earnings expected Mar 1. Completes share exchange to simplify capital structure. Quality Grade A (no change). Breakdown: 1. Dividend payout ratio is conservative, supported by regulated utility operations, growth likely to remain in low single digit percentages. 2. Revenue Reliability is strong from regulated utilities (90-95% earnings). Has 35 year contract to operate major Alberta power line. Stronger economy in Alberta energy patch service territory is a plus. Guidance mid-point is CAD3.3 bil in utility CAPEX through 2025 as primary driver of expected low single digit percentage earnings and dividend growth. Company fortunes are tied to those of ATCO Ltd (TSX: ACO/X, OTC: ACLLF), which owns 37.87% of company. 3. Regulatory Relations are stable with no major current issues, appears to be managing Luna venture in Puerto Rico grid adequately. 4. Refinancing Risk is manageable with $476 mil in maturing debt through end of 2025, 10% variable rate debt. Cost of long-term debt capital manageable with bonds of September 2063 yielding 4.76% to maturity, was 4.94% at beginning of 2023. 5. Operating Effiiciency solid with EBITDA margin expected at 48.8% for 2024. | | | | | | | | | | | | | |
| **CEMIG (NYSE: CIG, BZ: CMIG4)** | Buy<3 | 2.46 | 0.48 | 22.3 | 9.43 | 0.02 | 51.7 | B | 3/28/2024 | N/A | 51.6 | 29.4 | Brazil Electricity |
| Q1 2024 Return: 7.98%. Dividends are lower by -3.7% year-over-year in US dollar terms. EBITDA hits record in 2023 up 16.6% as investment in transmission and distribution, renewable energy powers growth. Q4 EBITDA up 30.5%, net income up 39.8% as rate increases also provide a boost. Next earnings May 14. Quality Grade B (no change). Breakdown: 1. Dividend varies with earnings, value of Brazilian Real. 2. Revenue Reliability tied to success of investment plan for 2024-28 of BRL35.6 bil, 64.6% is related to upgrades to the electricity distribution system, 10.7% to transmission and 9.3% to distributed generation with only 5.9% to conventional generation projects. Plan indicates preference for shorter duration projects where costs can be better controlled. 3. Regulatory Relations appear to have stabilized relatively amicably for utility, privatization is again a possiblity. Company appears to be on right side of Lula government preference for renewable energy. 4. Near-Term Refinancing Risk is manageable despite balance sheet complexity, 45% of debt is at floating rates with 86% in Brazilian Real and rest US dollars. Has $1.47 bil in debt maturities through end of 2025, including 100% of total US dollar debt. June 2026 bonds yield 5.57% to maturity, was 7.1% at beginning of 2023. 5. Operating Efficiency steady with EBITDA margin expected at 22.2% in 2024, three months ago projection was 20.7%. | | | | | | | | | | | | | |
| **CenterPoint Energy (NYSE: CNP)** | Buy<32 | 28.44 | 2.81 | -0.73 | -1.25 | 0.2 | 53.3 | A | 2/14/2024 | 3/14/2024 | 8.5 | 66.2 | Regulated Elec/Gas |

Conrad's Utility Investor

# Utility Report Card

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 0.42%. No change in dividend so far in 2024. Next earnings expected April 26. S&P cuts outlook for credit rating to negative, citing capital spending plans but rating is still BBB+. Moody's and Fitch outlooks stable. Quality Grade A (No change). Breakdown: 1. Payout ratio is conservative and well backed by earnings at regulated electric and gas transmission and distribution utilities, mid-single digit percentage growth likely. 2. Revenue Reliability is strong with key driver regulated utility CAPEX. Capital spending plan through 2030 is $44.5 bil. Regulated electric and natural gas utility revenue is volume sensitive but generally weighted toward residential customers and revenue is more than 90% from regulated transmission and distribution. Guidance for earnings growth at "high end" of 6-8% range through 2030. 2024 guidance range is $1.61 to $1.63 per share. Targets 1-2% annual reductions in operating costs through 2030. 3. Regulatory Relations stable in Texas and amicable elsewhere for natural gas distribution and electric utilities. Should have no difficulty closing sales of Louisiana and Mississippi gas utilities. 4. Near-Term Refinancing Risk is manageable. Total debt is $17.4 bil, 100% in US dollars, 8.5% floating, adjustable, step coupon and variable rate. Has $901 mil ($1.45 bil three months ago) in maturing debt through end of 2025. Has $5.1 bil in parent level debt with $850 mil maturing in 2024. Management says no new equity issuance needed until "at least" 2030. Cost of debt capital manageable with Sept 2049 bonds yielding 5.59% to maturity, was 5.49% at beginning of 2023. 5. Operating Efficiency increases with cost cutting, EBITDA margin is expected at 36.6% for 2024. | | | | | | | | | | | | | |
| **Centrica (LSE: CNA, OTC: CPYYY)** | Hold | 6.39 | 1.82 | 25.97 | -12.04 | 0.07 | 50 | C | 10/5/2023 | 11/27/2023 | N/A | 48.9 | UK retail electricity |
| Q1 2024 Return: -8.54%. Semi-annual dividends declared for payment in calendar year 2024 are 33.5% higher than in 2023 so far. Next semi-annual earnings expected July 26. CEO is under fire for salary increase. Quality Grade C (no change). Breakdown: 1. Dividend will be volatile going forward with earnings highly cyclical. 2. Revenue Reliability is at risk to multiple factors in current environment. Company plans to double annual CAPEX through FY2028 from last year's level, meaning less free cash flow for stock buybacks and dividends. Management guides to lower operating earnings in 2024 due to expected continuing moderation in commodity prices. 3. Regulatory Relations highly uncertain in UK as regulators cut price cap for electricity by -12.3%. Conservative Party government under increasing pressure with 2024 election approaching. Labour still has nationalization plank. 4. Near-Term Refinancing Risk a non-issue with no maturing debt through end of 2025. Debt is 15.8% variable rate, 83% is in British pounds, rest in US dollars and Euros. Cost of debt manageable with September 2045 bonds yielding 6.7% to maturity, was 6.67% at start of 2023. 5. Operating Efficiency challenged as company goes "asset lite" and is still exposed to commodity price volatility, calendar year 2024 EBITDA margin expected at 8.7%. | | | | | | | | | | | | | |
| **Charter Communications (NSDQ: CHTR)** | Buy<400 | 278.02 | N/A | -22.26 | -28.99 | N/A | 0 | B | N/A | N/A | N/A | 87.1 | Communications |
| Q1 2024 Return: -25.23%. No dividend. Next earnings expected April 29. Still plans robust stock buyback for 2024 though less than previous years. Quality Grade B (no change). Breakdown: 1. No payout. 2. Revenue Reliability is solid with business heavily focused on fees, enterprise sales and wireless expansion continues, offsets loss of basic cable customers. Expects customer growth headwinds" in 2024. 3. Regulatory Relations stable, will face a challenge if company makes takeover offer for floundering Altice USA. 4. Near-Term Refinancing Risk is manageable. 14.5% of $95.6 bil of total debt is floating rate, 1.6% in British pounds and rest US dollars. Has $5.5 bil in maturing debt through end of 2024, expects to generate $3.2 bil in 2024 free cash flow. Cost of long-term debt capital manageable though yield to maturity of bonds due October 2055 is slightly elevated now at 7.12%, was 7.16% at start of 2023. Credit ratings stuck on verge of investment grade, raters appear reluctant to boost due to concerns about broadband competition. 5. Operating Efficiency offsetting revenue pressures so far with EBITDA margin expected at 40.4% for 2024. | | | | | | | | | | | | | |
| **Chesapeake Utilities Corp (NYSE: CPK)** | Buy<120 | 105.06 | 2.25 | -16.15 | -0.11 | 0.59 | 43.8 | A | 3/14/2024 | 4/5/2024 | 10.3 | 52.9 | Regulated Elec/Gas |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 2.14%. No change in dividend so far in 2024. Next earnings expected May 3. Quality Grade A (no change). Breakdown: 1. Payout ratio low and supports consistent upper single digit annual increases. 2. Revenue Reliability strong despite diverse operations. Has 87% of revenue from regulated businesses and 60% of consolidated income in Florida. Propane revenue is 35% metered: 25% residential and 10% commercial, rest is bulk. Weather is key factor for earnings always but target midstream and electricity investment have reduced seasonality of results. 2028 earnings per share guidance of $7.75 to $8 per share, 8% growth from 2025-28, key driver is $1.5 to $1.8 bil in planned capital spending. Guidance range for 2025 earnings per share remains $6.15 to $6.35 per share, guidance for 2024 is $5.33 to $5.45 per share. 3. Regulatory Relations solid with no major current issues. Florida is now the key state. 4. Near-Term Refinancing Risk is low with $173 mil in debt maturities in 2024 but not much beyond, debt is currently 95% at floating rates. 5. Operating Efficiency is strong across diversified business lines with EBITDA margin expected at 34.5% in 2024. | | | | | | | | | | | | | |
| **Chevron Corp (NYSE: CVX)** | Buy<150 | 159.78 | 4.08 | 1.95 | 8.02 | 1.63 | 52.9 | A | 2/15/2024 | 3/11/2024 | 6.1 | 13.9 | Super Major Oil/Gas |
| Q1 2024 Return: 6.85%. Dividend increased 7.9%. Next earnings expected April 29. ExxonMobil and CNOOC have consolidated claims they have right to buy Hess Corp's (NYSE: HES) Guyana project stake (30%) if Chevron completes acquisition, management reaffirms intent to close deal in Q2. Kazakh project costs rise by $1.5 bil. Quality Grade A (no change). Breakdown: 1. Payout supported by cash flow at $40 per barrel oil, by balance sheet at lower prices. 2. Revenue Reliability helped by completion of major multi-year projects, cost cutting, exposure to downstream business and now the shift up in the energy price cycle. Company is also investing heavily in hydrogen, carbon capture and low carbon fuels to match next phase of energy transition, provide stable revenues. Management says company is "built for a $50 (per barrel) oil environment." Plans $15.5 to $16.5 bil CAPEX in 2024, expects 1 mil bbls/day output in Permian Basin in 2025 and expects 10% growth in area this year with overall production growth of 4-7%. Closing Hess merger would give company major stake in Guyana oil field operated by ExxonMobil. 3. Regulatory Relations and legal risk appear manageable for now, main risk to Hess Corp merger is now arbitration challenge by ExxonMobil and CNOOC claiming they have right to buy Hess' Guyana stake if merger closes. Deal is likely off if company loses case. 4. Near-Term Refinancing Risk is very low. 14% of debt is adjustable and floating rate and has $4.76 bil maturing debt by end of 2025. Total is covered by $5.9 bil cash as of end Q4 2023. Also expects to generate $12-$13 bil in free cash flow after all dividends and CAPEX in 2024 under moderate assumptions for oil prices. Cost of long term debt capital manageable with May 2050 bonds yielding 5% to maturity, was 4.71% at beginning of 2023. 5. Operating Efficiency improves with cost cutting though energy prices greatly affect results, 2024 EBITDA margin now expected at 27.1%. | | | | | | | | | | | | | |
| **China Gas Holdings (OTC: CGHLY, Hong Kong: 384)** | Buy<40 | 22.27 | 3.86 | -28.56 | -8.09 | 0.48 | 63.4 | B | 1/5/2024 | 2/16/2024 | 2.8 | 48.7 | China natural gas |
| Q1 2024 Return: -3.05%. Semi-annual dividends declared for payment in 2024 so far are 58.6% higher than in 2023. Hong Kong dollar peg to US dollar holds. Next semi-annual earnings expected June 26. Quality Grade B (no change). Breakdown: 1. Payout appears covered. 2. Revenue Reliability is backed by a regulated franchise in major Chinese cities and mid-teens annual customer growth, though depends on regulators to allow pass through of higher natural gas costs. Company has 10% market share of Chinese natural gas through multi-regional projects. Penetration of residential users in territory with service is 69.9%. 3. Regulatory Relations generally amicable as government is a heavy owner and promoting use of natural gas heat over coal. 4. Refinancing Risk is a non-issue with Chinese government support despite some balance sheet complexity. Has $2.08 bil in total debt, 52% in Chinese Reminbi, 26% in US dollars and 22% in Hong Kong dollars. Debt is 88% floating and variable rate, has $1.304 bil maturing through end of 2025. Burden is offset by Company has $1.4 bil in balance sheet cash. Free cash flow is covering dividends paid by a 1.6-to-1 margin. Cost of debt capital manageable with bonds of March 2025 yielding 2.31% to maturity, was 3.26% at start of 2023. Chinese credit agencies rate company AAA with stable outlook. 5. Operating Efficiency strong though pressured by gas prices with EBITDA margin projected at 11.8% for 12 months ending March 31, 2024. Biggest risk to US investors is US government ruling stock off limits. | | | | | | | | | | | | | |
| **China Mobile (NYSE: CHL, HK: 941)** | Delisted | N/A | N/A | N/A | N/A | 30.25 | 67.3 | B | 11/3/2021 | N/A | N/A | 9 | China Communications |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 3.03%. Semi-annual dividends declared so far in 2024 are 8.6% higher than year ago payout, same in US dollar terms as Hong Kong peg holds. Next earnings expected April 22. Earnings up 5% in 2024 on 5.3% growth in wireless users, growth in 5G and broadband users that boosts margins. Management sticks to longer-term guidance. Weaker Chinese economy has not negatively impacted results so far. Quality Grade B (No Change). Breakdown: 1. Payout is well covered, future increases depend on cash needs. Management says will raise payout ratio to 75% of earnings as 5G network spending winds down. 2. Revenue Reliability strong despite competition and still appears to be getting big lift in average revenue per user from 5-G rollout, as well as advanced applications and data usage. Guidance for "profit uptrend" to 2026, industrial internet growth of 16% a year. 3. Regulatory Relations good, state support solid. 4. Near-Term Refinancing Risk not a concern due to Chinese government backing and A+ credit rating from S&P (stable outlook), A1 (negative) from Moody's. Also has $47 bil plus cash in the bank and expects to generate $9-$10 bil in free cash flow after dividends in 2024. 5. Operating Efficiency best in class, EBITDA margin projected at 32.8% for 2024. US government forbids US investors from owning shares, former American Depositary Receipts (5 ordinary shares) are worth $42.72 and change based on stable Hong Kong dollar exchange rate. | | | | | | | | | | | | | |
| **China Unicom (NYSE: CHU, HK: 762)** | Delisted | N/A | N/A | N/A | N/A | 0.26 | 46 | B | 5/19/2021 | 6/28/2021 | N/A | 11.4 | China Communications |
| Q1 2024 Return: 15.08%. Semi-annual dividends declared so far in 2024 are 22.6% higher than in 2023. Next earnings expected April 18. Profit grows by 11.8% in 2023 as company adds 5G users, earnings per share up 10.9% and revenue ahead by 5%Quality Grade B (no change). Breakdown: 1. Payout ratio is manageable with increases in line with underlying growth. 2. Revenue Reliability is improving with 5G rollout despite competition with industry leader China Mobile and China Telecom. Guidance is for continued double-digit earnings growth annually, with industrial Internet a key driver. 3. Regulatory Relations good, state support is solid. 4. Near-Term Refinancing risk negligible. Has $11.7 bil in cash as of end of 2023, expects to generate roughly $3.5 bil in free cash flow after dividends in 2024. 5. Operating Efficiency improves with cost cutting, EBITDA margin 26.5% expected for 2024. Shares are US government restricted from US investors. ADRs worth roughly $7.22 per at current Hong Kong dollar exchange rate and 10 ordinary shares per ADR. | | | | | | | | | | | | | |
| **Chunghwa Telecom (NYSE: CHT, TT: 2412)** | Hold | 39.57 | 2.9 | 5.13 | 1.75 | 1.48 | 98.9 | B | 6/28/2023 | 8/14/2023 | 1 | 10 | Taiwan Communications |
| Q1 2024 Return: 0.18%. Annual 2024 dividend to be increased in May in Taiwan dollar terms. February revenue up 4.13% from year ago month. Next earnings expected April 11. Quality Grade B (No Change). Breakdown: 1. Annual dividend follows cash flow and earnings, current rate conservative and low single digit percentage growth is likely. 2. Revenue Reliability enhanced by dominant position in Taiwanese market though competition is strong, 5G uptake is emerging as driver of growth. 2024 guidance for 2.4%-3.1% higher revenue, 4%-4.6% higher expenses, operating income -2.4% to +0.3%, earnings per share of NT4.60 to NT4.80. 3. Regulatory Relations are positive, government remains the largest shareholder at 35.29%. 4. Near-Term Refinancing Risk is low with $275 mil debt maturities before end of 2025, also no variable rate debt. All debt is in Taiwan dollars. Has $1.7 bil cash as of end of 2023, expects free cash flow in 2024 to cover dividends with roughly $300 mil left over, 42.07% ownership of company by government entity, AA (stable outlook) credit rating from S&P. 5. Operating Efficiency is solid with EBITDA margin expected at 38.6% for 2024. | | | | | | | | | | | | | |
| **Clearway Energy (NYSE: CWEN)** | Buy<38 | 23.53 | 6.86 | -20.02 | -11.86 | 0.4 | 75.1 | B | 2/29/2024 | 3/15/2024 | 10.5 | 63.4 | Renewable Energy |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: -14.49%. Dividend increased 1.7% so far in 2024, 3 more increases on tap. Next earnings expected May 3. Quality Grade B (No Change). Breakdown: 1. Current dividend level is supported by contracted cash flows. Annual dividend growth guidance through 2026 is range of 5-8% a year without issuing new external debt or equity, management says it expects to hit "high end" of range. 2. Revenue Reliability backed by contracted and regulated cash flows, almost all counterparties are regulated utilities. Primary driver of growth is asset expansion, primarily drop downs of assets from Clearway Energy Group (54.91% of voting shares, 42.12% economic interest), which is half owned by Global Infrastructure Partners (soon to merge with Blackrock) and half TotalEnergies. 2024 cash available for distribution (CAFD) guidance of $395 mil ($2.15 per share) and remainder of financial guidance. New "resource adequacy" deals will keep California natural gas power plants generating cash flow through 2027 at 42% contracted, output through 2026 is 100% contracted. Development pipeline is 29 gigawatts plus at parent Clearway Group (54.91% of voting shares, 42.12% economic interest) with 7 GW in late stage development and 5 GW contracted. 3. Regulatory relations good with states supporting renewables expansion, California and Texas are key states. 4. Near-Term Refinancing Risks are manageable. Total debt is $4.41 bil, 47% is floating rate, 100% in US dollars. Has $753 mil maturing debt through end of 2025 including everything at parent level debt. Has $566 mil cash (end Q3 2023), expected $220 mil plus free cash flow in excess of dividends in 2024. Cost of longer-term debt capital manageable with January 2032 bonds yielding 6.3% to maturity, was 6.47% at beginning of 2023. Credit ratings at BB and Ba2 from S&P and Moody's respectively with stable outlooks. 5. Operating Efficiency solid with EBITDA margin now expected at 85.5% in 2024. | | | | | | | | | | | | | |
| **CLP Holdings (OTC: CLPHY, HK: 2)** | Buy<8 | 8.01 | 7.22 | 16.96 | 1.42 | 0.15 | 63.7 | B | 3/8/2024 | 3/28/2024 | -0.3 | 33.9 | China utility, Asia generation |
| Q1 2024 Return: -1.76%. No change in dividend so far in 2024. Hong Kong dollar peg to US dollar holds. Next earnings May 13. Weaker than expected Chinese economy does not appear to be hurting results. Quality Grade B (No Change). Breakdown: 1. Payout ratio and financial policies are conservative, supported by regulated Hong Kong utility business and generally low risk, high growth power business abroad. Dividend likely to remain flat this year. 2. Revenue Reliability is strong with Hong Kong operations (65-70% of parent EBITDA) steady in large part due to rate structure. Australia results recover though company still seeking financial partner in country. China and India growth plans are robust. Hong Kong utility CAPEX is a primary growth driver under multi-year rate and investment plan. Nuclear plants run well, Australian coal unit overcoming supply challenges. 3. Regulatory Relations good in Hong Kong and rest of China, and allow long-term planning, Australia is a question mark but conditions appear to improve. Hong Kong regulators have approved HKD52.9 bil (USSD7.5 bil) CAPEX plan for 2024-28 with focus on decarbonization of power generation. 4. Near-Term Refinancing Risks manageable with $694 mil ($1.08 bil three months ago) of maturing debt through 2025 though balance sheet is complex. Total debt is 33% at floating and variable rates. Has 58% denominated in US dollars (exchange rate locked in by peg system), 21% in Hong Kong dollars, 15% Australian dollars with balance in Japanese Yen and Indian Rupees. Debt roughly matches revenue streams by country though is light on Australia. Cost of debt could potentially increase greatly in unlikely event that US dollar peg is broken, risk now very low, July 2044 bonds yield just 2.83% to maturity, flat with past 33 months. 5. Operating Efficiency steady with EBITDA margin expected at 29.8% in 2024, projection three months ago was just 24.9%. | | | | | | | | | | | | | |
| **CMS Energy Corp (NYSE: CMS)** | Buy<68 | 60.19 | 3.42 | 1.47 | 2.59 | 0.52 | 62 | A | 2/9/2024 | 2/29/2024 | 6.1 | 65.9 | Regulated Elec/Gas |
| Q1 2024 Return: 4.80%. Dividend raised 5.6%. Next earnings expected April 26. Quality Grade A (No change). Breakdown: 1. Payout ratio is conservative and fully backed by regulated electric and gas utility revenue. Mid-single digit annual growth likely next several years. 2. Revenue Reliability backed by regulated utilities in state that's historically provided strong regulatory support. Residential is 45% electric revenue, commercial 34% and industrial 15%, not dependent on a single customer or group. 10% of load is just cost of service for customers using another provider, further reducing exposure to industry. Gas is 60% residential revenue, just 14% commercial and 4% industrial. Contract power operations sell to utility. Long-term earnings growth rate is 6-8% a year "with continued confidence toward high end of range" through 2028, payout ratio less than 60% "over time," at annual Investor Meeting. 2024 guidance range for earnings per share is $3.29 to $3.35 per share. Unregulated Northstar renewable energy business expected to produce 16 to 18 cents a share in 2024. 3. Regulatory relations historically very strong in Michigan, and politically with both Democrats and Republicans. Michigan energy law is supportive of CAPEX plan, now $17 bil for next five years with focus on renewable generation, grid modernization, main/pipeline replacements on natural gas system. Recent rate case settled amicably with ROE of 9.9%. 4. Near-Term Refinancing Risk is manageable with $769 mil in maturing debt through end of 2025, 8% variable rate debt. Cost of long-term debt capital manageable with August 2064 bonds yielding 5.64% to maturity, was 5.3% at start of 2023. 5. Operating Efficiency consistent and strong with EBITDA margin expected at 36.5% in 2024, projection was 33.8% three months ago. | | | | | | | | | | | | | |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cogent Communications Holdings (NSDQ: CCOI)** | Hold | 62.94 | 6.13 | 4.67 | -16.48 | 0.97 | 101 | C | 3/14/2024 | 4/9/2024 | 9.8 | 75 | Communications |
| Q1 2024 Return: 12.07%. Dividend raised 1.1% so far in 2024, 3 more increases likely. Next earnings expected May 3. Quality Grade C (no change). Breakdown: 1. Payout policy is aggressive, management committed to it for now and mid-single digit annual percentage growth likely. 2. Revenue Reliability has been steady with core business selling bandwidth to corporate customers in large multi-tenant office buildings and "net-centric" users, who purchase bandwidth in "carrier-neutral" data centers. "Off net" business has been in declining trend. Revenue is exposed to foreign currency, especially the Euro and Canadian dollar. Management says company is on track for $220 mil in annualized savings through 2025. Earnings not covering dividend and even at company estimates will have free cash flow after dividends shortfall. 3. Regulatory Relations steady with no major outstanding issues. 4. Near-term Refinancing Risk is a non-issue with no maturing debt until 2026, all debt is at fixed rates. Cost of debt capital is elevated but manageable with bonds due June 2027 yielding 7.1% to maturity, was 7.23% at start of 2023. 5. Operating Efficiency is backed by increasing scale with EBITDA margin expected at 38.2% for 2024, projection three months ago was 34.7%. | | | | | | | | | | | | | |
| **Comcast Corp (NSDQ: CMCSA)** | Hold | 41.81 | 2.97 | 14.24 | -3.55 | 0.31 | 38.1 | B | 4/2/2024 | 4/24/2024 | 8.7 | 55.4 | Communications |
| Q1 2024 Return: -0.47%. Dividend raised 6.9%. Next earnings April 25. Quality Grade B (No Change). Breakdown: 1. Payout ratio is conservative and affords upper single digit percentage boosts in dividends as well as stock buybacks. 2. Revenue Reliability backed by broadband network and growth of streaming service, theme parks and media business is vulnerable to a recession. Losing broadband customers to competition, Peacock streaming service growing. 3. Regulatory Relations are solid in US and Europe with no major current issues. 4. Near-Term Refinancing Risk manageable with $8.29 bil ($13.47 bil three months ago) in maturing debt through end of 2025 and floating rate debt now 4.1% of total debt (8.8% three months ago), has $6.2 bil balance sheet cash (end 2023) and $8 to $9 bil in free cash flow after dividends paid expected in 2024, cost of long-term debt capital manageable with bonds of Oct 2058 yielding 5.33% to maturity, was 5.19% at start of 2023. 5. Operating Efficiency steady with EBITDA margin expected at 31.3% for 2024. | | | | | | | | | | | | | |
| **Consolidated Communications (NSDQ: CNSL)** | SELL | 4.32 | N/A | 67.44 | -0.92 | N/A | 0 | F | 4/25/2019 | N/A | N/A | 73.7 | Communications |
| Q1 2024 Return: -0.69%. No dividend. Next earnings expected May 2. Buyout by 33.91% owner Searchlight Capital for $4.70 per share in cash is best exit strategy for investors, deal failure likely to bring bankruptcy. Extends term loans. Quality Grade F (no change). Breakdown: 1. No dividend. 2. Revenue Reliability still shrinking as legacy business declines faster and competition erodes business and broadband sales, management strategy of building out fiber broadband to keep customers. No guidance for 2024 as Searchlight merger now expected to close in early 2025. 3. Regulatory Relations generally positive in areas served, shareholder vote the only hurdle to Searchlight merger. 4. Near-Term Refinancing Risk is a non-factor for now with no maturing debt until 2027, but heavy percentage of floating rate debt (48%) with a rising cost and expected negative free cash flow mean company is heavily impacted by rising interest rates. Yield to maturity for bonds of October 2028 is a distressed 9.97% despite being secured debt. 5. Operating Efficiency falls to competition pressure on revenue though offset by cost cutting, EBITDA margin now expected at 31.9% in 2024. | | | | | | | | | | | | | |
| **Consolidated Edison (NYSE: ED)** | Hold | 90.6 | 3.66 | -1.83 | -1.02 | 0.83 | 62.6 | A | 2/13/2024 | 3/15/2024 | 2 | 54.2 | Regulated Utility Trans/Dist |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 0.74%. Dividend raised 2.5%. Next earnings expected May 3. Quality Grade A (no change). Breakdown: 1. Payout ratio is modest with low-single digit growth expected next few years. 2. Revenue Reliability high with company focus on rate base investment. Long-term guidance for 5-7% annual earnings growth through 2028, rate base growth of 6% per year, CAPEX of $28 bil focused on grid resiliency, handling electrification of economy in New York City including electric vehicle charging. 2024 adjusted earnings per share guidance of $5.20 to $5.40. Management says it will explore a sale of its 10% ownership interest in Mountain Valley Pipeline once it's in service. 3. Regulatory Relations amicable in New York though affordability concerns are a perpetual threat to company's grid spending plans. 4. Near-Term Refinancing Risk is low with $750 mil in maturing debt through end of 2025, just 4% of total debt is adjustable and floating rate debt. Cost of debt capital manageable with November 2059 bonds yielding 5.27% to maturity, was 5.41% at beginning of 2023. 5. Operating Efficiency solid with EBITDA margin 34.6% expected in 2024. | | | | | | | | | | | | | |
| **Consolidated Water (NSDQ: CWCO)** | Hold | 26.21 | 1.45 | 61.57 | -25.59 | 0.1 | 19.4 | C | 3/28/2024 | 4/30/2024 | 2.9 | 1.5 | Water utility, infrastructure |
| Q1 2024 Return: -17.40%. No dividend increase so far in 2024. Posts 92% lift in 2023 revenue, retail water sales up 16% and bulk up 5% as islands service territory demand is robust. Services revenue up 240% with recurring sales up 37% from operating and maintenance contracts, manufacturing up 177% as orders for PERC Water are robust. Gross margin up 211 basis points to 34.4% of revenue across business segments. Debt interest expense is up 212% in 2023 but favorable dollar impact on the bottom line from 55% increase in interest income is 2.5 times greater as earnings per share up 389%. Completes Goodyear, AZ water treatment plant by June 2024 coming on target with budget and schedule. Quality Grade C (No change). Breakdown: 1. Payout supported by diverse operations, dividend increases appear likely though management will weigh cash needs and order flow at unregulated operations. 2. Revenue Reliability strong as desalination water utilities in Caribbean see solid demand and company nears completion of large Caymans facility. Water services unit in US diversifies revenue streams, also a beneficiary of stepped up spending on water infrastructure per Biden Administration proposals and is gaining scale and sales. Management reports growth meeting or beating expectations across the board. 3. Regulatory Relations stable across range of jurisdictions. 4. Refinancing Risk is a non-issue with free cash flow expected to cover dividends by more than three times in 2024. 5. Operating Efficiency is steady though varies across operations and more variable with unregulated operations, EBITDA margin guidance is 19.4% for 2024. | | | | | | | | | | | | | |
| **Constellation Energy Corp (NYSE: CEG)** | Hold | 188.13 | 0.75 | 142.18 | 63.56 | 0.35 | 18.4 | B | 3/7/2024 | 3/19/2024 | N/A | 45.1 | Nuclear Power/Retail |
| Q1 2024 Return: 58.44%. Dividend raised 25%. Next earnings expected May 3. Moody's boosts credit rating to Baa1 with stable outlook, cites debt reduction. Will sell $900 mil, 30-year green bond, first ever in US linked to nuclear power, interest rate 5.757%. Quality Grade B (No change). Breakdown: 1. Payout supported by stable cash flows from retail and nuclear generation business, dividends exceeding 10% annual growth targeted so far. 2. Revenue Reliability should remain strong as nuclear generation margins are supported by government subsidy, strong plant performance and price hedging, as well as better than expected wholesale electricity prices since last year's spinoff. Nuclear fleet operating rates are superior with overall 95.1% rate in 2023 despite planned refueling outages. 2024 operating earnings per share guidance range of $7.23 to $8.03, targets long-term growth of "at least" 10% a year. 3. Regulatory Relations stable with US government and a growing number of states supporting nuclear power for environmental benefits and diversification from fossil fuels. Company is major winner from Inflation Reduction Act, would be hurt with reduced margins if repealed. 4. Refinancing Risk is low with $965 mil ($1.38 bil three months ago) in maturities through end of 2025, 17% floating rate debt offset by expected $1.5 to $2 bil free cash flow generation for 2024 after dividends paid. Cost of debt capital manageable with yield to maturity of bonds of June 2042 at 5.68%, was 5.9% at beginning of 2023. 5. Operating Efficiency is steady and should improve with cost management though affected by wholesale electricity prices, EBITDA margin projection is 20% for 2024. | | | | | | | | | | | | | |
| **Contact Energy Ltd (NZ: CEN, OTC: COENF)** | Hold | N/A | 4.35 | N/A | N/A | 0.19 | 97.2 | B | 2/26/2024 | 3/18/2024 | -6 | 35.7 | New Zealand Electricity |

Conrad's Utility Investor

# Utility Report Card

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 4.07%. Semi-annual dividends paid so far in calendar 2024 are flat in New Zealand dollar terms with 2023. Next semi-annual earnings expected August 14. Management says Tauhara geothermal facility start is "progressing well" and plant may be ready for winter season (late April/early May in Southern Hemisphere). Quality Grade B (no change). Breakdown: 1. Forecast of "minimum" dividend the same size as past three years for FY2024 (end June 30). 2. Revenue Reliability is strong with regulated New Zealand franchise, though affected by weather and especially hydro conditions, 83% of current generation is renewable energy. Move to eliminate fossil fuel generation by replacing with baseload geothermal energy should keep downward pressure on costs. Hydro inflows affect both generation and pricing of output. Keeping smelter customer in business and completing Tauhara geothermal project on time and budget are key issues for earnings next few years. Full year (end June 30) guidance for underlying EBITDAF of AUD620 mil. Guidance for 95% renewable generation by 2027. 3. Regulatory Relations in New Zealand are stable with no major current issues, major political parties in country support company investment in renewable energy. 4. Refinancing Risk manageable despite debt being 54% floating and variable rate and $270 mil in maturing debt through end of 2025 as has regulators' support and strong cash position. Has manageable cost of debt capital with bonds of April 2029 yielding 5.11% to maturity, was 5.6% at end of 2023. 5. Operating Efficiency improves with renewable energy adoption with EBITDA margin projected at 24.2% for fiscal year (end June 30, 2024). | | | | | | | | | | | | | |
| **Crown Castle Inc (NYSE: CCI)** | Hold | 102.85 | 6.09 | -18.6 | -10.51 | 1.57 | 82 | B | 3/14/2024 | 3/28/2024 | 7.4 | 81.9 | Communications |
| Q1 2024 Return: -6.76%. No dividend increase so far in 2024. Next earnings expected April 19. Board battle over future of company heats up. Co-founder nominates 4 to Board in opposition to management's pact with activist investor Elliott Management, which is also running candidates. Company now officially not taking sides and says it will take "fresh look" at Elliott Management deal. Bloomberg Intelligence says debt could top 6 times EBITDA in 2025 if company doesn't sell fiber broadband unit, though not selling would preserve shareholder value. Long-term value best served if co-founder wins battle, though stock will likely slide near-term if Elliott loses. Stock appears appropriately valued to current business health and likelihood dividend will stay frozen until 2026. Quality Grade B (no change). Breakdown: 1. Payout ratio is supported by cash flow. Management expects a return to 7-8% annual dividend growth rate "beyond 2025," but increases until then appear less likely now. 2. Revenue Reliability is solid as communications infrastructure assets are in high demand, company moving to 5G technology and able to land long-term arrangements with leading service providers. Vast majority of revenue is now recurring. Small cells construction is major growth driver. Mid-point for adjusted FFO guidance range in 2024 is $6.91 per share, includes assumption of -2% lower site rental revenue, -6% reduced EBITDA and -8% lower adjusted FFO per share at mid-point of guidance range. T-Mobile US consolidation of former Sprint contracts dragging on revenue, Big 3 telecoms slowing CAPEX and prospective new business from Echostar/DISH looking increasingly speculative to actually materialize. 3. Regulatory Relations good, US focus is a plus. 4. Refinancing Risk is manageable for size of company given improved credit ratings (BBB/stable from S&P, Baa3/stable outlook from Moody's) with $2.04 bil in maturing debt by end of 2025, debt is 8% floating rate. Still has manageable long-term cost of debt capital with bonds maturing in July 2050 yielding 5.58% to maturity, was 5.81% at start of 2023. 5. Operating Efficiency improves with scale, operating income margin expected at 34.3% in 2024. | | | | | | | | | | | | | |
| **Deutsche Telekom (OTC: DTEGY, GR: DTE)** | Buy<25 | 24.05 | 3.07 | 2.51 | -0.02 | 0.77 | 46.3 | A | 4/10/2023 | 4/19/2023 | 4.4 | 61 | Germany/US Communications |
| Q1 2024 Return: 0.33%. Annual dividend for 2024 increased 10%. Next earnings May 16. Sells EUR750 mil 12-year bonds at coupon interest rate of 3.25%. Raises "first tranche" of stock buyback plan to EUR800 mil. Quality Grade A (no change). Breakdown: 1. Annual dividend is conservative and well covered with wireless and broadband network cash flows, mid-to-upper single digit growth rate likely next few years. Targets payout ratio of 40-60% of earnings. 2. Revenue Reliability solid as US and German units grow. 2024 guidance range for 6% higher EBITDA at mid-point (EUR42.9 bil), free cash flow growth of 16% to EUR18.9 bil and earnings per share of EUR1.75 per share. T-Mobile US (50.16% owned) is key driver. 3. Regulatory Relations are solid in US and Europe, lack of Russia exposure a plus. 4. Near-Term Refinancing Risks are manageable though balance sheet is complex after taking majority interest in T-Mobile US and consolidating balance sheet. Just 2% floating rate and 80% total debt in US dollars, 17% Euros, most of rest in British Pounds. Has $11.49 bil in maturing debt through end of 2025. Had $13.4 bil cash as of end 2023 and expected $15.6 bil in free cash flow after dividends paid in 2024. Company has manageable long-term cost of debt capital with January 2050 bonds yielding 5.35% to maturity, was 5.32% at beginning of 2024. 5. Operating Efficiency strong with EBITDA margin expected at 38.7% for 2024. | | | | | | | | | | | | | |
| **Dominion Energy (NYSE: D)** | Buy<65 | 48.72 | 5.48 | -7.87 | 1.83 | 0.67 | 65 | A | 2/29/2024 | 3/20/2024 | -5.3 | 62 | Regulated Elec/Gas |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 6.09%. No dividend increase in 2024 as will likely pay same rate until 2027-28. Next earnings May 6. Virginia regulators OK utility build of 329 megawatts of solar generation, will buy 435 MW additional, approval in line with guidance CAPEX plans. Management says it's working with data centers for distributed generation as well in northern Virginia service territory. Quality Grade to A from B on conclusion of strategic review. Breakdown: 1. Management says current quarterly dividend rate of 66.75 cents per share will hold next few years until payout ratio declines to 60-70% target range. 2. Revenue Reliability backed by utility resilience. Industrial is only 6% of Virginia load (state is 47% operating earnings), data centers are 30% of commercial load and with demand growing rapidly, 40% electricity rate base has riders with true-ups for under or over recovery. Virginia and South Carolina electric utilities along with Millstone nuclear plant will contribute 100% of earnings after sale of natural gas distribution utilities in Utah and North Carolina close this year. Stonepeak is 50% partner in Coastal Virginia Offshore Wind facility, will pay company for half of all costs up to 20% plus overrun from current budget. Has set 2025 as base year for earnings, with 5-7% annual earnings growth targeted for 2025 to 2029. Targets $43.2 bil regulated utility CAPEX with 7.5% compound annual rate base growth through 2029, will fund with DRIP and "at the market" stock sales. Offshore wind costs still a concern though less of a risk with 92.4% locked in and the rest heavily reserved. Next big test is delivery of construction ship Charybdis in "late 2024/early 2025." 3. Regulatory Relations in all states appear amicable, tested by sale of gas utilities in Utah and North Carolina. 4. Near-Term Refinancing Risk is manageable despite $10.86 bil in maturing debt through end of 2025, maturities in 2024 include 66% of all variable rate debt and 36% of parent level debt. Sale of Ohio natural gas utility unit now closed will knock off $6.6 bil of debt. Cost of long-term debt capital manageable with June 2065 bonds yielding 5.5% to maturity, was 5.18% at beginning of 2023. 5. Operating Efficiency strong though tested by offshore wind construction program, EBITDA margin expected at 46.4% in 2024, projection three months ago was 44%. | | | | | | | | | | | | | |
| **DTE Energy (NYSE: DTE)** | Buy<110 | 111.09 | 3.67 | 5.11 | 0.34 | 1.02 | 61 | A | 3/15/2024 | 4/15/2024 | -2 | 65.5 | Regulated Elec/Gas |
| Q1 2024 Return: 2.63%. Dividend increased 7.1%. Next earnings expected April 26. Fitch affirms ratings with stable outlook. Moody's has boosted to Baa1. Quality Grade A (no change). Breakdown: 1. Payout ratio conservative and backed by regulated utility cash flow, mid-single digit percentage increases are likely next few years. 2. Revenue Reliability is strong, electric utility sales 23.4% industrial and highly exposed to auto industry but proved resilient in pandemic. Energy trading and unregulated power operations are generally low risk and heaviliy contracted. 2024 operating earnings per share guidance range of $6.54 to $6.83 per share, 10-year capital plan $50 bil with 95% directed to utilities and focus on electricity and natural gas distribution grid upgrades. Michigan energy law supports spending plans. Company guidance is for 6-8% annual operating earnings growth through 2028. 3. Regulatory Relations historically strong in Michigan. 4. Near-Term Refinancing risks manageable with about 10% of debt at step coupon and floating rate. Has $3.33 bil in maturing debt through end of 2025, cost of debt capital moderate with yield to maturity on March 2050 bonds at 5.08%, was 5.07% at beginning of 2023. 5. Operating Efficiency steady with EBITDA margin of 30.1% expected in 2024. | | | | | | | | | | | | | |
| **Duke Energy Corp (NYSE: DUK)** | Buy<100 | 96.54 | 4.25 | 4.56 | -0.2 | 1.03 | 73.2 | A | 2/15/2024 | 3/18/2024 | 2 | 61.8 | Regulated Elec/Gas |
| Q1 2024 Return: 0.72%. No dividend increase so far in 2024. Next earnings May 7. Sells $500 mil 10-year green bonds at interest rate of 5.1%, $425 mil of 30-year bonds at rate of 5.55%. Quality Grade A (No Change). Breakdown: 1. Payout ratio is modest and well covered, dividend increases likely to be in low to mid-single digit percentages next few years due to heavy CAPEX needs. 2. Revenue Reliability solid in US regulated utilities, renewable energy investment, pipelines. Industrial customers are 32% of demand in Indiana, 23% in Ohio. Florida unit least exposed to cyclical pressures. Has minimum demand charges in place for industrial and commercial users in Carolinas. Targets 5-7% annual earnings growth target through 2028, five-year capital spending plan is raised to $73 bil, projecting 1.5-2% annual load growth (was 0.5% to 1% in previous five year plan) as data centers and electrification drive increases. Plans $500 mil equity issuance per year to fund growth through DRIP and at-the-market stock sales program, also systematic cost cutting. Guidance range for 2024 is $5.85 to $6.10 per share, based on flat operating and maintenance costs. 3. Regulatory Relations strong in Carolinas, Florida. Ohio is a question mark but not a large piece of the business. 4. Near-Term Refinancing Risk is manageable, $4.8 bil in maturing debt through end of 2025, high percentage of parent level debt (32%) low floating rate debt (6.6%). Cost of long-term debt capital falls with June 2050 bonds yielding 5.74% to maturity, was 5.52% at beginning of 2023. 5. Operating Efficiency strong, EBITDA margin expected at 45.6% for 2024. | | | | | | | | | | | | | |
| **E.ON (OTC: EONGY, GR: EOAN)** | Buy<15 | 13.83 | 3.09 | 16.12 | 3.67 | 0.58 | 27.2 | A | 5/17/2024 | 5/28/2024 | 2.4 | 64 | Germany, UK Electricity |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 3.79%. Annual dividend raised 3.9% in 2024. Next earnings May 15. Invests in UK energy storage project. Sells EUR800 mil 8-year bonds at 3.612% interest rate, EUR1 bil 20-year at 4.151%. S&P raises rating to BBB+ with stable outlook on debt reduction. Announced results for 2023 are in line with guidance previously issued. Quality Grade A (no change). Breakdown: 1. Payout ratio supported by regulated utility operations, guidance of 5% average annual dividend growth through 2027. 2. Revenue Reliability solid with focus on regulated businesses, steady returns for German and Swedish power distribution grids. Grid business is insulated from demand pressures, though subject to changes in regulated returns. Guidance is for 7-9% annual earnings growth through 2028. Key driver is utility CAPEX, with EUR42 bil currently planned for 2024-28. 2024 EBITDA guidance is EUR8.8 to EUR9 bil. Management says 70% of investments will be made in Germany. 3. Regulatory Relations steady in countries where company operates, German government supportive. 4. Refinancing Risks manageable with $4.09 bil maturing debt through end of 2025 as had $10.2 bil in cash at end of Q4 2023, 98% of debt is at fixed rates. Has 75% debt in Euros, 19% British Pounds, balance in US dollars, Swiss francs, Norwegian Krona. Cost of long-term debt capital manageable with July 2039 bonds yielding 5.41% to maturity, was 5.84% at end of 2023. 5. Operating Efficiency improving with company's focus on regulated businesses but impacted by volatile energy prices with EBITDA margin 9.4% expected for calendar 2024. | | | | | | | | | | | | | |
| **EchoStar Corp (NSDQ: DISH)** | SELL | 13.04 | N/A | -28.7 | -17 | N/A | 0 | F | N/A | N/A | N/A | 55.9 | Communications |
| Q1 2024 Return: -14.00%. No dividend. Next earnings expected May 8. Former DISH Network now traded as Echostar under NASDAQ symbol SATS as merger has closed. S&P rating to CCC- with negative outlook though says default is not imminent. Federal prosecutors say $3.3 bil fraud claim against former DISH is not worth pursuing because of cost, though court may not agree. Quality Grade F (no change). Breakdown: 1. No payout. 2. Revenue Reliability eroding to competition in satellite television industry, infrastructure lite cloud focus of 5G will hold down deployment costs but limits upside to company itself as operator. Wireless business has also been losing ground to competition. Auditor expresses doubt that company can continue as a "going concern." 3. Regulatory Relations testy as company appears unable to honor obligations to offer 5G wireless service on acquired spectrum. 4. Near-Term Refinancing Risk remains elevated after DISH/Echostar merger with $3.96 bil in debt maturities through end of 2025. Company had $2.44 bil cash at end of Q4 2023 but is expected to generate negative free cash flow for foreseeable future despite scaling down CAPEX. Still faces debt mountain of $21.6 bil all due by end of 2029. Total debt is 5.4 times market capitalization. Yield to maturity on July 2026 bonds is at extremely distressed level of 28.46%, up from 14% at beginning of 2023 as restructuring/bankruptcy risk grows. 5. Operating Efficiency hit by competition, EBITDA margin now expected at 11.4%, was 27.5% three months ago. | | | | | | | | | | | | | |
| **Edison International (NYSE: EIX)** | Buy<75 | 70.13 | 4.45 | 3.83 | -1.97 | 0.78 | 63.7 | A | 3/27/2024 | 4/30/2024 | 5.3 | 66.3 | Regulated Utility Trans/Dist |
| Q1 2024 Return: 0.03%. Dividend increased 5.8%. Next earnings expected May 2. Quality Grade A (no change). Breakdown: 1. Dividend payout ratio is conservative, increases are likely to be mid-single digits through 2025. 2. Revenue Reliability anchored by revenue decoupling from electricity volume sales in California. 2024 guidance for $4.75 to $5.05 earnings per share. Affirms guidance for 5-7% annual core earnings growth through 2028. Expects 6-8% annual rate base growth with utility CAPEX the key driver, with $38 to $43 bil through 2028 under spending plan filing with California regulators (85% distribution grid), sees 2% annual load growth for electricity in service territory though 2035 as state electrifies energy including transportation. 3. Regulatory Relations solid in California, rate case decision is a test but amicable resolution is highly likely. Wildfire risk cut 85-88% since 2017 according to Moody's. 4. Near-Term Refinancing Risk is manageable for size with $4.75 bil in maturing debt to end of 2024 including $1.3 bil at parent level (18% of total debt), 15% of debt is variable rate. Cost of debt capital manageable with February 2050 bonds yielding 5.52% to maturity, was 5.56% at beginning of 2023. 5. Operating Efficiency is steady with EBITDA margin expected at 38.1% for 2024. | | | | | | | | | | | | | |
| **Emera (OTC: EMRAF, TSX: EMA)** | Buy<45 | 34.54 | 6.2 | -11.16 | -8.18 | 0.72 | 77.6 | A | 1/31/2024 | 2/15/2024 | 3.7 | 62.2 | Canada/UK Electricity |

Conrad's Utility Investor

## Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: -5.29%. Dividend not yet increased in 2024. Next earnings May 13. Credit rating outlook is negative at S&P, Moody's and Fitch due to CAPEX plans. Quality Grade A (no change). Breakdown: 1. Payout ratio is conservative and fully backed by regulated utilities with cost of service rates, 4-5% annual dividend growth guidance through 2026. 2. Revenue Reliability can be impacted by volatility of demand and exchange rate volatility. Florida utility is most important source of earnings (58% of rate base), Nova Scotia, gas utilities and infrastructure are rest. Florida electric unit is highly residential and customer growth is robust. 2024-26 CAPEX plan to spend CAD8.9 bil on system to fuel 7-8% annualized rate base growth, 75% of spending to be in Florida. 3. Regulatory relations solid with Florida the most important state. 4. Near-Term Refinancing Risk manageable despite balance sheet complexity. Total debt is $16. bil, 24% floating, variable, adjustable and step coupon rate, 54% US dollar and 46% Canadian dollar roughly in line with revenue sources. Has $1.57 bil in maturing debt through end of 2025. Cost of long-term debt capital manageable with June 2050 bonds yielding 5.49% to maturity, was 5.58% at beginning of 2023. 5. Operating Efficiency steady with EBITDA margin expected at 41.5% for 2024. | | | | | | | | | | | | | |
| **Enbridge (NYSE: ENB, TSX: ENB)** | Buy<45 | 35.85 | 7.54 | 1.25 | 0.76 | 0.92 | 65.5 | A | 2/14/2024 | 3/1/2024 | 2.3 | 56 | Energy Pipelines |
| Q1 2024 Return: 2.33%. Dividend increased 3.1% in Canadian dollar terms. Next earnings expected May 6. Closed sale of ownership in joint venture with Pembina provides funds for purchase of Dominion Energy (NYSE: D) natural gas utilities, Ohio piece is now closed. Moody's cuts rating to Baa2 on expansion costs following announcement of plan for venture to move natural gas from Permian Basin to Gulf of Mexico for LNG export. Quality Grade A (no change). Breakdown: 1. Payout backed by conservative assumptions. guidance for low single digit percentage growth going forward. 2. Revenue Reliability protected by capacity constraints in Canada with liquids pipelines, downstream focus of US natural gas pipeline systems (utilities are principal customers) and reliable sales from regulated natural gas utilities and contracts on renewable power generation. Utility acquisitions from Dominion Energy will further anchor revenue, Ohio piece closed with Utah and North Carolina on track for later this year. 2024 EBITDA guidance range of CAD16.6 to CAD17.2 bil, DCF of CAD5.40 to CAD5.80 per share. Guidance for 3% annual distributable cash flow growth, 4-6% annual earnings per share growth for 2024-26, 7-9% EBITDA growth. Management sets guidance for 5% growth in EBITDA, DCF per share and earnings per share "beyond 2026." 3. Regulatory Relations good in Canada, France, stable in US as management increasingly focuses on less controversial expansion projects. Line 5 rerouting appears on track though contentious. Dominion gas utilities purchase appears on track in Utah and North Carolina. 4. Near-Term Refinancing risks manageable despite balance sheet complexity, as 35% of total debt is variable and floating rate, 50% in US dollars, 45% Canadian dollars, 4% Euros, 1% Japanese Yen. Has $8.25 bil in maturing debt through end of 2025, cost of long-term debt capital manageable with yield to maturity for subordinated bonds due July 2080 at 8.61%, was 8.61% at beginning of 2023. Expects free cash flow to roughly cover dividends in 2024. 5. Operating Efficiency protected by diversification, EBITDA margin expected at 38.6% in 2024. | | | | | | | | | | | | | |
| **ENEL (OTC: ENLAY, Italy: ENEL)** | Buy<7 | 6.4 | 3.94 | 13.12 | -9.23 | 0.23 | 63.5 | B | 1/22/2024 | 2/14/2024 | 0.9 | 62.7 | Renewable Energy Global |
| Q1 2024 Return: -8.10%. Dividends for 2024 increased by 7.5% in Euro terms. Next earnings May 9. Final results issued for 2023 are in line with preliminary guidance previously issued. 2023 EBITDA up 11.6% (up 15% excluding M&A), EUR22 bil in middle of previous guidance range of EUR21.5 to EUR22.5 bil. Net income up 20%. Management says asset sale plans are "on track" with 90% of targeted disposals "already addressed." Outlook in Italy is strong. Quality Grade B (no change). Breakdown: 1. Dividend payout is conservative and backed by contracted power sales and regulated utilities, "base" dividend of 43 Euro cents per share with potential increases up to a 70% payout ratio "if cash flow neutrality is achieved." 2. Revenue Reliability anchored by contracted renewable energy in Europe, the Americas and elsewhere under power sales agreements, regulated utilities. Management has limited impact of currency devaluation on earnings with natural and financial hedges. Renewable power is advantaged globally, company also hedges commodity price exposure. EUR1.2 bil cost cuts targeted by 2026. Sets 2026 EBITDA guidance between EUR23.6 to EUR24.3 bil, with net ordinary income of EUR7.1 to EUR7.3 bil. 3. Regulatory Relations risk mitigated by operating in multiple countries. Italy and Spain are two most important and relations appear supportive. 4. Near-Term Refinancing risk manageable despite balance sheet complexity with 47% of debt floating and variable rate, 71% in Euros, 22% US dollars, most of rest in British pounds, Brazilian Real, Swiss Francs. Has $44.3 bil in maturing debt through end of 2025, $12.3 bil cash at end of Q4 2023, augmented by successful asset sales. Cost of long-term debt capital is manageable with May 2047 bonds yielding 5.85% to maturity, was 6.47% at beginning of 2023. 5. Operating Efficiency solid with EBITDA margin expected at 21.6% in 2024. | | | | | | | | | | | | | |

Conrad's Utility Investor

# Utility Report Card

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Energy Transfer LP (NYSE: ET)** | Buy<15 | 15.78 | 7.98 | 39.08 | 16.25 | 0.32 | 52.6 | B | 2/6/2024 | 2/20/2024 | 10.8 | 54.3 | Energy Pipelines |
| Q1 2024 Return: 16.29%. Dividend increased 0.8% so far in 2024, three more quarterly boosts likely. Next earnings expected May 2. Quality Grade B (no change). Breakdown: 1. Dividend is well backed by free cash flow, dividend growth rate 3-5% annually with quarterly bumps. 2. Revenue Reliability depends on ability of shippers to make good on capacity based contracts, company weathered 2020 and well adapted to current modest volumes environment, benefitting now from increases. All-stock acqusition of NuStar Energy by Sunoco LP affiliate will be accretive to earnings later this year. 2024 guidance range of $14.5 bil to $14.8 bil for EBITDA, CAPEX $2.4 to $2.6 bil. 3. Regulatory Relations a mixed bag with some states blocking/impeding construction efforts, Texas is supportive. Lake Charles export permit still not extended. 4. Refinancing Risk is manageable though debt is 14% variable and floating rate. Has $6.3 bil maturing debt through end of 2025. Expected 2024 free cash flow of $2.5 bil after dividends paid. Cost of long-term debt capital is manageable with May 2050 bonds yielding 5.9% to maturity, was 6.5% at beginning of 2023. 5. Operating Efficiency improves with cost cutting, EBITDA margin expected at 19.1% for 2024, projection three months ago was 17%. | | | | | | | | | | | | | |
| **Enersis Chile (NYSE: ENIC)** | Buy<4 | 3.01 | 1.46 | 25.59 | -5.46 | 0.03 | 40.8 | B | 1/18/2024 | 2/8/2024 | 13.6 | 36.3 | Chile Electricity |
| Q1 2024 Return: -4.88%. Dividends declared for payment in 20245 are up 84.5% from year earlier level. Next earnings April 29. Quality Grade B (no change). Breakdown: 1. Semi-annual payout is now set to 50% of previous year's net income for 2023-25. 2. Revenue Reliability backed by regulated Chile franchise, power generation is now 48% contracted to regulated customers under average contract life of 11 years. Renewable energy buildout is primary growth driver. Mining companies are major customers. 2024-26 Strategic Plan target is annual EBITDA of $4.4 bil by end of period on new investment in renewable energy and country's power grid. Plans include $300 mil in distribution grid investment, adding 1.3 gigawatts of new generation capacity to reach 9.9 GW total in 2026 (79% renewables). Energy storage to go from 0.2 GW to 0.7 GW over period, also targets expansion of distributed energy (solar). 3. Regulatory Risk is low as Chile abandons radical utility regulation shift and supports renewable energy investment. 4. Near-Term Refinancing risk is low with $500 mil in debt maturities through 2025, cost of long-term debt capital steady with bonds of February 2037 yielding 6.83% to maturity, was 7.13% at beginning of 2023. Enel SpA is ultimate backstop for credit owning 64.93% of shares. 5. Operating Efficiency solid as renewable buildout cuts costs, EBITDA margin expected at 30.7% in 2024. | | | | | | | | | | | | | |
| **Engie (OTC: ENGIY, FP: ENGI)** | Buy<16 | 16.78 | 7.5 | 16.4 | -3.78 | 1.55 | 65 | A | 5/2/2024 | N/A | N/A | 57 | Global Electricity |
| Q1 2024 Return: -4.35%. Annual dividend for 2024 is up 2.1% from 2023. Next earnings May 17. Quality Grade A (no change). Breakdown: 1. Dividend set conservatively with management prioritizing debt reduction and renewables investment. Dividend 65 Euros "floor" set by management through 2024 but stronger results enable higher payout. 2. Revenue Reliability improves with growth of contracted renewable energy, contract business weathers exchange rate volatility in developing world, focus on renewables reduces cyclical exposure of overall earnings. Asset expansion is primary growth driver. Company says 70% of EBITDA is from regulated or contracted operations, providing stability against potential recession. 2024 net recurring income target of EUR4.2 to EUR4.8 bil, sets 2025 at EUR3.9 to EUR4.5 bil and 2026 at EUR3.7 to EUR4.3 bil, all reflecting moderating European energy prices. 3. Regulatory Relations stable in wide range of jurisdictions, France is still the most important. 4. Near-Term Refinancing risks manageable despite balance sheet complexity as total debt is 79% in Euros, rest in US dollars, Brazilian Real, British Pounds, floating and variable rate is 36%. Has $3.73 bil in maturing debt through end of 2024, offset by $20.7 bil in cash at end of 2023. Cost of long-term debt capital manageable with October 2060 bonds yielding 5.39% to maturity, was 5.5% at beginning of 2023. 5. Operating Efficiency tied mostly to ability to bring on new projects, EBITDA margin expected at 16.7% in 2024. | | | | | | | | | | | | | |
| **Eni (NYSE: E, IM: ENI)** | Buy<32 | 32.5 | 4.48 | 23.7 | -3.15 | 0.52 | 66.9 | A | 3/18/2024 | 4/8/2024 | 17.8 | 38.9 | Super Major Oil/Gas |

Conrad's Utility Investor

# Utility Report Card

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: -5.21%. Dividends declared for payment in 2024 are up 4.4% from 2023 so far in Euro terms, launches EUR1.1 bil stock buyback plan. Will sell ownership stake and possibly list refinery unit as separate company as has done with Plentitude renewable energy unit already. Next earnings April 24. Quality Grade A (no change). Breakdown: 1. Current semi-annual payout is well supported at $40 per barrel oil. Plans to distribute 30-35% of annual cash flow from operations as either dividends or buybacks going forward. 2. Revenue reliability supported by integrated business model and renewable energy expansion. 3. Regulatory Relations are always a concern given volatile environments where company operates offset by geographic diversification. Italy is most important country. 4. Near-Term Refinancing Risk is manageable despite debt being roughly 52% floating and variable rate and $8.09 bil of maturing debt through end of 2024, as has $19.8 bil balance sheet cash (end Q4 2023) and $2.7 bil expected free cash flow generation after dividends paid in 2024. Debt is 72% Euros, 28% US dollars. Cost of debt capital manageable with Oct 2040 bonds yielding 5.84% to maturity, was 6.15% at start of 2023. 5. Operating Efficiency helped by cost cutting and higher realized selling prices for oil and gas, EBITDA margin expected at 20.7% for 2024. | | | | | | | | | | | | | |
| **Entergy Corp (NYSE: ETR)** | Buy<110 | 105.27 | 4.29 | 2.16 | 3.75 | 1.13 | 67 | A | 2/8/2024 | 3/1/2024 | 5.4 | 63.9 | Regulated Elec/Gas |
| Q1 2024 Return: 5.56%. Dividend not increased so far in 2024. Next earnings expected April 26. Quality Grade A (No Change). Breakdown: 1. Payout supported conservatively by regulated electric utility operations that are now substantially all of ongoing earnings. Dividend growth target of 5-7% through 2026. 2. Revenue Reliability strong with utility operations investing in energy transition in four states. Residential utility revenue is 40.2% of retail sales with government 2.6%. Key economic exposure is 29% revenues from industrial but energy and chemicals related customers have been resilient. Service territory continues to see above average customer growth and upper single digit percentage annual industrial sales growth. Plans to sell natural gas distribution assets. 2024 earnings per share guidance range of $7.05 to $7.35. Earnings growth target of 6-8% through 2026, dividend growth of 5-7%. 2024-26 CAPEX plan is 20% higher than 2023-25 plan at $19.6 bil. Management anticipates 15 to 17 gigawatts of renewable energy capacity by 2031, eliminating coal. 3. Regulatory Relations are strong though tested annually by company performance during storm season. Still trying to settle case about Grand Gulf nuclear plant costs with states though deal with federal government boosts chances of amicable resolution. 4. Near-Term Refinancing risk is manageable with $3.2 bil in maturing debt through end of 2025, negligible floating rate debt, parent level debt is $4.05 bil, no maturities until 2025, cost of long-term debt capital manageable with bonds due June 2050 yielding 5.71% to maturity, was 5.55% at beginning of 2023. 5. Operating Efficiency now reflects strong utility operations, EBITDA margin expected 37.7% in 2024. | | | | | | | | | | | | | |
| **Enterprise Products Partners LP (NYSE: EPD)** | Buy<33 | 29.75 | 6.93 | 23.79 | 13.8 | 0.52 | 56 | A | 1/30/2024 | 2/14/2024 | 4 | 50.5 | Energy Pipelines |
| Q1 2024 Return: 12.72%. Dividend raised 3% so far in 2024 with another boost coming. Next earnings expected May 2. Quality Grade A (no change). Breakdown: 1. Dividend is well covered with mid-single digit percentage dividend growth from twice annual increases on track. 2. Revenue Reliability backed by investment grade counterparties and fact that assets are mostly well away from the wellhead. Key growth driver is asset expansion, positioned to capitalize on increased LNG and NGL exports by boosting gas gathering treating and processing infrastructure in Permian Basin of West Texas. Ethylene and chemicals are key drivers as well with company in favorable position as leader. Long-term target net debt to EBITDA ratio is 2.75-3.23 times. Has $6.8 bil of projects under construction 3. Regulatory Relations good with no major issues at present, regulatory approval for new projects in Texas is relatively smooth. 4. Near-Term Refinancing Risk is manageable with $1.15 bil in maturing debt through end of 2025 and 7.7% variable rate debt, offset by $350 to $400 mil in free cash flow after dividends expected in 2024. Manageable cost of long-term debt capital with bonds due Oct 2054 yielding 5.33% to maturity, was 5.97% at beginning of 2023. 5. Operating Efficiency strong as assets are managed well, EBITDA margin expected at 18.3% for 2024. | | | | | | | | | | | | | |
| **Essential Utilities (NYSE: WTRG)** | Buy<50 | 36.33 | 3.38 | -14.05 | -3.11 | 0.31 | 62 | A | 5/9/2024 | 6/1/2024 | 7 | 54.7 | Regulated Water |

Conrad's Utility Investor

## Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 0.03%. No change in dividend so far in 2024. S&P cuts rating to A- with stable outlook, cites CAPEX. Quality Grade A (No Change). Breakdown: 1. Payout ratio low, supports mid to upper single digit dividend increases next few years. 2. Revenue Reliability solid as management continues to successfully find, execute and integrate acquisitions. Regulated water revenue is 3.4% industrial and 16.4% commercial with rest residential, gas also heavily residential with industrial providing little margin. Wastewater service revenue (11.8% of water) less economically sensitive. Primary drivers of growth are system CAPEX and acquisitions. Management says it will "refrain from providing a multi-year earnings per share guidance range until the conclusion" of several base rate cases now in progress. Sets 2024 earnings guidance range of $1.96 to $2 per share with $1.3-$1.4 bil in regulated infrastructure investments. Issues 5-year guidance for $7.2 bil in capital spending through 2028. Regulated water rate base now expected to grow 8% a year through 2028 with 2-3% annual customer growth, guidance had been 6-7% a year through 2025. Natural gas utility rate base now expected to grow 10% a year, previous guidance was 8-10%. 3. Regulator Relations good, achieving an amicable outcome in Pennsylvania rate case this year is key. 4. Near-Term Refinancing Risk is a non-issue with $18 mil in maturing debt through end of 2025, 17% is at floating rates, all a loan facility maturing in 2027, cost of debt manageable with bonds of April 2050 yielding 5.51% to maturity, was 5.58% a year ago. 5. Operating Efficiency strong, EBITDA margin expected at 51.3% in 2024. | | | | | | | | | | | | | |
| **Evergy Inc (NYSE: EVRG)** | Buy<65 | 53.01 | 4.85 | -9.17 | 0.45 | 0.64 | 66 | A | 3/8/2024 | 3/22/2024 | 6.5 | 57.7 | Regulated Electricity |
| Q1 2024 Return: 3.50%. No dividend increase so far in 2024. Next earnings expected May 6. Sells $300 mil 10-year bonds. Kansas Senate passes bill to incentivize rate base investment in state. Management says it will raise target earnings growth rate to 5-7% "to reflect this uplift" if Kansas House passes bill. Quality Grade A (No change). Breakdown: 1. Payout ratio is conservative and supported by regulated utility operations. Target payout ratio 60-70% with mid-single digit percentage dividend increases likely next few years. 2. Revenue Reliability secured by solid utility operations, wind power investment is a key earnings driver. Residential customers are 37% of revenue, commercial 35% and industrial just 12%. Transmission is also secure at 6%. 2024 earnings guidance range of $3.73 to $3.93 per share, affirms earnings growth guidance target 4-6% through 2026. Updates capital spending plan to $12.5 bil through 2028 (6% annual rate base growth), expects 2-3% annual weather normalized demand growth through 2026 (has been 0.5% to 1%). Says no need to issue new equity through 2026. 3. Regulatory Relations uncertain in Kansas as regulators' staff recommendation is disappointing, final ruling is likely to be more favorable. No issues in Missouri currently. 4. Near-Term Refinancing risk is manageable with $1.548 bil in maturing debt through end of 2024, 3% of total debt floating and adjustable rate, cost of debt capital is still modest with April 2050 bonds yielding 5.51% to maturity, was 5.27% at beginning of 2023. 5. Operating Efficiency improves with cost reduction, EBITDA margin expected at 44.1% in 2024. | | | | | | | | | | | | | |
| **Eversource Energy (NYSE: ES)** | Buy<75 | 59.27 | 4.83 | -20.96 | -5.88 | 0.72 | 66 | A | 3/4/2024 | 3/29/2024 | 5.9 | 64.9 | Regulated Elec/Gas/Wtr T&D |
| Q1 2024 Return: -2.00%. Dividend increased 5.9%. Next earnings expected May 3. Sells $300 mil bonds due 2033 at 5.35% interest rate. S&P cuts outlook to negative on belief debt will be reduced more slowly following sales of offshore wind development projects to partner Orsted. Plans to sell water utility unit to fund CAPEX. Quality Grade A (No Change). Breakdown: 1. Payout ratio conservative, supports mid-single digit annual growth, monetization of offshore wind projects likely to accelerate growth. Dividend growth likely to be in 5-7% range annually through 2026. 2. Revenue Reliability solid. Transmission revenue tied to investment not volumes. Electricity and gas distribution revenue is decoupled from volume sales in Connecticut, Massachusetts, has other mechanisms in New Hampshire. Water revenue also protected by multiple riders. Exit of offshore wind ownership is winding up on better than expected terms as Sunrise project wins contract with New York on economic terms. Guidance range for annual earnings growth of 5-7% with commensurate dividend growth through 2028. 3. Regulatory Relations are good in all jurisdictions despite testy reputation of some states, particularly Connecticut. Exit from offshore wind project ownership cuts regulatory risks. 4. Near-Term Refinancing risk is manageable with $3.11 bil in maturing debt through end of 2025, has paid off all floating rate debt, cost of debt capital manageable with January 2050 bonds yielding 5.64% to maturity, was 5.34% at beginning of 2023. 5. Operating Efficiency driven by efficiencies in regulated utility business, EBITDA margin expected at 32.3% in 2024. | | | | | | | | | | | | | |
| **Exelon Corp (NSDQ: EXC)** | Buy<45 | 37.58 | 4.04 | -6.89 | 4.15 | 0.38 | 62 | A | 3/1/2024 | 3/15/2024 | -1.5 | 63.2 | Regulated Utility Trans/Dist |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 5.71%. Dividend increased by 5.6%. Next earnings May 2. Quality Grade A (no change). Breakdown: 1. Payout ratio is conservative and supported by utility earnings, mid to upper single digit percentage dividend growth rate through 2027, projected payout ratio is 60% of operating earnings.. 2. Revenue Reliability long-term trend is continued improvement as regulated utility now expected to have 8.1% average annual rate base growth fueled 65% by tracker mechanisms. Utilities are purely distribution, Illinois (27% of rate base) and Maryland (20%) have revenue decoupling for electricity and gas. Pennsylvania (18% of rate base), Delaware (3%) and New Jersey (4%) affected by volumes. Remaining rate base is overseen by Federal Energy Regulatory Commission and D.C. (5%). Primary driver of growth is rate base investment. 2024 earnings guidance range of $2.40 to $2.50 per share, projects $34.5 bil in capital expenditures through 2027, with rate base growth of 7.5% a year and annual earnings growth of 5-7% through 2027. 3. Regulatory Relations overall good with company winning amicable rate increase in often contentious Maryland. Illinois cut in return on equity to 8.905% and rejection of grid plan appears reflected in new guidance. 4. Near-Term Refinancing Risk is manageable with $2.86 bil of maturing debt through 2025, 3% of total debt at floating and adjustable rates, cost of long-term debt capital manageable with June 2050 bonds yielding 5.32% to maturity, was 5.17% at beginning of 2023. 5. Operating Efficiency solid, EBITDA margin expected at 37.6% for 2024. | | | | | | | | | | | | | |
| **ExxonMobil Corp (NYSE: XOM)** | Buy<85 | 119.28 | 3.18 | 12.69 | 17.62 | 0.95 | 39.9 | A | 2/13/2024 | 3/11/2024 | 2.2 | 18.3 | Super Major Oil/Gas |
| Q1 2024 Return: 17.22%. Dividend not increased so far in 2024. Next earnings expected April 29. Exits Equatorial Guinea as focuses on key areas like Guyana and the Permian Basin. Quality Grade A (No Change). Breakdown: 1. Current dividend policy appears secure at anything above $50 plus oil, though could likely be sustained even below that for a long time as debt reduction and stock buybacks strengthen financial position. Expect mid-single digit percentage increases. 2. Revenue Reliability tied to commodity prices and demand for refined products as company sticks with oil and gas, prepares for price surge by mid-decade. Guidance for low single digit percentage growth of oil equivalent production annually. Management says it still expects to close Pioneer merger in Q2, says 90% of ongoing upstream investment through 2027 would be profitable with oil prices less than $35 a barrel. 3. Regulatory Relations manageable, lawsuits over climate change likely to continue. Closing Pioneer Natural Resources (NYSE: PXD) merger is a test. Company also has filed arbitration suit to claim Hess Corp's 30% share of Guyana offshore field if Chevron completes acquisition. Venezuela threat to invade Guyana unlikely to hurt production in country despite bellicose rhetoric. 4. Near-Term Refinancing risk is negligible as $31.5 bil cash at end of Q4 2023 and expected to generate free cash flow of $19-$20 bil plus in 2024 after dividends paid under conservative assumptions. Has $7.28 bil maturing debt through end of 2025, $36.2 bil total debt. Cost of long-term debt capital manageable with bonds of March 2050 yielding 5.13% to maturity, was 4.84% at beginning of 2023. 5. Operating Efficiency improves with cost cutting, EBITDA margin 22.5% expected for 2024 though will be affected by commodity prices. | | | | | | | | | | | | | |
| **Ferrellgas Partners LP (OTC: FGPR)** | Hold | 11.98 | N/A | 43.41 | 57.57 | N/A | 0 | C | 12/7/2018 | N/A | N/A | 119.1 | Propane Distribution |
| Q1 2024 Return: 55.66%. No dividend. Next earnings expected June 14. FYQ2 gross profit is lower by -1% as impact of drop in revenue due to weather related demand impacts (gallons sold -5%) is slightly greater on the bottom line than cost reduction. Margin per gallon of fuel sold is up 4% from the year ago period. EBITDA is lower by -6%. Debt interest expense is up 5.1%. Rolling 12-month distributable cash flow is lower by -5.2% but still sufficient for debt reduction as company does not currently pay a dividend. Business recovery appears to continue. Quality Grade C (no change). Breakdown: 1. No distribution, debt maintenance will take precedence for now but partnership is again generating positive distributable cash flow. 2. Revenue Reliability affected by weather, potentially by sales to commercial customers. Most recent results show management is successfully building scale while cutting costs. Primary driver is customer growth with acquisitions, as well as cost cutting. 3. Regulatory Relations stable with no outstanding issues currently other than acquisition approvals. 4. Near-Term Refinancing Risk low as has no outstanding maturities until 2026 and no variable rate debt. Bonds maturing in April 2026 now yield manageable 6.46% to maturity, was 8.54% to start 2023. Debt is 4.2 times current market capitalization and paying it off and/or successfully refinancing later this decade will be life or death for company. 5. Operating Efficiency depends on cost cutting but affected by weather, EBITDA margin 17.5% last 12 months. | | | | | | | | | | | | | |
| **First Solar (NSDQ: FSLR)** | Hold | 167.17 | N/A | -23.14 | -2.9 | N/A | 0 | B | N/A | N/A | N/A | 8.5 | Solar panel manufacturer |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: -2.02%. No dividend. Next earnings expected April 26. Company wants more tariff walls in US to protect it againt falling global solar panel component prices. Quality Grade B (no change). Breakdown: 1. No dividend. 2. Revenue Reliability supported by US government protection from tough global competition. Guidance range of $4.4 to $4.6 bil for net sales in 2024, $1.5 to $1.6 bil for operating income, 15.6 to 16.3 gigawatts for solar module shipments, $13-$14 for earnings per share. Backlog of orders is at record 80.1 gigawatts as of end Q4. 3. Regulatory Relations appear supportive globally, with company well placed to take advantage of US/China trade tensions, potential repeal of Inflation Reduction Act following November US election is unlikely to have much immediate impact on sales as solar is cheap and in demand. 4. Near-Term Refinancing risk is a non-issue now with just $12.5 mil maturing debt through 2025. Is vulnerable to rising interest rates as all debt is at floating rates. Total debt $1.095 bil. 5. Operating Efficiency subject to competitive conditions, EBITDA margin expected at 44.4% in 2024. | | | | | | | | | | | | | |
| **FirstEnergy Corp (NYSE: FE)** | Buy<40 | 38.47 | 4.42 | 0.29 | 4.04 | 0.43 | 64.7 | A | 5/6/2024 | 6/1/2024 | 0.8 | 69.7 | Regulated Utility Trans/Dist |
| Q1 2024 Return: 6.47%. Dividend increased by 3.7%. Next earnings expected April 26. Moody's raises company to investment grade at Baa3 with stable outlook as company closes sale of 30% financial stake in transmission unit for $3.5 bil. Now has investment grade ratings at all three major US raters, S&P has BBB- rating with positive outlook as more ratings boosts appear likely. Quality Grade A (No change). Breakdown: 1. Payout ratio is conservative, long-term target payout ratio 60-70%. 2. Revenue Reliability backed by transmission rates set by return on investment. Revenue no longer decoupled from power demand in Ohio, industrial demand (37.7% total volume sales, 12.5% revenue) is heavy in state. Guidance is for 6-8% annual earnings growth guidance through 2028, with utility CAPEX key driver of growth with $26 bil planned through 2028. 2024 operating earnings guidance range is $2.61 to $2.81 per share. Has now closed sale of 30% of transmission system to Brookfield affiliate as financial partner for $3.5 bil in proceeds. 3. Regulatory Relations are stable, company exposure to ongoing Ohio bribery case appears limited. Settlement of West Virginia rate case is amicable. 4. Near-Term Refinancing Risk is manageable with $3.15 bil in maturing debt through end of 2025, 9.3% variable rate debt. Cost of long-term debt capital is manageable with bonds of March 2050 yielding 5.68% to maturity, was 5.9% at beginning of 2023. 5. Operating Efficiency steady, EBITDA margin expected at 32.9% in 2024. | | | | | | | | | | | | | |
| **Fluence Energy (NSDQ: FLNC)** | Hold | 15.7 | N/A | -22.47 | -34.17 | N/A | 0 | D | N/A | N/A | N/A | 8.3 | Utility Technology |
| Q1 2024 Return: -27.30%. No dividend. Next earnings expected May 10. Quality Grade D (No change). Breakdown: 1. No dividend paid. 2. Revenue Reliability depends on order flow for battery storage systems. Demand is rising and company now appears nearing profitability. Guidance range for 2024 revenue is $2.7 to $3.3 bil, EBITDA of $50 to $80 mil. Recurring revenue guidance is $80 mil by end of year. 3. Regulatory Relations good as key states favor battery storage development, shareholder suits against company seem unlikely to derail. 4. Near-Term Refinancing Risk is low with no corporate level debt but does rely on credit lines. 5. Operating Efficiency is improving with scale, EBITDA margin expected to turn positive in FY2024 (end Sept 30). | | | | | | | | | | | | | |
| **Fortis (NYSE: FTS, TSX: FTS)** | Buy<45 | 39.39 | 4.41 | -3.46 | -2.95 | 0.59 | 81.3 | A | 5/16/2024 | 6/1/2024 | 4.7 | 56.3 | Canada,US Electricity |
| Q1 2024 Return: -2.87%. No change in dividend so far in 2024. Next earnings expected May 3. Quality Grade A (No change). Breakdown: 1. Payout ratio is conservative. Guidance for compound annual dividend growth of 4-6% through 2028. 2. Revenue Reliability backed by transmission rates set by return on investment. Rate base is mostly residential across all states. CAPEX plan through 2028 is CAD25 bil, new regional transmission projects, accelerated exit from coal in Arizona, grid resilience efforts, customer growth are primary drivers. 3. Regulatory Relations enhanced by multi-state and provincial diversification, Arizona rate case is positive offsetting uncertainty in New York. 4. Near-Term Refinancing Risk is manageable with $1.3 bil in maturing debt through end of 2025, 12% variable rate debt. Cost of long-term debt capital falls with bonds of March 2050 yielding 4.83% to maturity, was 5.9% at beginning of 2023. 5. Operating Efficiency steady, EBITDA margin expected at 42.9% in 2024. | | | | | | | | | | | | | |
| **Fortum (OTC: FOJCF, FH: FORTUM)** | Buy<14 | 11.75 | 10.17 | N/A | -14.76 | 0.57 | 90 | A | 10/1/2024 | 10/9/2024 | -2.4 | 41 | Nordic Electricity |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: -10.14%. Dividend increased by 26.4% in 2024. Next earnings April 30. S&P boosts rating to BBB+ with stable outlook on de-risked business plan and reduced leverage. Fitch affirms at BBB with stable outlook. Quality Gradeto A from B on de-risked strategy and reduced debt. Breakdown: 1. Dividend appears sustainable at current rate. Target payout ratio is 60-90% of comparable earnings per share each year. Will target to upper end of range of payout ratio as balance sheet strengthens and CAPEX needs are reduced. 2. Revenue Reliability is strong with reliance now again on low and no CO2 generation including nuclear. Forecasts CAPEX of EUR550 mil in 2024, holds to EUR1.7 bil target through 2026. Says will end use of coal in Finnish district heating in April, ahead of schedule. 3. Regulatory Relations generally solid, lawsuit against Russia appears to be more symbolic than practical. 4. Near Term Refinancing risk is a non-issue with no maturing debt through 2025, also all debt now at fixed rates. Cost of debt capital is low with June 2043 bonds yielding 4% to maturity, was 4.29% at beginning of 2023. 5. Operating Efficiency solid with EBITDA margin for 2024 expected at 27.6%. | | | | | | | | | | | | | |
| **Frontier Communications Corp (NSDQ: FYBR)** | Hold | 23.17 | N/A | 1.76 | -10.26 | N/A | 0 | D | N/A | N/A | N/A | 68.1 | Communications |
| Q1 2024 Return: -3.31%. No dividend. Next earnings expected May 6. Quality Grade D (No Change). Breakdown: 1. No payout as post-bankruptcy company has large CAPEX needs to build fiber broadband network needed to offset rapidly falling revenue from legacy business. 2. Revenue Reliability sliding as "legacy" business continues to contract, especially with consumers but also businesses as competitors are much larger and stronger. Fiber network sales are focus of management but face tough competition and higher financing/construction costs may force slowdown of deployment. 2024 guidance EBITDA range of $2.2 to $2.25 bil, CAPEX target of $3 to $3.2 bil. Will require outside capital to execute plans to pass 10 mil fiber locations, up from 6.5 mil currently. 3. Regulatory Relations likely to remain testy with regulators scrutinizing service concerns, though fiber build has support. 4. Near Term Refinancing risk low with $26 mil of maturing debt through end of 2025, though 14.8% of total debt is at floating rates. Had $2.2 bil cash at end of Q4 2023, will be needed to cover expected negative free cash flow in 2024 now projected at -$1.73 bil. Bonds of October 2029 yield elevated 10.2% to maturity, was 11.2% at start of 2023. Debt overall is 1.6 (1.36 at start of 2023) times current market capitalization and all coming due by end of 2031, paying it down/successfully refinancing is a priority for survival. 5. Operating Efficiency is still a race between cost cutting and falling revenue, EBITDA margin expected at 38.6% in 2024. | | | | | | | | | | | | | |
| **FuelCell Energy (NSDQ: FCEL)** | SELL | 1.13 | N/A | -60.35 | -26.62 | N/A | 0 | F | N/A | N/A | N/A | 15.5 | Fuel Cell manufacturer |
| Q1 2024 Return: -25.63%. No dividend. Next earnings expected June 7. Quality Grade F (No Change). Breakdown: 1. No payout. 2. Revenue Reliability remains erratic, with relative lack of recurring sales a consistent challenge. Company dependent on outside capital to keep doors open. Official targets are still for $300 mil sales in FY2025 and $1 bil in FY2030. 3. Regulatory Relations good as governments support fuel cells and other clean energy alternatives in many jurisdictions, especially Connecticut. Survival depends on continuing government support. 4. Near-Term Refinancing risk is elevated as company dependent on outside capital to keep operating, has $19 mil in maturities by end of 2025. Had $298 mil of cash at end of January 2024, enough to cover expected negative free cash flow of -$166 mil though projected shortfall is growing and cash pile shrinking. Total debt is $145 mil. 5. Operating Efficiency is still weak with EBITDA margin expected -82% for 12 months ended Oct 31, 2024. | | | | | | | | | | | | | |
| **Hannon Armstrong Infrastructure Capital (NYSE: HASI)** | Buy<35 | 27.2 | 6.1 | 0.33 | -0.91 | 0.42 | 71 | B | 4/4/2024 | 4/19/2024 | 4.9 | 66.5 | Renewable Energy BDC |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 2.97%. Dividend raised 5.1%. Next earnings expected May 3. Quality Grade B (no change). Breakdown: 1. Payout safely supported by stable business model. Guidance for 5-8% yearly dividend growth rate. Anticipates payout ratio of 60-70% through 2026 with target of 50% projected as earnings grow faster than dividends. 2. Revenue Reliability backed by contracts with investment grade counterparties, 62% behind the meter with investment grade entities, 38% grid connected with utilities as customers under power purchase agreements. Only 0.3% of portfolio was impaired in pandemic year of 2020, proof of resilience of business model and management conservatism. Key driver of growth is portfolio expansion, increasing margins as company adds scale and financial power. Company depends on ability to access low cost capital to maintain growth targets. Appeal of projects grows with higher energy prices. Distributable earnings per share (DES) growth guidance 8-10% through 2026. Guidance for $2.27 to $2.53 earnings per share in 2024. 3. Regulatory Relations supportive. Business was growing before Inflation Reduction Act. 4. Near-Term Refinancing risk is manageable with $1.29 bil in maturing debt through end of 2025. Has roughly 21% floating rate debt of total debt but has largely hedged exposure. Yield to maturity on bonds due September 2030 is 6.87%, was 8.39% at start of 2023. 5. Operating Efficiency improves with scale. Operating income margin projected at 47.1% for 2024. | | | | | | | | | | | | | |
| **Hawaiian Electric Industries (NYSE: HE)** | Buy<16 | 11.01 | N/A | -70.17 | -28.51 | N/A | 0 | C | 11/21/2023 | N/A | -18.5 | 62.9 | Regulated Elec/Gas |
| Q1 2024 Return: -20.58%. Dividend omitted pending resolution of wildfire issues. Next earnings May 9. US House of Representatives Republicans want own probe of Maui wildfire, not likely to have much impact on case. S&P removes company from negative credit watch but keeps outlook negative for B- rating due to wildfire case uncertainty. Quality Grade C (no change). Breakdown: 1. No quarterly dividend for foreseeable future as company faces existential threats from Maui Wildfire damages to system and customers. 2. Revenue Reliability now a question mark until resolution of wildfire lawsuits and other issues but historically strong with solid banking unit, solid state economy supported by tourism and US military. Utility revenues are decoupled from power sales. Banking presents more cyclical risks but company has proven itself able to manage downturns. Company continues to push ahead with plan to replace fuel oil dependence per state's aggressive renewable energy goal of 100% by 2040, includes ongoing negotiations for 517 megawatts of variable generation, 694 MW firm renewable generation, 2.1 GW hours of storage. Has 253 MW repowering project also underway. 3. Regulatory Relations highly uncertain but Hawaii Governor Green is pushing holistic framework to support Maui recovery and renewable energy goals including with legislation, keeping utility whole to support both including with securitization of wildfire costs. Company will contribute $75 mil to $175 mil recovery fund launched this month, pushed by state government as alternative to litigation. 4. Near Term Refinancing Risk is manageable with $50 mil of maturing debt before end of 2025, floating rate debt is currently 60% of total debt as company has drawn down credit lines following wildfires as part of legal strategy. Cost of long-term debt capital elevated but not reflecting extreme bankruptcy risk with bonds of October 2045 yielding 8.8% (9.38% three months ago) to maturity, was 5.5% at beginning of 2023. 5. Operating Efficiency solid, EBITDA margin expected at 17.4% in 2024. | | | | | | | | | | | | | |
| **Hydro One (TSX: H, OTC: HRNNF)** | Buy<26 | 28.73 | 3.06 | N/A | -2.76 | 0.3 | 64.5 | A | 3/12/2024 | 3/28/2024 | 3.9 | 57.2 | Canada Electricity |
| Q1 2024 Return: -2.20%. No change in dividend so far in 2024. Next earnings expected May 6. Quality Grade A (no change). Breakdown: 1. Payout ratio is conservative and backed by stable business mix, 5-7% annual growth through 2027. 2. Revenue reliability backed by 49% of assets in transmission business earning return on investment (98% of Ontario infrastructure). Electricity distribution business revenue is affected by volumes but has 52% residential and 8% "embedded distributors" versus just 11% large users, shielding it against economic cycles. Rate base investment provides reliable growth with utility CAPEX and acquisitions of smaller nearby systems. Guidance is for 5-7% annual earnings growth through 2027, supported by government approved investment plan. 3. Regulatory Relations favorable in Ontario, company now receiving timely approvals of acquisitions of smaller utilities in the province. 4. Refinancing Risk is low with $1.36 bil of maturing debt through 2025, has 2.6% variable rate debt, cost of long-term debt capital drops with January 2064 bonds yielding 4.68% to maturity, was 4.7% to start 2023. 5. Operating Efficiency strong with EBITDA margin expected at 36.3% in 2024. | | | | | | | | | | | | | |
| **Iberdrola (OTC: IBDRY, SM: IBE)** | Buy<45 | 49.44 | 2.67 | 4.05 | -3.18 | 0.88 | 69.3 | A | 1/9/2024 | 2/13/2024 | 6.2 | 51.6 | Renewable Energy Global |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: -3.36%. Semi-annual dividends declared for 2024 are 13.9% higher than in 2023. Next earnings April 24. Makes offer for shares of US unit Avangrid (NYSE: AGR) currently held by the public, will likely have to boost offer to be successful. Maintains focus on US for capital spending. Quality Grade A (no change). Breakdown: 1. Payout ratio is conservative, backed by regulated utilities and contracted renewable generation sold to utilities/government entities. Payout ratio guidance is 65-75% of earnings, with increases in dividend tied to earnings growth. Dividend "floor" set at 55 Euro cents a share for 2024-26. 2. Revenue Reliability is backed by regulated utility investment and contracted renewable power sales, growth from new wind and solar adds new sources. Primary driver of growth is asset expansion. 5-7% earnings growth target for 2024, EUR12 bil in new investments, targets EUR41 bil through 2026 with focus on US and power grids. Guides to EUR5.5-EUR5.4 net profit in 2025, EUR5.6-EUR5.8 bil in 2026. 3. Regulation is generally favorable in Spain as country gears up to become clean energy "hub" for Europe. Attempt to buy in 18.39% of Avangrid unit in US that company doesn't currently own could be a test though seems likely to be approved. 4. Near-Term Refinancing risk manageable with $7.24 bil in maturing debt through end of 2025, though 60% of total debt is at variable rates. Euros 68% total debt, US dollars 19%, rest mostly in British pounds and Brazilian Real. Had $6.06 bil cash in bank at end of Q4 2023. Cost of debt capital manageable with September 2049 bonds yielding 5.77% to maturity, was 5.24% at beginning of 2023. 5. Operating Efficiency increasing with scale. EBITDA margin expected at 29.8% in 2024. | | | | | | | | | | | | | |
| **IdaCorp (NYSE: IDA)** | Buy<100 | 92.38 | 3.59 | -11.9 | -6.03 | 0.83 | 65 | A | 2/2/2024 | 2/28/2024 | 5.5 | 49.2 | Regulated Elec/Gas |
| Q1 2024 Return: -4.67%. No change in dividend so far in 2024. Next earnings expected May 3. Quality Grade A (No Change). Breakdown: 1. Dividend payout ratio is conservative and backed by regulated utility earnings, long-term guidance for 5% annual dividend growth. 2. Revenue Reliability is consistent with almost all cash flow coming from regulated utility operations, protected by decoupling in Idaho (95% revenue) for residential and small commercial customers to encourage conservation. Irrigation is 12% of retail sales and depends on weather, industrial is 16% and exposed to cyclical pressures. 2024 earnings guidance range of $5.25 to $5.45 per share, assumes $35 to $60 mil of tax credits available under Idaho earnings support regulatory mechanism related to battery storage deployment. Key driver of growth is utility CAPEX with annual rate base growth of nearly 10% expected through 2026, customer growth very robust at nearly 3% a year, projected load growth is 3.7% a year through 2028. 3. Regulatory Relations strong in Idaho, Wyoming, amicable in Oregon, no major outstanding issues. Coal phaseout likely to be smooth over time. Water flows do affect some costs but protected by rate mechanisms. 4. Near Term Refinancing risk is low with $70 mil of maturing debt through end of 2025, floating rate debt 5% of total debt, cost of long-term debt capital manageable with bonds due March 2048 yielding 5.65% to maturity, was 5.22% at beginning of 2023. 5. Operating Efficiency stable, backed by efficient hydro facilities though depends on water flows. EBITDA margin expected at 28.8% in 2024. | | | | | | | | | | | | | |
| **Innergex Renewable Energy (TSX: INE, OTC: INGXF)** | Buy<12 | 5.82 | 4.46 | -43.16 | -15.53 | 0.09 | 46.5 | B | 3/27/2024 | 4/15/2024 | -4.9 | 83.9 | Renewable Energy |
| Q1 2024 Return: -13.85%. Dividend cut by -50%. Next earnings expected May 9. Quality Grade B (no change). Breakdown: 1. Dividend cut as management moves to a 100% self-funding strategy for stepped up CAPEX plans, will pay out just 30-50% of free cash flow going forward. 2. Revenue Reliability is backed by long-term generation contracts (14 year average weighted contract life) and currency hedges, little direct exposure to economy. Hydro and wind don't depend on fuel supplies though output varies with weather conditions. Company continues to expand with new contracts and Hydro Quebec financial backing (19.81% owner). 3. Regulatory Relations are stable with support for carbon free power high globally. Chilean government supportive of renewable buildout. 4. Refinancing Risk is manageable with $110 mil maturing debt through end of 2025, does have heavy reliance on floating and variable rate debt at 72% of total debt, partly mitigated by fact that much of debt is on asset level with parent level debt 38% of total. Cost of debt capital elevated but manageable with bonds of October 2026 yielding 7.7% to maturity, was 5.86% at start of 2023. 5. Operating Efficiency strong with EBITDA margin expected at 73.5% in 2024. | | | | | | | | | | | | | |
| **Itron (NSDQ: ITRI)** | Hold | 90.07 | N/A | 62.43 | 19.9 | N/A | 0 | C | N/A | N/A | N/A | 40.1 | Grid Technology products |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 22.53%. No dividend. Next earnings expected May 3. Quality Grade C (No Change). Breakdown: 1. No dividends paid. 2. Revenue Reliability depends on contract wins, though continuing services business is growing. Management must also manage exchange rate volatility. 2024 earnings guidance range of $3.40 to $3.80 per share, based on revenue of $2.28 to $2.38 bil. 3. Regulatory environment for products and services remains very favorable. 4. Near-Term Refinancing risks a non-issue with no floating rate debt or maturing debt through end of 2024. Expects to generate $182 mil in free cash flow in 2024. Convertible bonds maturing March 2026 with zero coupon have negative yield to maturity, were 6.27% at start of 2023. 5. Operating Efficiency affected by competition, cost cutting and now supply chain issues, EBITDA margin now expected at 11.3% for 2024. | | | | | | | | | | | | | |
| **JinkoSolar Holdings (NYSE: JKS)** | Buy<40 | 23.91 | 6.19 | -51.13 | -31.65 | 1.5 | 0 | C | 11/22/2023 | 12/6/2023 | N/A | 63.7 | Solar panel manufacturer |
| Q1 2024 Return: -31.81%. No change in dividends so far in 2024. Next earnings expected April 29. Q4 solar module shipments up 67.7% and 23.3% sequentially from Q3. Revenue up 9.4% year-over-year and 3.1% sequentially. Gross profit is lower by -2.8% from last year and -33.3% sequentially at 12.5% of revenue. Inceom from operaitons is lower by -42.6% from a year ago. Plunge in global pricing offsetting big output gains, company continues to increase production capacity. Management says expects to "generate a significant profit" in US in 2024 as "the most reliable supplier." Sets guidance for 18-20 GW solar shipments in Q1 and 100-110 GW for full year. N-type expected at 90% of total capacity. Debt interest expense up 25.9%. Quality Grade C (No Change). Breakdown: 1. Payment of dividend in December is not certain to be repeated but company is more than capable of doing so. 2. Revenue Reliability depends on competing in a tough though rapidly growing business, though scale is a massive advantage over rivals. Management must also manage exchange rate volatility and US trade policy. Has done a good job so far handling supply chain disruption and has now secured supplies of polysilicon for intermediate term at least. First manufacturer in world to have delivered 190 gigawatts of solar module capacity globally. 3. Regulatory environment for products and services remains very favorable, though being Chinese may limit some US opportunities in current contentious environment. 4. Near-Term Refinancing risk is low despite $1 bil maturing debt through end of 2025 and 97% of total debt at variable rates, more than offset by $2.3 bil cash in bank. 5. Operating Efficiency affected by fierce global solar component market competition offset by unmatched scale and cost cutting, EBITDA margin expected at 7.6% in 2024. | | | | | | | | | | | | | |
| **Kayne Anderson Energy Total Return (NYSE: KYN)** | Buy<10 | 10 | 8.8 | 27.98 | 16.28 | 0.22 | 100 | B | 4/4/2024 | 4/12/2024 | 12.3 | N/A | Closed-End Fund |
| Q1 2024 Return: 16.55%. Dividend raised 4.8%. Quality Grade B (no change). Breakdown: 1. Quarterly distribution is 1.3 times the current yield of 10 largest holdings adjusted for closed end fund's discount to net asset value. 2. Revenue Reliability strong as midstream sector has adapted to low volumes environment. Largest holdings as of last count are Energy Transfer, Enterprise Products Partners, Williams Companies and Targa Resources. Portfolio is top heavy so more leveraged to sector gains, 10 largest holdings are 91.46% of portfolio. 3. Regulatory Relations risk low given quality and diversity of holdings. 4. Near-Term Refinancing risk elevated due to heavy use of leverage (32.12% of assets), exposes fund if there's another big drop in sector asset prices. 5. Operating Efficiency improved though expenses are above industry average at 5.5% of NAV. | | | | | | | | | | | | | |
| **Kinder Morgan (NYSE: KMI)** | Buy<22 | 18.42 | 6.13 | 12.37 | 5 | 0.28 | 50.9 | A | 1/30/2024 | 2/15/2024 | 2.5 | 50.5 | Energy Transport |
| Q1 2024 Return: 5.58%. Dividend to be increased in April. Next earnings expected April 19. Quality Grade A (No Change). Breakdown: 1. Payout ratio low and supported by secure free cash flow, particularly from US leading natural gas pipeline network. Low to mid-single digit dividend growth likely next few years. 2. Revenue Reliability solid as natural gas pipelines are under contract at amicable rates with strong counterparties. CO2 division benefits from oil over $50 a barrel, reorientation to carbon capture promises growth long-term. Company is well adapted to modest North American midstream volumes but positioned to benefit from an increase. Dominant position in supplying LNG exports. 2024 guidance for distributable cash flow (DCF) is $2.26 per share, mid-point of adjusted EBITDA guidance range is $8.16 bil (8% growth from 2023), debt-to-EBITDA expected at 3.9 times by end year. Expects roughly $300 million in free cash flow after paying dividends in 2024, likely to be used to cut debt. Growth project backlog is about $3 bil. 3. Regulatory Relations good with no major current issues. 4. Near-Term Refinancing Risk is manageable with $2.88 bil in maturing debt through end of 2025, variable rate debt negligible, cost of long-term debt capital manageable with Mar 2048 bonds yielding 5.95% to maturity, was 6.17% at beginning of 2023. 5. Operating Efficiency steady with focus on fee based operations, EBITDA margin expected at 46.2% for 2024. | | | | | | | | | | | | | |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Korea Electric Power Corp (NYSE: KEP, KS: 015760)** | Hold | 8.09 | N/A | 16.57 | 13.46 | N/A | 0 | C | 12/28/2023 | N/A | N/A | 78.7 | Korean Electricity |
| Q1 2024 Return: 14.90%. No annual dividend declared for payment in calendar year 2023. Management says it will freeze power prices in Q2, should help margins recover as fuel prices are soft. Next earnings expected May 13. Quality Grade C (no change). Breakdown: 1. Annual dividend follows earnings, payout possible for 2024 depending on fuel costs. CEO says company may buy back stock. 2. Revenue Reliability hurt by volatile fuel costs, uncertain ability to pass on energy costs. Foreign projects provide additional growth upside. Nuclear and renewable energy development will reduce dependence on imported coal and gas over time. 3. Regulator Relations are long-term supportive but officials will sacrifice company profits and balance sheet strength to prevent rate shock in South Korea. 4. Near-Term Refinancing risk elevated and balance sheet complex. Total debt is $89.45 bil, 5% floating rate and step coupon. 85% in Korean Won, 14% US dollar, rest mostly, Hong Kong dollars and Australian dollars. Has $36.22 bil maturing debt through end of 2025. April 2034 bonds yield to maturity is 4.99%, was 5% to start 2023. Would likely be a lot higher without fact Korean government entities own 57.7% of company and back its solvency. 5. Operating Efficiency takes hit on fuel costs in 2023 but projected to improve dramatically going forward with 2024 EBITDA margin expected at 23.4%, fuel costs key. | | | | | | | | | | | | | |
| **Lumen Technologies (NYSE: LUMN)** | SELL | 1.41 | N/A | -46.79 | -25.4 | N/A | 0 | F | 11/2/2022 | N/A | N/A | 98.1 | Communications |
| Q1 2024 Return: -14.75%. No dividend. Next earnings expected May 2. S&P cuts rating to "Selective Default" from CC as company reaches debt deal to avoid full bankruptcy. Has reduced obligations due through 2027 by $8.5 bil and 2025-26 maturities by $1.5 bil at cost of higher cost of debt, considerably more coming due 2027-2030. Total debt of $28 bil is more than 18 times stock's market capitalization. Quality Grade F (no change). Breakdown: 1. No dividend. 2. Revenue Reliability going forward depends on fiber broadband business growth with sale of most other assets but faces tough competition. Revenue continues to drop. 2024 guidance range for EBITDA is $4.1 to $4.3 bil, with $100 to $300 mil free cash flow, making it depends on halting revenue declines. 3. Regulatory Relations stable for operating company but debt restructuring could lead to legal actions against the company. 4. Near-Term Refinancing risk is elevated with $1.92 bil of maturing debt through end of 2025, 53% of total debt is at variable rates. Cost of long-term debt capital is still elevated with March 2042 bonds yielding a distressed 22.16% yield to maturity, was 11.99% at start of 2023. 5. Operating Efficiency depends on cost cutting, EBITDA margin expected at 31% in 2024. | | | | | | | | | | | | | |
| **MDU Resources (NYSE: MDU)** | Buy<24 | 25.3 | 1.98 | 24.56 | 29.07 | 0.13 | 47.6 | B | 3/13/2024 | 4/1/2024 | -10.7 | 45.9 | Utility/Construction |
| Q1 2024 Return: 27.91%, KNF return 22.51%. No change in dividend so far in 2024. Next earnings expected May 3. Management affirms previous 2024 guidance for both utility and construction services units, with spinoff "on track for late 2024."Quality Grade B (No Change) but will raise to A when construction services unit is spun off. Breakdown: 1. 60-70% payout ratio target is based on regulated assets cash flow and set with "peer" annual growth rate, likely in mid-single digit percentage going forward. 2. Revenue Reliability is a two part story this year. Spin off of construction services unit to shareholders in tax free transaction is on track this year, will trade NYSE as "Everus Construction Group" and likely pay a dividend. Construction materials guidance range for 2024 EBITDA is $220 to $240 mil, $2.9 to $3.1 bil in sales. Regulated utility and pipeline earnings per share to grow 6-8% annually off $1.50 per share 2023 base year, regulated utility earnings guidance of $170 to $180 mil for 2024, 7% compound annual rate base growth through 2028 and customer growth rate of 1-2%. 3. Regulatory Relations positive throughout utility service territory, wildfires a risk but no significant liability risk so far. Regulators unlikely to challenge construction services spinoff. 4. Near-Term Refinancing Risk is low with $190 mil of debt maturities through end of 2025, has 69% floating rate debt, cost of longer-term debt capital manageable with bonds due March 2037 yielding 5.71% to maturity, was 6.03% at start of 2023. 5. Operating Efficiency solid, EBITDA margin expected at 15.7% for 2024 though spinoffs will make comparisons difficult. Sum of to be spun off construction services arm and regulated energy unit is worth more than the current share price. | | | | | | | | | | | | | |
| **MGE Energy (NSDQ: MGEE)** | Hold | 79.35 | 2.16 | 4.65 | 9.76 | 0.43 | 51.1 | A | 2/29/2024 | 3/15/2024 | 4.9 | 40.9 | Regulated Elec/Gas |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 9.46%. No change in dividend so far in 2024. Next earnings expected May 3. Quality Grade A (No Change). Breakdown: 1. Dividend payout ratio is conservative and backed by regulated utility cash flow, low-to mid single digit growth likely next few years. 2. Revenue Reliability is high with earnings coming from regulated utility and transmission investment. Electric utility revenue is 34.8% with public authorities 8.8%. Commercial is 53.2% and industrial just 3.2%. Natural gas revenue is 59.5% residential, 35.8% commercial, 1.1% industrial and 3.6% transportation. Transmission revenue is FERC regulated and stable. Primary driver of growth is utility CAPEX, should be strong as company replaces coal with renewable energy. Guidance for continuing low to mid-single digit percentage earnings and dividend growth. 3. Regulatory Relations remain strong in Wisconsin, ongoing rate case appears to proceed amicably. 4. Near-Term Refinancing risk is a non-issue with less than $2 mil in maturing debt through end of 2025 and no variable rate debt, cost of debt capital manageable with Jan 2052 bonds yielding 5.34% to maturity, was 5.12% at beginning of 2023. 5. Operating Efficiency strong, EBITDA margin expected at 35.7% in 2024. | | | | | | | | | | | | | |
| **Middlesex Water (NSDQ: MSEX)** | Hold | 49.64 | 2.62 | -35.23 | -22.83 | 0.33 | 52.1 | A | 2/14/2024 | 3/1/2024 | 6.4 | 49.2 | Regulated Water |
| Q1 2024 Return: -19.50%. No change in dividend so far in 2024. Next earnings expected May 1. Quality Grade A (No Change). Breakdown: 1. Dividend level is consistently conservative, growth rate likely to slow due to low to mid-single digit percentage on heavy CAPEX needs and affordability concerns. 2. Revenue Reliability backed by utility and contract water service revenue in New Jersey and Delaware and with infrastructure improvements a key driver. Commercial revenue is 11.3% and industrial 7% of operating revenues, rest look secure as residential, fire protection and contracted for service. Mid-single digit percentage earnings growth likely next few years. 3. Regulatory Relations solid in New Jersey with settlement of rate case, less certain in Delaware. 4. Near-Term Refinancing risk is a non-issue with no debt maturities through 2025, no use of variable rate debt. Able to issue low cost municipal debt. Bonds maturing August 2059 yield 4.47% to maturity, was 4.97% at start of 2023. 5. Operating Efficiency up on cost controls, customer growth, system improvements. EBITDA margin 41.8% for most recent 12 months (end Dec 31). | | | | | | | | | | | | | |
| **National Fuel Gas (NYSE: NFG)** | Buy<65 | 53.09 | 3.73 | -4.47 | 5.46 | 0.5 | 38.1 | B | 3/27/2024 | 4/15/2024 | 3.6 | 47.8 | Integrated NatGas |
| Q1 2024 Return: 8.06%. No change in dividend so far in 2024. Next earnings expected May 3. Announces $200 mil stock buyback plan by end of FY2025. Quality Grade B (No Change). Breakdown: 1. Dividend is funded by an integrated business model, regulated utilities and pipelines alone cover payout, low to mid single digit percentage increases likely next few years. 2. Revenue Reliability backed by natural gas pipeline unit with downstream focus on major industrial companies and utilities, including affiliates (37% of contracted transportation capacity), revenue is FERC regulated (24.3% of net income). Regulated utilities (20% of income) provide natural gas distribution in less populated areas of New York and Pennsylvania (91% capacity contracted). NY has revenue decoupling from demand. Gathering is 19.2% of net income and services production unit 36.7%. E&P in Appalachia but also California, where prices are generally higher. Guidance range for FY2024 earnings (end Sept 30) is $4.90 to $5.20 per share, based on projected average natural gas price of $2.40 per million BTU. Company expects natural gas equivalent output of 395 to 410 billion cubic feet. Guidance may be reduced again if natural gas prices remain in current sub-$2 per million BTU trading range held since early February. 3. Regulatory Relations good with company earning fair return on infrastructure and utility investment and no major outstanding issues in New York and Pennsylvania. 4. Near-Term Refinancing risk is low with $505 mil maturing debt through 2025, no floating rate debt, cost of debt capital manageable with bonds due Sept 2028 yielding 5.35% to maturity, was 5.7% at beginning of 2023. 5. Operating Efficiency depends on energy prices but otherwise solid, EBITDA margin expected at 51.9% in FY2024 (end Sept 30). | | | | | | | | | | | | | |
| **National Grid (NYSE: NGG, LSE: NG)** | Hold | 68.02 | 3.47 | 5.45 | 0.29 | 1.19 | 74.2 | B | 11/22/2023 | 1/11/2024 | 4.1 | 59.3 | UK,US Electricity |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 0.34%. Semi-annual dividends declared for payment in 2024 so far are up 8.7% in British Pound terms than a year ago. Next semi-annual earnings expected May 17. Anounces $4 bil upgrade to upstate New York power grid. Completes sale of 20% of National Gas to majority owners, consortium led by Macquarie Asset Management. Quality Grade B (No Change). Breakdown: 1. Management likely to keep dividend increases at low to mid single digit percentages next few years as says it has a "tight dividend cover." 2. Revenue Reliability backed by regulated businesses, US utilities enjoy revenue decoupling. Sale of Rhode Island utility unit to PPL pushes mix further to UK. Inflation indexed rates reduce earnings exposure to current environment. Long-term guidance is for 6-8% annual earnings growth through 2027, based on 8-10% annual asset growth goal. Management says FY2024 (end March 31, 2024) results will be "modestly below" FY2023 due to regulatory factors in UK. 3. Regulatory Relations are testy in New York but appear stable at the moment, UK environment is highly uncertain going forward with Conservative Party government anxious to hold down customer rates and election approaching in 2024, with Labour Party opposition likely to take much harder line if it wins. 4. Near-Term Refinancing risk manageable with $2.97 bil in debt maturing through end of 2025, 23% is floating rate debt and has exposure to currencies like the Euro (24% total debt) where company doesn't have revenue. British pounds are 41% of debt, US dollar is 34%, rest is mainly Canadian dollars and Hong Kong dollars. Cost of debt capital manageable with Oct 2050 bonds yielding 5.47% to maturity, was 5.22% at beginning of 2023. 5. Operating Efficiency solid, EBITDA margin expected at 32.6% for fiscal year ending March 31, 2024. | | | | | | | | | | | | | |
| **New Jersey Resources Corp (NYSE: NJR)** | Buy<45 | 43.13 | 3.9 | -15.85 | -3.79 | 0.42 | 57.4 | A | 3/12/2024 | 4/1/2024 | 8 | 62.3 | Regulated Natural Gas |
| Q1 2024 Return: -2.80%. No change in dividend so far in 2024. Next earnings expected May 3. Quality Grade A (No Change). Breakdown: 1. Payout ratio is conservative, mid-to-upper single digit percentage growth likely next few years. 2. Revenue Reliability is supported by revenue decoupling from gas demand at regulated natural gas utility (65% of cash flow). Clean Energy and Energy Services businesses steady, midstream has utilities as main customers. Home Services growing and plans ramp up of solar to fuel growth. Primary driver of growth is gas distribution utility CAPEX, related renewable energy. FY2024 (end Sept 30) earnings guidance range is $2.85 to $3 a share, long-term growth target is 7-9% annually with primary driver spending plans for regulated natural gas utility operations. 3. Regulatory Relations supportive in New Jersey, amicable resolution to pending rate case is key this year. 4. Near-Term Refinancing risk is non-issue with no maturing debt through end of 2025, though 32% of total debt is variable rate. Cost of long-term debt capital manageable with bonds due July 2059 yielding 5.28% to maturity, was 5.41% at beginning of 2023. 5. Operating Efficiency solid for diversified company with EBITDA margin expected at 31.9% for FY2024 (send Sept 30). | | | | | | | | | | | | | |
| **NextEra Energy (NYSE: NEE)** | Buy<80 | 62.88 | 3.28 | -15.89 | 3.08 | 0.52 | 61.2 | A | 2/26/2024 | 3/15/2024 | 10.1 | 55.5 | Renewable Energy/Utility |
| Q1 2024 Return: 6.07%. Dividend raised 10.2%. Next earnings expected April 25. US Federal Election Commission closes file on company's alleged election law violations, says "no reason" to believe any violations occured. Files for rate decrease in Florida. Quality Grade A (No Change). Breakdown: 1. Dividend payout ratio is conservative and secured by combination of regulated utility cash flow and contracted renewable energy generation, contracted pipelines. Management extends guidance for 10% annual dividend growth through "at least 2026. 2. Revenue Reliability supported by Florida utility (75% earnings) with 60% residential revenue, limited industry. Contracted wind power contract remaining average life is 16 years. Pipelines major customers are downstream, especially utilities. Mountain Valley Pipeline (30% owner) looks set to enter service later this year. Also has 4 contracted nuclear power plants. Maintains guidance for 6-8% annual earnings growth"at least" through 2026, with expectation "to deliver financial results at or near the top end of our adjusted earnings per share expectations in each year through 2026." Has set 2024 earnings guidance range of $3.23 to $3.43 per share, $3.45 to $3.70 per share for 2025 and $3.63 to $4 per share for 2026. Key driver is contracted renewable energy generation additions with 63 GW of operating renewable energy capacity expected by end of 2026 including 32 GW of wind, 84% with potential to pair with battery storage. Has 150 GW of interconnection queue positions for new projects thanks to years of development efforts as first mover for renewables in US. 3. Regulatory Relations very strong in Florida, FEC drops investigation of lobbying practices. 4. Near-Term Refinancing risk is manageable for size of company with $20 bil in maturing debt through end of 2025, 25% is adjustable rate, cost of long-term debt capital manageable as Feb 2053 bonds yield 5.57% to maturity, was 5.27% at beginning of 2023. 5. Operating Efficiency rises with scale at utility and contract wind and solar operations, EBITDA margin expected at 54.8% in 2024. | | | | | | | | | | | | | |
| **NextEra Energy Partners LP (NYSE: NEP)** | Buy<40 | 29.19 | 12.06 | -47.17 | -2.46 | 0.88 | 47.7 | B | 2/5/2024 | 2/14/2024 | 13.7 | 31 | Renewable Energy Finance |

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 1.83%. Dividend raised 1.4% so far in 2024 with 3 more increases ahead. S&P affirms BB credit rating, expects leverage to increase in near-term, says company should "continue to make acquisitions at a measured pace that expand and diversify the portfolio" in a return to being a productive financing vehicle for parent NextEra Energy (NYSE: NEE). Quality Grade B (No Change). Breakdown: 1. Dividend well covered by long-term contracted cash flow. Guidance for 5-8% annual dividend growth with target of 6%, no need for new growth equity until 2027 at the earliest. 2. Revenue Reliability secured by average contract life of 14 years, distributions 58% from wind assets, 21% from solar and 21% from natural gas pipeline assets on run rate cash available for distribution. Geographic diversity of fleet offsets exposure to variable wind conditions--39% of CAFD from western US, 14% Midwest, 18% South, 24% Texas, 5% Northeastern US. Top five projects contribute 34% of CAFD. Repowering of existing wind facilities and pairing storage with assets will extend lives and boost output, margins. Primary driver of growth is drop downs of renewable energy generation from parent NextEra Energy, supplemented with occasional third party deals. Asset additions unlikely in current interest rate environment. Run-rate expectations for 2024 EBITDA are $1.9 to $2.1 bil, CAFD is $730 to $820 mil, $3.73 per unit dividend at end of 2024 and based on expected year-end assets in operation. CAPEX through 2026 directed at 985 megawatts of repowering opportunities, with funding from tax equity and project finance. 3. Regulatory environment in the states remains very favorable for continued growth of renewable energy. 4. Near-Term Refinancing risk manageable with $1.85 bil maturing debt through 2025, 35% of debt is floating rate. Cost of debt capital again manageable with bonds due September 2027 yielding 6.53% to maturity, was 6.51% at start of 2023. Company can issue low-cost green bonds. Standalone credit rating is Ba1 from Moody's with stable outlook but company also has tacit support of A- rated parent NextEra Energy. 5. Operating Efficiency improves with scale, EBITDA margin expected at 139.4% for 2024. | | | | | | | | | | | | | |
| **Nippon Telegraph & Telecom Corp (Tokyo: 9432, OTC: NTTYY)** | Buy<30 | 29.26 | 2.51 | -0.92 | -3.81 | N/A | 33.9 | A | 3/27/2024 | N/A | -23.6 | 49.5 | Japan Communications |
| Q1 2024 Return: -2.15%. Semiannual dividends for payment in 2024 so far are up 4.2% in Yen terms. Next earnings expected May 10. Quality Grade A (No Change). Breakdown: 1. Dividend safe, mid to upper single digit percentage growth likely to continue going forward. 2. Revenue Reliability supported by scale, 5-G rollout is becoming a major growth driver, offsetting continued negative impact on margins for wireless service from competition in Japan. Primary driver of growth is advanced services and data. Guidance ranges for FY2024 (end March 31, 2024) have mid-points of JPY13.098 trillion for revenue, and JPY1.234 tril for earnings. FY2027 EBITDA target is a 20% increase from FY2022. 3. Regulatory Relations solid, Japanese government stake 43.83% including government pension fund. 4. Near-Term Refinancing Risk manageable though balance sheet is complex with 54% of debt at floating rates, 78% in Japanese Yen, 13% in US dollars and 9% Euros. Has $5.6 bil in maturing debt through end of 2025, offset by $7.5 bil cash in bank as of end Dec 2023, roughly $2.5 bil free cash flow after dividends paid expected for FY2024 (end Mar 31). Cost of long-term debt capital manageable with Sept 2032 bonds yielding 0.93% to maturity, was 0.84% at start of 2023. 5. Operating Efficiency improves with cost cutting and technology upgrades for system, EBITDA margin expected at 26.4% for FY2024 (end Mar 31). | | | | | | | | | | | | | |
| **NiSource (NYSE: NI)** | Buy<32 | 27.5 | 3.85 | 2.15 | 2.87 | 0.27 | 61.6 | A | 4/29/2024 | 5/20/2024 | 6.1 | 58.3 | Regulated Elec/Gas |
| Q1 2024 Return: 5.19%. Dividend raised 6%. Next earnings expected May 3. Fitch affirms BBB rating with stable outlook, cites likelihood of more debt reduction. Quality Grade A (No Change). Breakeven: 1. Dividend payout ratio is conservative and backed by regulated electricity and natural gas utility cash flows, mid to upper single digit percentage growth appears likely, 60-70% payout ratio (with bias to "bottom half." 2. Revenue Reliability backed by 65% of utility revenue not tied to volumes. Gas utility has revenue decoupling in Ohio, Maryland and Virginia. Revenue also adjusted for weather in PA, MD, VA and KY. Revenue 50% fixed in Indiana for residential and commercial users. Industrial demand charge stabilizes industrial electric customer cyclical exposure, now just 8% of margin. Guidance range for 2024 earnings per share to $1.70 to $1.74.. Has annual earnings growth target of 6-8% through 2028, 8-10% annual rate base growth, fueled by $16 bil utility CAPEX in "already approved" investments in grid upgrades and renewable energy through 2028. Has an additional "upsize" of $2 bil to capital spending plans as well. 3. Regulators supportive in all 6 states with ongoing operations, especially three biggest Indiana, Ohio and Pennsylvania. 4. Near-Term Refinancing risk is manageable with $2.18 bil of maturing debt through end of 2025, 5.2% of debt is variable rate. Cost of long-term debt capital manageable with bonds due March 2048 yielding 5.6% to maturity, was 5.56% at beginning of 2023. 5. Operating Efficiency solid, EBITDA margin expected at 41.5% for 2024. | | | | | | | | | | | | | |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Northland Power Inc (TSX: NPI, OTC: NPIFF)** | Buy<20 | 16.74 | 5.26 | -29.57 | -5.96 | 0.1 | 100 | B | 3/27/2024 | 4/15/2024 | -0.8 | 61.6 | Renewable Energy |
| Q1 2024 Return: -9.68%. Monthly dividend no change since January 2018. Next earnings expected May 9. CEO says construction at Hai Long (Taiwan), Baltic Power (Poland) offshore wind power facilities is proceeding "as planned," also Oneida (New York) project. CEO to step down, sets leadership transition in place that should ensure continuity. Quality Grade B (no change). Breakdown: 1. Dividend covered with low payout ratio, strong balance sheet and backed by contracts for power sales. Increases unlikely as company devotes capital to fund growth. 2. Revenue Reliability is secured by long-term contracts for output of primarily wind power facilities. Offshore wind conditions have impact on quarterly results especially at facilities serving Germany, but not underlying earnings power. 2024 guidance range of CAD1.2 to CAD1.3 bil for EBITDA, CAD1.10 to CAD1.30 per share for free cash flow, enough to cover all CAPEX and dividends paid at mid-point. Projected EBITDA growth guidance is 7-10% per year to 2027. 3. Regulatory Relations are stable with support for renewable energy projects strong in places where company is expanding. Colombian regulation is positive for utility unit. Investment in Taiwan could be at risk to tensions with China but offshore wind is supported by government policies. 4. Refinancing Risk is manageable with $431 mil of maturing debt through end of 2025, $368 mil is at parent level, 96.7% of debt at variable rates. Cost of long-term debt capital manageable with bonds of March 2036 yielding 5.1% to maturity, was 4.7% at start of 2023. 5. Operating Efficiency strong with EBITDA margin expected at 55.5% for 2024. | | | | | | | | | | | | | |
| **Northwest Holdings (NYSE: NWN)** | Buy<45 | 36.81 | 5.3 | -18.83 | -6.03 | 0.49 | 84.8 | A | 1/30/2024 | 2/15/2024 | 0.5 | 57.6 | Regulated Gas/Water |
| Q1 2024 Return: -3.16%. Dividend not increased so far in 2024. Next earnings expected May 3. Quality Grade A (no change). Breakdown: 1. Payout ratio is aggressive but management still likely to boost dividend marginally as returns are steady. 2. Revenue Reliability protected by weather normalized rates but not full decoupling. Industrial customers are 8% of margin, residential is 63% of utility. Water utility business has little industrial exposure and continues to grow with acquisitions, most recently in Washington state. Natural gas storage is rate regulated and company has growing investment in renewable natural gas. Primary growth driver is utility CAPEX , 4% annual customer growth in gas and water. 2024 earnings guidance range of $2.20 to $2.40 per share, reaffirms guidance of 4-6% annual earnings growth through 2027, fueled by expected CAPEX of $1.4 to $1.6 bil for 5-7% annual rate base growth. Management says 2024 results will not be "in line" with long-term guidance because of "regulatory lag from our natural gas distribution system" due to heavy CAPEX and "inflationary pressures" not compensated for in current rate agreement. 3. Regulatory Relations generally stable despite Pacific Northwest state regulators' focus on holding down rates, concern about wildfires. Result of Oregon rate case pending this year is key. 4. Near-Term Refinancing risks are a non-issue with $30 mil of maturing debt through 2025, debt is 5% variable rate, long-term cost of debt capital manageable with first lien secured bonds due March 2050 yielding 5.45% to maturity, was 6.08% at end of 2023. 5. Operating Efficiency solid, EBITDA margin expected at 29.3% for 2024. | | | | | | | | | | | | | |
| **NorthWestern Corp (NSDQ: NWE)** | Buy<50 | 50.36 | 5.16 | -8.6 | -0.24 | 0.65 | 73.9 | A | 3/14/2024 | 3/29/2024 | 2 | 50.1 | Regulated Elec/Gas |
| Q1 2024 Return: 1.36%. Dividend raised 1.6%. Next earnings expected April 26. Quality Grade A (no change). Breakdown: 1. Dividend payout is conservative and supported by regulated electricity and natural utilities in Montana (85% of gross margin), Nebraska and South Dakota, low single digit payout increases likely next few years due to rate lag. 2. Revenue Reliability supported by 42% residential revenue at Montana electric utility with only 6% industrial. South Dakota revenue is 38% residential, 60% commercial, 2% industrial. Gas demand moves with weather. All utility unit earnings affected by energy demand. 2024 earnings guidance range of $3.42 to $3.62 per share, plans $500 mil CAPEX, no change in long-term earnings growth guidance range of 4-6% annually, with primary fuel regulated utility CAPEX and 4-6% annual rate base growth. 3. Regulatory Relations in Montana are stable after amicable rate settlement. Nebraska and South Dakota appears steady. Wildfire risk reduced by approval of mitigation plans. South Dakota settlement should provide a boost in 2024. 4. Near-Term Refinancing Risk manageable with $300 mil of maturing debt through end of 2025, 15% floating rate debt. Cost of long-term debt capital manageable with first lien secured August 2052 bonds yielding 5.86% to maturity, was 5.82% at beginning of 2023. 5. Operating Efficiency driven by cost controls, EBITDA margin expected at 37.1% for 2024, projection three months ago was 34%. | | | | | | | | | | | | | |
| **NRG Energy (NYSE: NRG)** | Buy<45 | 68.6 | 2.38 | 107.68 | 34.88 | 0.41 | 61.1 | C | 1/31/2024 | 2/15/2024 | 7.9 | 79.1 | Electricity Retail/Generation |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 31.72%. Dividend raised 8%. Next earnings expected May 3. S&P revises outlook on credit rating to positive. Quality Grade C (No change). Breakdown: 1. Payout ratio appears conservative despite cash flow exposure to wholesale electricity prices, can offset with cost reduction. Guidance for 7-9% annual dividend growth, also executing on $2.7 billion stock buyback. 2. Revenue Reliability steadied by management pairing wholesale generation with retail business, which is 67% fixed contracts and therefore more stable. Vivint Smart Home provides more reliable revenue and leverages future growth as well. 2024 guidance range of $3.3 to $3.55 bil for EBITDA. Plans to cut debt by $2.55 bil through year-end 2025. Strategy is focus on returning cash to shareholders rather than CAPEX for growth. 3. Regulatory Relations appear solid in most jurisdictions, most important by far is Texas. 4. Near-Term Refinancing Risk is manageable with $1.63 bil in maturing debt through end of 2025, 45% adjustable rate debt. Longest term debt is convertible and therefore costs less in interest, with June 2048 bonds 2.75% coupon rate having negative yield to maturity (-35.78%), was 2.78% at beginning of 2023. 5. Operating Efficiency continues to improve as management controls risks though also affected by commodity costs, EBITDA margin expected at 11% for 2024. | | | | | | | | | | | | | |
| **NuStar Energy LP (NYSE: NS)** | SELL | 23.21 | 6.89 | 62.34 | 25.42 | 0.4 | 44.1 | C | 2/6/2024 | 2/13/2024 | 0 | 77.3 | Energy Transport |
| Q1 2024 Return: 26.73%. No change in dividend so far in 2024. Next earnings expected May 3. Share price is likely to follow value of Energy Transfer LP (NYSE: ET) affiliate Sunoco LP's (NYSE: SUN) takeover offer of 0.4 of its units per unit of NS, close expected in Q2 2024. Quality Grade C (no change). Breakdown: 1. Current distribution rate is covered by cash flow but company isn't generating enough to cover CAPEX and dividends with big debt maturities approaching. Increases unlikely. 2. Revenue Reliability focused on counterparties in Permian Basin, proved resilient at low point of energy price cycle and now should benefit from rising output of customers. Income roughly 65.6% from pipelines, 30% storage and the rest fuels marketing. Former parent Valero is key customer for storage as well as pipeline segment, refined products balance direct crude oil volume exposure, as does FERC regulation on "common carrier" pipelines. 2024 standalone guidance is $720 to $780 mil EBITDA, expects to self-fund CAPEX and dividends for the year. 3. Regulatory Relations generally favorable as main market now Texas, tested by merger with Sunoco LP. 4. Near-Term Refinancing risk much reduced with $675 mil of maturing debt through 2025, $1.46 bil more in 2026-27. Exposure to rising interest rates also from variable rate debt at 43% total debt. Cost of long-term debt capital manageable with April 2027 bonds yielding 5.96% to maturity, was 7.19% at beginning of 2023. 5. Operating Efficiency improves with cost cutting, EBITDA margin expected at 43.8% for 2024. | | | | | | | | | | | | | |
| **OGE Energy Corp (NYSE: OGE)** | Hold | 34.55 | 4.84 | -3.87 | -1.28 | 0.42 | 78.9 | A | 4/5/2024 | 4/26/2024 | 1.8 | 51.9 | Regulated Elec/Gas |
| Q1 2024 Return: -0.59%. No change in dividend so far in 2024. Next earnings expected May 3. Quality Grade A (no change). Breakdown: 1. Dividend payout ratio is conservative and backed by regulated utility earnings, low single digit percentage growth rate appears likely next few years, management also wants 65-75% payout ratio. 2. Revenue Reliability solid at regulated utility. Residential customers account for 44% of system sales revenue, oilfield is 10.1%. Industrial is 11%, commercial 25%. Cost of service component of rates stabilizes margin against volume swings in Oklahoma, also offers flat rate option throughout the year. Arkansas rates also have cost of service component. Company has revenue from transmission that is stable. Primary driver of growth is utility CAPEX. 2024 earnings guidance of $2.06 to $2.18 per share, affirms 5-7% long-term earnings per share growth rate targeted long-term with expectation of 3.5-5% annual load growth in electricity and focus on "lower risk infrastructure projects" in Arkansas and Oklahoma service territory, includes solar rollout. 3. Regulatory Relations appear stable in Oklahoma, Arkansas, management says environment is "constructive." 4. Near-Term Refinancing Risk is low with $129 mil maturing debt through 2025, 4% variable rate debt. Cost of long-term debt capital manageable with bonds due August 2047 yielding 5.54% to maturity, was 5.66% at beginning of 2023. 5. Operating Efficiency now reflects only utility operations with EBITDA margin expected at 43.4% for 2024. | | | | | | | | | | | | | |
| **ONE Gas (NYSE: OGS)** | Buy<70 | 63.9 | 4.13 | -16.2 | -0.15 | 0.66 | 68.6 | A | 2/22/2024 | 3/8/2024 | 5.9 | 52.4 | Regulated Natural Gas |

Conrad's Utility Investor

## Utility Report Card

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 2.31%. Dividend raised 1.5%. Next earnings May 6. Quality Grade A (No Change). Breakdown: 1. Payout ratio is conservative. Management guidance for 1-2% annual dividend boosts through 2028 as company attempts to drive down payout ratio to 55-65%. 2. Revenue Reliability backed by 72% of sales margin coming from fixed monthly charges. Weather normalized rates also afford protection, especially for residential users (83% of margin on gas sales). Transportation revenue also protected and stable (11.8% of overall company). Primary driver of growth is utility CAPEX, 65% infrastructure replacement with pre-approved recovery. 2024 earnings per share guidance range is affirmed by management at $3.70 to $4. Now plans $750 mil CAPEX this year, expects rate base growth of 7-9% a year through 2028 with earnings growth of 4-6% annually. 3. Regulatory Relations positive in Kansas, Oklahoma and Texas with no major outstanding issues, though affordability concerns appear to limit investment. 4. Near-Term Refinancing Risk is a non-issue with $44 mil of debt maturities through 2025, no use of variable rate debt, cost of long-term debt capital manageable with Nov 2048 bonds yielding 5.39% to maturity, was 5.74% at beginning of 2023. 5. Operating Efficiency strong with EBITDA margin expected at 26.6% in 2024. | | | | | | | | | | | | | |
| **ONEOK (NYSE: OKE)** | Buy<70 | 80 | 4.95 | 33.33 | 14.25 | 0.99 | 69.2 | A | 1/29/2024 | 2/14/2024 | 1 | 56.9 | Energy Transport |
| Q1 2024 Return: 15.59%. Dividend increased by 3.7%. Next earnings expected May 2. Quality Grade A (no change). Breakdown: 1. Payout ratio is now conservative, dividend growth likely low to mid-single digit percentage next few years. Target 75-85% payout ratio (dividends plus share buybacks) based on forecasted cash flow after capital expenditures over next four years. 2. Revenue Reliability strong with oil and refined products infrastructure as well as natural gas and NGLs midstream assets (gathering, processing, fractionation, transportation and storage) and a strong presence in Rocky Mountain, Mid-Continent and Permian Basins. 2024 EBITDA guidance range of $5.9 to $6.3 bil excluding non-recurring items, plans $1.75 to $1.95 bil CAPEX, expects net income of $2.62 to $3.01 bil. Expected free cash flow accretion 20% from 2024-27 as a result of Magellan Midstream merger, management says there's upside to expected synergies from merger. Debt to EBITDA ratio of 3.5 times targeted. 3. Regulatory Relations have no major issues. 4. Near-Term Refinancing risk is manageable. Has $1.64 bil in maturing debt through end of 2025, 0% variable rate debt is a plus. Cost of debt capital manageable with January 2051 bonds yielding 6.16% to maturity, was 6.82% at beginning of 2023. 5. Operating Efficiency improves with scale and should continue to as Magellan merger synergies are realized though some exposure to frac spreads, EBITDA margin expected at 26.1% in 2024. | | | | | | | | | | | | | |
| **Orange (NYSE: ORAN, FP: ORA)** | Hold | 11.7 | 4.17 | 4.42 | 1.56 | 0.32 | 84.5 | B | 11/30/2023 | 12/21/2023 | 3.2 | 55.9 | Europe Communications |
| Q1 2024 Return: 2.98%. Semi-annual dividends declared for 2024 so far are up 5% in Euro terms from 2023. Next earnings April 24. Sells EUR700 mil of hybrid notes yielding 4.625%, 6.9 year maturity. Completes merger of Spanish operations with MasMovil, should reduce costs in less profitable market. Quality Grade B (No change). Breakdown: 1. "Dividend floor" is now 75 Euro cents, with increases to follow earnings. 2. Revenue Reliability solid as growth in broadband, foreign wireless customers, content and new services outpaces shrinking of legacy phone business, 5G now boosting growth. Spain is a weak market but close of merger with MasMovil should be a big plus going forward. 3. Regulatory environment stable, France is by far the most important operating area for company. EU approval process for MasMovil merger in Spain ends amicably. 4. Near-Term Refinancing risks are manageable with $4.88 bil in maturing debt to end of 2025, balance sheet complexity of 77% in Euros, 11% US dollars, 8% British pounds, rest in a mix of currencies where company has operating exposure, 22% floating and variable rate debt offset by $12.7 bil in cash at end of Q4 2023 and free cash flow expected to cover dividend with $1.56 bil to spare in 2023. Cost of long-term debt capital manageable with yield to maturity on bonds due November 2050 at 5.85%, was 5.22% at beginning of 2023. 5. Operating Efficiency improving with cost cutting, EBITDA margin expected at 29.9% in 2024. | | | | | | | | | | | | | |
| **Origin Energy (ASX: ORG, OTC: OGFGY)** | Hold | 5.6 | 5 | N/A | 5.67 | 0.18 | 52.6 | B | 3/5/2024 | 4/11/2024 | 31.4 | 26.8 | Australia Electricity,LNG |

Conrad's Utility Investor

## Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 8.01%. Semi-annual dividends for payment in 2024 are up 66.7% so far though 39 cents per share Australian dividend was cancelled. Next semi-annual earnings August 15. Pension fund AustralianSuper that broke up Brookfield merger reportedly doesn't want Board seat. Quality Grade B (no change). Breakdown: 1. Dividend targeted to 30-50% of free cash flow annually and so is variable given LNG component of earnings as well as exposure to wholesale energy markets. 2. Revenue Reliability is subject to cyclical pressures, especially demand/price of Australian electricity, LNG exports from APLNG facility and now coal supply questions. Management says renewables investment will be 4 gigawatts of capacity by 2030 versus 14 GW planned by Brookfield, owing to less access to resources. Guidance for FY2024 (end June 30) underlying EBITDA at "Energy Markets" unit to AUD1.6 to AUD1.8 bil. 3. Regulatory Relations in Australia appear to amicable on both state and federal level. 4. Refinancing Risk is manageable but challenging with $1.725 bil in maturing debt by end of 2025, complex balance sheet with 78% of debt at floating rates, 83% Australian dollars but also 17% Euros where company has no operations, bonds of Sept 2029 yield 3.36% to maturity, was 4.57% at beginning of 2023. 5. Operating Efficiency boosted by LNG with EBITDA margin expected at 22.4% for fiscal year 2024 (end June 30). | | | | | | | | | | | | | |
| **Ormat Technologies (NYSE: ORA)** | Buy<80 | 63.81 | 0.75 | -24.22 | -16.36 | 0.12 | 22.8 | C | 3/5/2024 | 3/20/2024 | 2.2 | 42.2 | Renewable Energy |
| Q1 2024 Return: -12.51%. No change dividend so far in 2024. Next earnings expected May 9. Quality Grade C (No Change). Breakdown: 1. Dividends appear supported by contracted electricity sales side of business, management holding back increases. 2. Revenue Reliability backed by electricity segment (72.4% of 2019 revenue), selling power as advantage low-cost provider under long-term contracts is the primary business, also builds and services projects, operates globally. 2024 EBITDA guidance range of $515 to $545 mil, with revenue of $860 to $910 mil. Says $40 mil additional benefits to EBITDA are "expected" through Inflation Reduction Act benefits in US. Management says company is "on track" to meet 2026 generating capacity goals of 2.1 to 2.3 gigawatts, 1.9 GWH to 2.3 GWH storage capacity, projects 7-10% expected revenue and EBITDA growth in 2024. 3. Regulatory Relations supportive as governments advantage renewable energy, geothermal cost cuts are a plus for affordabiity. 4. Near-term Refinancing Risks low with $34 mil maturing debt through end of 2025, 31% at floating rates. 5. Operating Efficiency steady, EBITDA margin expected 59.4% for 2024. | | | | | | | | | | | | | |
| **Orsted A/S (Denmark: ORSTED, OTC: DNNGY)** | Buy<30 | 18.06 | N/A | -36.05 | 1.06 | 0.64 | 0 | C | 3/8/2023 | 3/24/2023 | 1.1 | 53.1 | Renewable Energy |
| Q1 2024 Return: 1.11%. Annual dividend is omitted in 2024. Next earnings May 2. Submits new bids in 3-state offshore wind auction with Connecticut, Massachusetts and Rhode Island, could revive currently shelved projects. Proposes 1,184 megawatt Starboard Wind Power facility off the coast of Connecticut. Biden Administration gives final go-ahead for 924 MW Sunrise Wind offshore project, clears way to in service date under contract with New York starting in 2026, with EverSource to sell its 50% interest to company. Quality Grade C (no change). Breakdown: 1. Dividend will not be restored until balance sheet reaches management targets after retrenchment of US offshore wind projects, likely to be after 2026. 2. Revenue Reliability steadied by leading position in contracted onshore and offshore wind production and development globally. Company targets 35-38 GW of capacity by 2030 (currently 15.7 GW) versus previous 50 GW and financed by combination of internally generated cash flow and asset sale proceeds. Guidance for 2024 EBITDA is DKK23 to DKK26 bil, expects rise to DKK48 to DKK52 bil by 2030. Plans DKK48 to DKK52 bil investment in 2024. 3. Regulatory Relations generally positive with governments in key markets supporting a ramping up of green energy, contract win in New York is a plus. 4. Near-term Refinancing Risk manageable with $279 mil maturing debt through end of 2025, balance sheet cash of $6.5 bil at end of Q3 2023. Balance sheet is complex with 44% variable and floating rate debt, 60% in Euros, 26% British pounds, rest in Taiwan dollars and US dollars, though currencies loosely match revenue streams. Bonds due April 2040 yield 5.37% to maturity, was 5.39% at beginning of 2023. 5. Operating Efficiency grows with scale, EBITDA margin expected at 32.3% in 2024. | | | | | | | | | | | | | |
| **Otter Tail Corp (NSDQ: OTTR)** | SELL | 85.02 | 2.2 | 20.17 | -0.24 | 0.47 | 25.5 | B | 2/14/2024 | 3/8/2024 | 5.9 | 39 | Utility, Manufacturing |

Conrad's Utility Investor

## Utility Report Card

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 2.24%. Dividend raised 6.9%. Next earnings expected May 1. Quality Grade B (no change). Breakdown: 1. Dividend payout ratio is conservative and backed by regulated electric utility, mid-single digit percentage growth rate follows utility earnings. 2. Revenue Reliability solid at regulated utility operations with Minnesota (52.3%), North Dakota (37.7%) and South Dakota (10%). Unregulated businesses in plastics and manufacturing are exposed to economic pressures. Electricity volumes affect utility operations under rate structures but service territory is agricultural, an essential service. Commercial sales are 35.4% of revenue, residential 32.3%, industrial 30%. 2024 earnings guidance range of $5.13 to $5.43 per share, with variation in range mainly due to unpredictability of PVC pipe market conditions and other factors affecting manufacturing operations. Still targets 5-7% annual growth long term from utility side of business through 2028 (7% growth in 2024) and says no equity financing is expected to be needed in that time frame. Total CAPEX of $1.3 bil expected, annual rate base growth of 7.7%. 3. Regulatory Relations are solid for utility, though faces possible long-term challenge meeting differing climate policies between Minnesota and the Dakotas. 4. Near-Term Refinancing risk a non-issue with no debt maturing through 2026, 24% variable rate debt. Cost of long-term debt capital manageable with bonds due February 2050 yielding 5.65% to maturity, was 5.7% at beginning of 2023. 5. Operating Efficiency at risk to results at unregulated operations, EBITDA margin expected at 30.4% in 2024, though depends on outlook for PVC pipe price and demand. | | | | | | | | | | | | | |
| **Pembina Pipeline Corp (NYSE: PBA, TSX: PPL)** | Buy<38 | 35.35 | 5.58 | 15.94 | 4.69 | 0.67 | 55.5 | A | 3/14/2024 | 3/28/2024 | 1.3 | 40 | Canada Energy Transport |
| Q1 2024 Return: 4.11%. No change in dividend so far in 2024. Next earnings expected May 3. Management raises 2024 guidance following close of acquisition of Enbridge Inc (NYSE: ENB) ownership in Canadian midstream assets. 2024 EBITDA guidance range is now CAD4.05 to CAD4.30 bil, was CAD3.73 to CAD4.03 bil. Also says marketing business results so far stronger than initially anticipated. Quality Grade A (No Change). 1. Payout safe as management maintains conservative cash policies, low-to-mid-single digit percentage increases likely next few years. 2. Revenue Reliability backed by transportation constraints in Canada, reliance on fee-based contracts (85% plus of annual EBITDA) with financially strong counterparties, and long-term opportunities for low risk growth. Pipeline contracts are primarily fee-for-capacity and cost of service, meaning not affected by volumes. Recontracting a shrinking risk. Asset expansion including acquisitions is primary driver of growth though Canadian volumes appear to be uptrending. KKR venture is already boosting opportunities for growth with financial support, while cutting risk. Acquisition of partner Enbridge's ownership interest in Alliance Pipeline and Aux Sable midstream assets closed and should be immediately accretive with mid-single digit growth of cash flow per share. 2024 EBITDA guidance range of CAD4.05 to CAD4.30 bil, management says all projects are on time and budget for construction as well as contracting. 3. Regulatory Relations good in Canada, exposure to US limited, fast regulatory approval of purchases from Enbridge is promising for future acquisitions. 4. Near-Term Refinancing Risk is manageable with $655 mil in debt maturing through 2025, large variable rate exposure (29% of total debt) offset by expected 2024 free cash flow after dividends of roughly $800 mil. Debt is 98% Canadian dollars, rest in US dollars. Cost of debt capital manageable with bonds due May 2050 yielding 5.58% to maturity, was 5.8% at beginning of 2023. 5. Operating Efficiency strong with EBITDA margin expected at 45% for 2024. | | | | | | | | | | | | | |
| **PG&E Corp (NYSE: PCG)** | Buy<18 | 16.69 | 0.24 | 3.33 | -7.48 | 0.01 | 3.3 | B | 3/27/2024 | 4/15/2024 | N/A | 69.5 | Regulated Utility Trans/Dist |
| Q1 2024 Return: -6.99%. Dividend initiated at 1 cent per share for first time since October 2017. Next earnings expected May 3. California administrative law judge advises regulators to reject proposed spinoff of company's generation assets, company had planned on using proceeds to help fund CAPEX cheaply. Plans to raise $1 bil for transmission projects with leases to non-profit power provider Citizens Energy, will need regulators' OK. Quality Grade B (no change). Breakdown: 1. Newly restored dividend will be ramped up going forward in line with earnings growth. 2. Revenue Reliability backed by revenue decoupling from electricity demand, multi-year rate deals in California, lack of unregulated operations and prospects for rate base growth to meet state clean energy goals. Liability from state's worsening wildfires remains key issue but financial hits are clearly diminishing. 2024 earnings guidance range is $1.33 to $1.37 per share. Guidance for "at least 9%" annual earnings growth through 2028, fueled by 9.5% compound annual rate base growth rate with $62 bil CAPEX plan through 2028, no equity needs expected this year. 3. Regulatory Relations in California good with recent rate case resolved amicably, odds of state takeover now appear remote. 4. Near-Term Refinancing risk is manageable $5.28 bil in maturing debt through 2025 and 6.4% variable rate debt. Cost of long term debt capital manageable with bonds due August 2050 yielding 5.84% to maturity, were 6.14% at beginning of 2023.. Rating is creeping up toward investment grade with positive outlook for Ba1(Moody's) and stable BB (S&P), Fitch has company at BB+ stable. 5. Operating Efficiency improvement and hardening system will be critical to recovery. EBITDA margin expected at 39.7% in 2024. | | | | | | | | | | | | | |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Pinnacle West Capital Corp (NYSE: PNW)** | Buy<80 | 74.04 | 4.75 | -2.18 | 2.43 | 0.88 | 74.9 | A | 1/31/2024 | 3/1/2024 | 2.7 | 62.1 | Regulated Elec/Gas |
| Q1 2024 Return: 5.26%. No change in dividend so far in 2024. Next earnings expected May 3. Fitch cuts rating to BBB with stable outlook, cites improved regulatory environment but also higher leverage taken on since negative rate case in 2019. Quality Grade B (no change). Breakdown: 1. Dividend payout ratio is conservative and supported by regulated Arizona electric utility, which is substantially 100% of revenue. Dividend growth likely to be in low single digit percentages next few years, 65-75% target payout ratio. 2. Revenue Reliability high with rate base/customers still growing rapidly and regulators' support for solar investment. Volumes affect revenue. Residential electric sales are 50.7% of revenue, transmission and other is 2.3% and also stable. Commercial and industrial are 43.4%. 2024 earnings guidance of $4.60 to $4.80 per share, customer growth is primary earnings driver with 1.5-2.5% expected through 2026. Management now expects annual load growth of 4-6% on weather normalized basis due to customer additions and construction of "several large data centers and new large manufacturing facilities" in service territory. Annual earnings growth target is still 5-7% from 2022 as a baseline. 3. Regulatory Relations appear to be much improved in Arizona with recent rate case ROE of 9.85% including "fair value increment." 4. Near-Term Refinancing risk is manageable with $1.4 bil in debt maturities through 2025, 6% variable rate debt, only $500 mil parent level debt. Cost of debt capital manageable with May 2050 bonds yielding 5.6% to maturity, was 5.77% at beginning of 2023. 5. Operating Efficiency driven by cost management with EBITDA margin expected at 37.4% for 2024. | | | | | | | | | | | | | |
| **Plains All American Pipeline LP (NSDQ: PAA)** | Buy<26.50 | 17.81 | 7.13 | 54.13 | 18.74 | 0.32 | 51.6 | B | 1/30/2024 | 2/14/2024 | 15.9 | 37.1 | Energy Transport |
| Q1 2024 Return: 18.02%. Dividend raised 18.7%. Next earnings expected May 6. Quality Grade B (no change). Breakdown: 1. Expect dividend to move back to pre-pandemic rate of 36 cents per share. 2. Revenue Reliability boosted by hedging prices, structuring business to avoid holding inventory as assets. Marathon Petroleum is 12% of revenue, ExxonMobil 12%, Phillips 66 is 11%. Company system is generally sensitive to volumes, should trend up with the cycle. Long-term leverage target range is 3.25 to 3.75 times, 2024 EBITDA guidance range is $2.625 to $2.725 bil and expects $1.65 bil of free cash flow with $500 mil after dividends paid enough to fund two-thirds of maturing debt. 3. Regulatory Risk low with no major current issues, focus on Texas is a major plus. 4. Near-Term Refinancing risks manageable with $1.85 bil in maturing debt through 2025, 8.8% variable rate debt, expected free cash flow for 2024 would cover dividends with $800 mil in surplus. Cost of long-term debt capital manageable with February 2045 bonds yielding 5.97% to maturity, was 6.83% at beginning of 2023. Ratings are BBB at S&P, Fitch with stable outlooks, Baa3 at Moody's with positive outlook. 5. Operating Efficiency depends on success of cost cutting moves, EBITDA margin expected at 5.6% for 2024. | | | | | | | | | | | | | |
| **PLDT (NYSE: PHI, PM: TEL)** | Hold | 24.01 | 4.98 | 6.85 | 5.97 | 0.82 | 77 | C | 3/19/2024 | 4/19/2024 | 2.4 | 73.3 | Philippines Communications |
| Q1 2024 Return: 8.77%. Semi-annual dividends paid in calendar 2024 so far are up 2.2% in local currency terms. Next earnings expected May 3. Quality Grade C (no change). Breakdown: 1. Payout ratio is modest, key issue for US investors is Philippine Peso/US dollar exchange rate volatility. 2. Revenue Reliability steady from Philippine market's best in class network, extends network quality lead. Wireless and fiber broadband growth are primary earnings drivers. 2024 guidance for "mid-single digit" percentage growth in service revenue and EBITDA, an acceleration from "low single digit" percentage guidance (now met) for 2023. Plans to reach positive free cash flow in 2024 by reducing CAPEX again to 75-85 bil pesos. 3. Regulatory Relations stable for now in Philippines. 4. Near-Term Refinancing risk appears low with $212 mil in maturing debt through 2025, but complex balance sheet with 33% floating rate debt and 77% of debt in US dollars (23% Philippine Peso) adding currency exposure. 5. Operating Efficiency depends on successful cost cutting, EBITDA margin expected at 47.8% in 2024. | | | | | | | | | | | | | |
| **PNM Resources (NYSE: PNM)** | Buy<40 | 37.31 | 4.15 | -20.63 | -3.58 | 0.39 | 53 | B | 4/25/2024 | 5/10/2024 | 6 | 67.4 | Regulated Elec/Gas |

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# Utility Report Card

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: -8.58%. Dividend increased 5.4%. Next earnings expected May 6. Quality Grade B (no change). Breakdown: 1. Dividend payout is conservative and backed by regulated electric utility cash flow, mid single digit percentage increases are sustainable. 2. Revenue Reliability steady long-term with service territory healthy. New Mexico utility revenue breakdown is 46% residential, commercial 42%, industrial 10%. Texas revenue is 52% volumetric, 48% demand based. Capital spending on network robust going forward with energy transition. 2024 ongoing earnings guidance range of $2.65 to $2.75 per share. Long-term earnings growth guidance range to 6-7% through 2028. 3. Regulatory Relations are good in Texas, testy in New Mexico under governor appointed commission as officials grant return on equity of just 9.26% and $15.3 mil rate increase (wanted $63.8 mil). Avangrid merger fails as state Supreme Court did not provide any indication of timing on ruling. 4. Near-Term Refinancing risks manageable with $538 mil maturing debt through 2025, though 52% reliance on variable rate debt is a risk. Cost of long term debt capital manageable with first lien secured April 2043 bonds yielding 6.16% to maturity, was 5.85% at beginning of 2023. 5. Operating Efficiency improves on cost cutting at utilities, EBITDA margin expected at 35.3% in 2024. | | | | | | | | | | | | | |
| **Portland General Electric (NYSE: POR)** | Buy<45 | 42.01 | 4.52 | -10.23 | -3.92 | 0.48 | 61.7 | A | 3/21/2024 | 4/15/2024 | 5.7 | 57.3 | Regulated Elec/Gas |
| Q1 2024 Return: -2.00%. No change in dividend so far in 2024. Next earnings April 26. Announces intent to join California Independent System Operator (CAISO) "Extended Day Ahead" market, says broader footprint will cut costs. Wlll start operating in 2026, will need Oregon regulators to OK. Quality Grade A (no change). Breakdown: 1. Dividend payout conservative and able to fund mid-single digit increases yearly, target annual growth rate is 5-7%. 2. Revenue Reliability is backed by decoupling of revenue from kilowatt hour sales, high share of residential demand (52% revenue) with industrial 12%. Strong customer growth and green electrification of Portland area are primary drivers for growth through utility CAPEX. 2024 earnings guidance range of $2.98 to $3.18 per share, reaffirms 5-7% "long-term" earnings growth rate guidance fueled by average annual rate base growth of 7.5% "that could accelerate to 9%." Management expects 2-3% higher energy deliveries on weather adjusted basis this year, 2024 guidance is also based on hydro and wind conditions reflecting past years' averages, plans $1.31 bil CAPEX. 3. Regulatory Relations have been supportive with company strategy closely aligned with Oregon's energy goals. Wildfire liability risk should be diminished by regulator approved mitigation plans. 4. Refinancing Risk is very low with $80 mil maturing debt through 2025 and 0% variable rate debt, cost of long-term debt manageable with first lien secured bonds due January 2050 yielding 5.8% to maturity, was 5.32% at beginning of 2023. 5. Operating Efficiency strong with EBITDA margin expected at 34.8% this year. | | | | | | | | | | | | | |
| **PPL Corp (NYSE: PPL)** | Buy<32 | 27.48 | 3.75 | 2.65 | 0.85 | 0.26 | 64.4 | A | 3/7/2024 | 4/1/2024 | -16.2 | 53 | Regulated Elec/Gas |
| Q1 2024 Return: 2.54%. Dividend raised 7.3%. Next earnings expected May 3. Sells $500 mil of 10-year bonds at coupon rate of 5.35%, deal is upsized from initial $400 mil in sign of strong demand. Quality Grade A (no change). Breakdown: 1. Dividend is very well covered with regulated utility earnings with mid to upper single digit percentage increases likely next few years. 2. Revenue Reliability is solid with all income from US utilities in Rhode Island, Pennsylvania and Kentucky. PA unit provides only fee-based distribution to 96% of large users and 82% of small commercial and industrial users. Rhode Island utility adds growing rate base from renewable energy investment. Guidance for 6-8% earnings growth through "at least" 2027 with CAPEX plan of $14 bil. On track to achieve expense cuts of $175 mil by 2026 with interim target of $120 to $130 mil by end of 2024, key driver of savings is improved data management. 3. Regulatory Relations are positive in US states with rate decisions supporting investment. 4. Near-Term Refinancing risk is manageable with $557 mil in maturing debt through 2025, 7% of debt is variable rate. Cost of long-term debt capital manageable with first lien secured June 2050 bonds yielding 5.4% to maturity, was 5.33% at beginning of 2023. 5. Operating Efficiency helped by cost cutting, EBITDA margin expected at 42.2% in 2024. | | | | | | | | | | | | | |
| **Public Service Enterprise Group (NYSE: PEG)** | Buy<70 | 66.42 | 3.61 | 10.34 | 8.92 | 0.6 | 65.8 | A | 3/7/2024 | 3/29/2024 | 5.3 | 56.9 | Utility Trans/Dist,Generation |

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# Utility Report Card

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 10.19%. Dividend raised 5.3%. Next earnings expected May 2. Sells $750 mil 5-year bonds at rate of 5.2%, $500 mil 10-year bonds at 5.45%, will pay off equivalent amount of maturing debt. Quality Grade A (no change). Breakdown: 1. Payout ratio is conservative as dividend appears supported by regulated utility earnings long-term, mid-single digit dividend increases likely next few years. 2. Revenue Reliability solid as regulated utility is now 90% of business and rest is nuclear plants with zero emission credits in New Jersey as well as federal subsidy. Commercial sales by volume are 58% of electricity and 38% of gas at utility, industrial is 9% and 4% respectively. Power transmission rates are set by FERC based on return on investment and are stable. Focus on transmission to offshore wind projects is much lower risk strategy than owning and operating them. 2024 earnings guidance range of $3.60 to $3.70 per share. Guidance for 5-7% annual earnings per share growth through 2028 with annual rate base increases of 6-7.5%, planned CAPEX $21 bil. 3. Regulatory Relations positive in New Jersey and support utility capital spending. New York regulatory scrutiny of management of Long Island Lighting system has eased and not currently a major issue. New Jersey supports company's operating nuclear power plants. 4. Near-Term Refinancing risk is manageable with $2.15 bil maturing debt through 2025, total debt 4% floating rate. Cost of long-term debt capital manageable with first lien secured bonds due January 2050 yielding 5.17% to maturity, was 5.15% at beginning of 2023. 5. Operating Efficiency solid, EBITDA margin expected at 41.6% in 2024, projection was 39.7% three months ago. | | | | | | | | | | | | | |
| **Quebecor (OTC: QBCRF, TSX: QBR/B)** | Hold | 21.19 | 4.56 | N/A | -10.01 | 0.33 | 44.2 | B | 3/7/2024 | 4/2/2024 | 10.4 | 81.6 | Canada Communications |
| Q1 2024 Return: -7.09%. Dividend raised 8.3%. Next earnings expected May 10. Quality Grade B (No Change). Breakdown: 1. Dividend payout ratio is conservative and supported by recurring revenue streams in wireless, pay television. Guidance targets payout ratio 30-50% of free cash flow. 2. Revenue Reliability is maintained by growth of new services and wireless, pay television subscription business. Entertainment and events side of business along with advertising is cyclical and affected by pandemic negatively. 5G is now a driver of growth. Freedom Mobile purchase makes company fourth national wireless player in Canada. 3. Regulatory Relations good in Quebec as company is effectively a corporate champion of French-speaking Canada. 4. Near-Term Refinancing risk is manageable with $1.7 bil in debt maturing by end of 2025, 28% of total debt is now at floating rates. Balance sheet is complex with 29% of debt in US dollars where company has no revenue and 71% Canadian dollars. Cost of debt capital manageable as bonds due January 2030 yield 5.3.2% to maturity, was 6.78% at beginning of 2023. 5. Operating Efficiency helped by continued gains in scale, EBITDA margin for 2024 projected at 41.6%. | | | | | | | | | | | | | |
| **Reaves Utility Income (NYSE: UTG)** | Buy<35 | 26.95 | 8.46 | 3.36 | 1.2 | 0.19 | 234.5 | B | 3/14/2024 | 3/28/2024 | 1.8 | N/A | Closed-End Fund |
| Q1 2024 Return: 2.25%. Monthly distribution not increased since July 2021. Quality Grade B (No Change). Breakdown: 1. Distribution is covered by tapping more than just investment income with fund yield 24.7% net investment income, 0% net realized short-term capital gain, 70.55% net realized long-term capital gains, return of capital 4.75%. 2. Revenue Reliability of investment income is solid, but ultimately payout is at management's discretion. 3. Regulatory Relations good for holdings. 4. Near-Term Refinancing risk appears moderate, leverage is 19.84% of assets but uses preferred stock and cost is low. 5. Operating Efficiency solid as expense ratio of 1.05% is very low for closed-end equity focused funds. | | | | | | | | | | | | | |
| **RGC Resources (NSDQ: RGCO)** | Hold | 20.32 | 3.94 | -8.67 | 1.71 | 0.2 | 60.3 | B | 4/15/2024 | 5/1/2024 | 3.7 | 58.4 | Regulated Nat Gas |
| Q1 2024 Return: 0.50%. Dividend increased 1.3%. Next earnings expected May 6. Quality Grade B (No Change). Breakdown: 1. Payout ratio is conservative, low-single digit percentage increases supported by regulated utility. 2. Revenue Reliability backed by residential revenue at 60% of margin, industrial 11% (most transportation service only). FY2024 earnings range of $1.10 to $1.16 per share. Could have opportunity to sell 1% ownership stake in Mountain Valley Pipeline for sizeable return, lead developer Equitrans Midstream now expects Q2 completion date. 3. Regulatory Relations are positive for utility, Mountain Valley Pipeline completion would reduce risk greatly. 4. Near-Term Refinancing Risk manageable with no maturing debt through 2025, no floating rate debt. 5. Operating Efficiency is solid at utility, resurrection of Mountain Valley Pipeline is a major plus for FY2024, EBITDA margin 32.8% for last 12 months. | | | | | | | | | | | | | |

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# Utility Report Card

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Rogers Communications (NYSE: RCI, TSX: RCI/B)** | Hold | 39.8 | 3.73 | -11.16 | -13.73 | 0.5 | 50 | B | 3/8/2024 | 4/3/2024 | -1.3 | 81.2 | Canada Communications |
| Q1 2024 Return: -11.62%. No change in dividend since April 2019 in Canadian dollar terms. Next earnings expected April 26. Quality Grade B (No Change). Breakdown: 1. Dividend payout ratio appears conservative and backed by subscription business in wireless and pay television. Increases may resume if Shaw merger synergies pan out. 2. Revenue Reliability is under threat from competition in wireless and losses of legacy cable customers longer term but gets lift from increased broadband network traffic, content ownership is a plus long-term and driver of growth. Shaw provides needed scale in wireline broadband. 2024 guidance for 8-10% service revenue growth, EBITDA growth of 12-15%, free cash flow of $2.9 to $3.1 bil. 3. Regulatory Relations uncertain as Canadian regulators want to open up fiber networks on the cheap for competitors discouraging investment. 4. Near-Term Refinancing risk manageable, has $2.62 bil in maturing debt through 2025, balance sheet is complex with 20% of debt now variable rate, 50% US dollars (no US revenue), 50% Canadian dollars. Cost of long-term debt capital manageable with bonds due Feb 2048 yielding 5.67% to maturity, was 6.21% at beginning of 2023. 5. Operating Efficiency driven by cost control, EBITDA margin expected at 47.2% this year. | | | | | | | | | | | | | |
| **RWE (OTC: RWEOY, GR: RWE)** | Buy<45 | 33.42 | 2.05 | -20.64 | -25.8 | 0.99 | 84.6 | A | 5/5/2023 | 5/19/2023 | 2.2 | 33.9 | Germany,US,UK Electricity |
| Q1 2024 Return: -25.41%. Annual dividend paid for 2024 is raised 11.1% in Euro terms. Next earnings May 15. Expands UK onshore wind development plans by 4.2 gigawatts of capacity. 2023 results released match up with preliminary guidance already issued. EBIT up 38.9% from a year ago in 2023, EBITDA is up 84.5% excluding non-recurring factors and impact of M&A. Quality Grade A (no change). Breakdown: 1. Dividend payout ratio is conservative, targets 5-10% annual dividend growth through 2030. Confirms target of EUR1.10 per share for 2024. Revenue Reliability is now stable with focus on generation and retail business. Wind and solar now 60% of generation EBITDA, with coal/nuclear 20%. Renewables enjoy price supports. Company also employs hedging to lock in prices. Coal exit provides EUR4.35 bil in compensation over 15 years. Targets 12% annual earnings and 14% yearly EBITDA growth through 2030, guides to "lower result" in 2024 due to concerns about power prices in near term, 2024 net income guidance is EUR1.90 to EUR2.4 bil with bias to "lower end of range." EBITDA guidance is EUR5.2 to EUR5.8 bil. 3. Regulatory Relations are stable in Germany, company also on good terms in US where it's now a major player in contracted renewables. 4. Near-Term Refinancing risk is manageable with $6.87 bil in maturing debt through 2025, complex balance sheet with 61% floating and variable rate debt, 84% Euros, rest mostly in US dollars and British pounds. Has $16.2 bil balance sheet cash (end Q4 2023). Bonds due October 2037 yield 4.1% to maturity, was 4.41% at beginning of 2023. 5. Operating Efficiency depends on cost cutting, EBITDA margin guidance is 18% for 2024. | | | | | | | | | | | | | |
| **Sempra Energy (NYSE: SRE)** | Buy<78 | 71.8 | 3.45 | -1.72 | -4.46 | 0.62 | 51.7 | A | 3/20/2024 | 4/15/2024 | 4.3 | 48.5 | Regulated Elec/Gas,LNG |
| Q1 2024 Return: -3.05%. Dividend raised 4.2%. Next earnings expected May 3. Sells $600 mil 30-year bonds at 5.55% interest rate. Building 3.19 megawatt wind facility in Mexico with completion in Q4 2025. Quality Grade A (No change). Breakdown: 1. Dividend payout ratio is conservative, backed by earnings from regulated utilities (79% earnings) and contracted LNG export facilities. Mid-single digit percentage dividend increases likely next few years. 2. Revenue Reliability is good at all divisions with asset sales cutting risk and improving focus. California utilities have revenue decoupling from demand. LNG/contract renewable energy is now a self-funding unit, with private capital firm KKR and Abu Dhabi Investment Authority as financial partners. 2024 earnings guidance range $4.60 to $4.90 per share, also affirms 6-8% profit growth rate through 2028, raises 5-year capital spending plan by 20% to $48 bil with 90% of investments at California and Texas regulated utilities. 2025 earnings guidance range of $4.90 to $5.25 per share, primary fuel is utility CAPEX. 3. Regulatory Relations positive as company's strategy is closely aligned with California's energy goals, has also successfully controlled its wildfire risk past couple years. Texas relations positive. LNG projects not at risk to US moratorium on permitting new projects, existing projects likely to become more valuable due to scarcity. 4. Near-Term Refinancing risk is manageable with $4.64 bil in maturing debt through 2025, 27% of debt floating, variable, adjustable and adjustable coupon rate, has $12.8 bil at parent level with $750 mil in debt maturities in 2025. Cost of long-term debt capital manageable with first lien secured bonds due April 2050 yielding 5.38% to maturity, was 4.98% at beginning of 2023. 5. Operating Efficiency improves with target asset sales, utility growth. EBITDA margin guidance is 37.3% for 2024. | | | | | | | | | | | | | |

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Severn Trent (OTC: STRNY, LN: SVT)** | SELL | 32.04 | 3.39 | -5.9 | -0.44 | 0.59 | 115.3 | C | 12/6/2023 | 1/22/2024 | 3.4 | 88.3 | UK Regulated Water |
| Q1 2024 Return: -3.09%. Semi-annual dividends for payment in 2024 increased 9.4% over year earlier level in British Pound terms. Next semi-annual earnings May 22. Quality Grade C (no change). Breakdown: 1. Twice annual dividend payout is currently elevated, mid-single digit increases likely still. 2. Revenue Reliability backed by multi-year plan tying rates, returns to system CAPEX and reliability, some exposure to large customers and regulated retail. Inflation indexing a big plus in keeping up with costs but regulators appear increasingly likely to change the game to avoid a rise in rates, even as utility costs rise especially for energy. Guidance is still for modest profit growth for FY2024, guidance for CAPEX is GBP850 mil to GBP1 bil. Projection of 14-20% lower interest expense in FY2024 from restructured debt. 3. Regulatory Relations worsen in UK as government responds to inflation pressure, approaching 2024 election. Opposition Labour Party has not officially abandoned nationalization of utilities as a goal if elected. UK regulators assert power to set utility dividends if certain financial metrics are not met. 4. Near-Term Refinancing risk is a non-issue with $91 mil in debt maturities through 2025, has 4% variable rate debt. Cost of debt capital manageable with January 2042 bonds yielding 5.34% to maturity, was 5.35% at beginning of 2023. 5. Operating Efficiency improving as company is meeting UK standards, EBITDA margin guidance is 41.4% for 12 months ending Mar 31, 2024. | | | | | | | | | | | | | |
| **Shell Plc (London: SHEL, NYSE: SHEL)** | Hold | 69.76 | 3.94 | 26.32 | 6.99 | 0.69 | 43.6 | A | 2/15/2024 | 3/25/2024 | 32.6 | 30.2 | Super Major Oil/Gas |
| Q1 2024 Return: 2.94%. Dividend increased 3.9% so far in 2024. Next earnings May 2. Sells 27.5% stake in Sakhalin LNG facility to Gazprom in Russia for $1.1 bil. Quality Grade A (no change). Breakdown: 1. Payout ratio is conservative, intent to return 30-40% of annual cash flow to shareholders as dividends and stock buybacks. 2. Revenue Reliability helped by restructuring moves, renewable energy growth, tight environment upstream and downstream. UK windfall profits tax and Russian sanctions will not affect underlying profitability. 3. Regulatory Relations good in most of the world, with company up to the test when troubles arise in certain countries and diversification softening the blow of setbacks in individual countries. Decision to go slower on renewable energy deployment and to continue producing oil and gas has caused some pushback but generally supported by most important jurisdictions. 4. Near-Term Refinancing risk manageable with $10.4 bil of debt maturities through 2025, complex balance sheet with 60% US dollars, 33% Euros, 6% British pounds, 1% Swiss francs, 2.6% floating and adjustable rate but more than offset by $38.8 bil in cash at end of Q4 2023 and $20 bil in expected free cash flow in 2024 after dividends paid under conservative assumptions. Cost of long-term debt capital manageable with bonds due April 2050 yielding 5.09% to maturity, was 4.87% at beginning of 2023. 5. Operating Efficiency improves with cost cutting, EBITDA margin guidance 20.1% for 2024. | | | | | | | | | | | | | |
| **Shenandoah Telecommunications (NSDQ: SHEN)** | Hold | 16.32 | 0.55 | -13.88 | -23.92 | 0.09 | 56.4 | B | 11/6/2023 | 12/1/2023 | -35.8 | 35 | Communications |
| Q1 2024 Return: -19.66%. No change in annual dividend so far in 2024. Next earnings expected April 29. Completes sale of remaining wireless towers operations for $309.9 mil, will help accelerate fiber broadband rollout. Quality Grade B (No change). Breakdown: 1. Annual dividend payout policy is conservative. Penny per share per year increases are likely going forward, as management will still have flexibility to deploy cash to fuel aggressive CAPEX on fiber broadband deployment. 2. Revenue Reliability protected by regional and rural/small town focus of operations and focus on stable broadband buildout that faces little competition. Accelerates expansion of Glo Fiber brand "to approximately 600,000 homes and businesses passings by end of 2026." 3. Regulatory Relations good in service territory, fiber broadband deployment in rural areas favored by US government as well. 4. Near-Term Refinancing Risk is manageable with $453 mil in maturing debt through 2025, all debt is at floating rates currently. Cost of capital appears to still be manageable as well, a key issue given strategy of building broadband. 5. Operating Efficiency depends on ability to control fiber build costs, EBITDA margin guidance is 29.2% for 2024. | | | | | | | | | | | | | |
| **Singapore Telecommunications (OTC: SGAPY, SP: ST)** | Buy<20 | 18.76 | 3.91 | 7.14 | 2.18 | 0.39 | 52.6 | B | 11/17/2023 | 12/15/2023 | 7.5 | 29.5 | Asia/Austr Communications |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 0.75%. No change in semi-annual dividends for calendar 2024 so far. Next semi-annual earnings expected May 24. Rumored nearing a sale of Australian unit Optus, would provide funds for growth elsewhere and eliminate exposure to Australian regulation. Brookfield Asset Management is said to be buyer. Company pushing ahead with AI deelopment, data centers. Quality Grade B (no change). Breakdown: 1. Payout policy is 70-80% of underlying net profit as network buildout of 5G in Singapore gains scale. 2. Revenue Reliability has firmed despite competition as company has lead on network quality in most markets. Australia is weak point. FY2024 (end March 31) guidance is still for SGP1.3 bil in dividends from regional associates, with overall EBIT to "stabilize" in next 9-15 months. 3. Regulatory Relations stable for now as regulators favor development of 5G in Singapore. Australia unit faces heightened scrutiny as do all of country's telecoms, may attempt to exit. India relations appear good. 4. Near-Term Refinancing Risk is manageable with $2.2 bil through end of 2025, balance sheet is complex with 44% floating and variable rate, 34% Singapore dollars, 39% US dollars, 18% Australian dollars, rest in Euros and Hong Kong dollars, offset by $1.34 bil cash (end Q4 2023). Cost of debt capital is manageable with bonds due December 2031 yielding 4.85% yield to maturity, was 4.82% at beginning of 2023. 5. Operating Efficiency depends on scaling up in far flung markets and cost of fiber and 5G build, EBITDA margin guidance for fiscal year end March 21, 2024 is 26.3%. | | | | | | | | | | | | | |
| **SJW Corp (NYSE: SJW)** | Buy<60 | 54.81 | 2.92 | -26.33 | -15.95 | 0.4 | 58.6 | A | 2/2/2024 | 3/1/2024 | 5.8 | 58.6 | Regulated Water |
| Q1 2024 Return: -12.79%. Dividend raised 5.3%. Next earnings expected May 1. Quality Grade A (No Change). Breakdown: 1. Payout Ratio is conservative, mid-single digit increases likely next few years. 2. Revenue Reliability appears steady despite much larger size and geographic spread of business. Most revenue is still residential. Real estate business may slow but utilities pay the dividend. Industrial is just 0.6% of water utility revenue. Primary drivers of growth are acquisitions with most recent activity in Texas, and utility CAPEX. 2024 earnings guidance range of $2.68 to $2.78 per share. Long-term guidance 5-7% annual earnings growth rate, fueled by utility capital spending. California ROE boost over 10% a plus this year. 3. Regulatory Relations stabilized in California with new state water regulation law on conservation a major plus for utility CAPEX, preserves decoupling of demand from revenue. No major issues elsewhere. Connecticut is second most important state. 4. Near-Term Refinancing risk a non-issue with only $235,000 maturing in 2024 and nothing else until 2028. Some exposure to rising interest rates with 34% floating, variable and adjustable rate debt. Cost of debt capital manageable with November 2039 bonds yielding 5.25% to maturity, was 5.29% at beginning of 2023. 5. Operating Efficiency solid with EBITDA margin guidance 40.1% for 2024. | | | | | | | | | | | | | |
| **SK Telecom (NYSE: SKM, KS: 017670)** | Buy<26 | 20.95 | 5.65 | 5.68 | -0.8 | N/A | 80.6 | B | 3/27/2024 | N/A | -21 | 47.4 | S Korea Communications |
| Q1 2024 Return: 0.75%. Semi-annual dividends declared for payment in 2024 increased by 26.5% with year earlier payout in South Korean Won terms. Next earnings expected May 10. Continues aggressive AI push in Korea. Quality Grade B (No Change). Breakdown: 1. Dividend policy is to pay out 30-40% of EBITDA less CAPEX. 2. Revenue Reliability always challenged by competition but company has best in class network advantage and is gaining business from 5G, emerging as primary driver of growth. Management target for artificial intelligence unit growth is 10-fold by 2025. 2024 guidance for 2% revenue growth, expects less 5G customer additions and boosts from M&A than in 2023, management says "internal and external environment remains challenging." 3. Regulatory Relations appear solid in South Korea under current government. 4. Near-Term Refinancing risk is manageable with $2.16 bil in maturing debt to end of 2025, balance sheet is complex with 6.6% floating rate debt, 85% Korean Won, 15% US dollar, offset by $1.3 bil in cash (Dec 31, 2023) and expected free cash flow in 2024 after dividends of $1.13 bil. Cost of long-term debt capital is manageable with bonds due Sept 2038 yielding 4.16% to maturity, was 5.03% at beginning of 2023. SK Holdings owns 30.01% of company, Korea's National Pension Service 7.67%. 5. Operating Efficiency tied to cost cutting, 5G service growth offsetting competition and rate pressures, EBITDA margin guidance is for 30.9% in 2024. | | | | | | | | | | | | | |
| **Southern Company (NYSE: SO)** | Buy<70 | 71.34 | 3.92 | 6.74 | 1.75 | 0.7 | 70 | A | 2/16/2024 | 3/6/2024 | 3 | 64.3 | Regulated Elec/Gas |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 3.32%. No change in dividend so far in 2024. Next earnings expected April 26. Quality Grade A (No Change). Breakdown: 1. Dividend payout ratio is conservative, plans to accelerate growth as payout ratio and debt decline following startup of Vogtle unit 4 in early 2024. 2. Revenue Reliability depends on utilities, with volumes affecting revenue in all states. Residential is 43% of electric sales, commercial 35%, industrial 21.4% (most economically sensitive). Some rate decoupling at natural gas utilities. Contract renewables are primarily with utilities and investment grade corporations, municipalities and business is growing rapidly. Utility CAPEX is the primary growth driver and Southern Power renewable energy growth supplementing. 2024 guidance is $3.95 to $4.05 per share. Long-term earnings growth guidance of 5-7% per year, 5-year CAPEX plan $48 bil. 3. Regulatory Relations strong in all states and long-term planning keeps costs low. Vogtle nuclear issues now mostly in rear view mirror. 4. Near-Term Refinancing risk is manageable for company's size with $6.76 bil in maturing debt through 2025, 3.3% Euros and rest US dollars, $22.6 bil debt at parent level, 20% of debt with variable, floating, adjustable and step coupon rates means some exposure to rising interest rates but completion of Vogtle will reduce CAPEX. Cost of long-term debt capital manageable with first lien secured August 2057 bonds yielding 5.23% to maturity, was 5.02% at beginning of 2023. 5. Operating Efficiency strong, EBITDA margin guidance for 2024 is 41.7%. | | | | | | | | | | | | | |
| **Southwest Gas Corp (NYSE: SWX)** | Buy<75 | 76.13 | 3.26 | 27.02 | 20.18 | 0.62 | 76.1 | B | 5/14/2024 | 6/3/2024 | 2.8 | 61.4 | Regulated Gas/Construction |
| Q1 2024 Return: 21.16%. No dividend increase since June 2022. Next earnings expected May 9. Centuri unit has now filed for IPO under NYSE symbol "CTRI." Revival of offshore wind construction on US Atlantic Coast is a major plus for unit as spinoff nears Quality Grade B (No Change). Breakdown: 1. Management says it will hold dividend in 2024 at same 62 cents per share quarterly rate paid since June 2022, still plans to review dividend after spinoff of Centuri construction unit likely by mid-year, spinoff will be tax free to shareholders. 2. Revenue Reliability high at utility with revenue decoupling from volume sales in Arizona, California and Nevada. Utility guidance for 2024-26 is 10-12% adjusted net income compound annual growth rate fueled by 6.5-7.5% yearly rate base growth and $2.4 bil in utility CAPEX. 2024 net income guidance is $228 to $238 mil. Utility operations achieve 220 basis point increase in earned return on equity to 8.2% as company improves efficiency, absorbs strong customer growth and cuts rate lag. To-be-spun off construction unit (Centuri) posts revenue growth of 5%, EBITDA margin of 9.7%, up from 8.3% a year ago and within most recent guidance range of 9.5-11%. 3. Regulatory Relations positive in all three states with no major issues. Centuri spinoff encountering no real obstacles. 4. Near-Term Refinancing risk is manageable with $570 mil in maturing debt through 2025, floating portion is 36% total debt, $829 mil at parent level. Cost of long-term debt capital manageable with June 2049 bonds yielding 5.76% to maturity, was 5.95% at beginning of 2023. 5. Operating Efficiency strong across business lines with EBITDA margin guidance of 20% for 2024. | | | | | | | | | | | | | |
| **Spark New Zealand (NZ: SPK, OTC: SPKKY)** | Buy<17 | 14.09 | 4.69 | -5.25 | -10.58 | 0.41 | 43.9 | B | 3/21/2024 | 4/15/2024 | -1.7 | 48.5 | New Zealand Communications |
| Q1 2024 Return: -10.73%. No change in semi-annual dividends declared for payment in calendar 2024 so far in New Zealand dollar terms. Next semi-annual earnings August 23. Plans NZD45 mil share buyback. Quality Grade B (no change). Breakdown: 1. Dividend policy is to pay 80-100% of recurring long-term free cash flow. 2. Revenue Reliability ensured by dominance of market with network and capability improvements. Cloud, security and other advanced services are driving growth as management looks for ways to leverage best in class network. 5G rollout should be a major plus. Management 3-year strategy is for NZD125 to NZD175 mil cost reductions by FY2026, expects 2-4% annual revenue growth. FY2024 (end June 30) EBITDA guidance range of NZD1.22 to NZD1.26 bil, also CAPEX target of NZD510 to NZD530 mil. 3. Regulatory Relations have been positive in New Zealand. 4. Near-Term Refinancing risk manageable with $135 mil in maturing debt through 2025. Balance sheet is complex with 17% floating rate debt, 57% New Zealand dollars, 31% Australian dollars, rest Norwegian Krone, 0% parent level. Cost of debt capital manageable with March 2030 bonds yielding 5.03% to maturity, was 5.56% at beginning of 2023. 5. Operating Efficiency depends on cost cutting, EBITDA margin guidance is 31% for 12 months ending June 30, 2024. | | | | | | | | | | | | | |
| **Spire Corp (NYSE: SR)** | Buy<70 | 61.04 | 4.95 | -8.76 | -3.08 | 0.76 | 67.8 | A | 3/8/2024 | 4/2/2024 | 5 | 61.4 | Regulated Nat Gas,Transport |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: -0.34%. Dividend increased 4.9%. Next earnings expected May 3. Quality Grade A (No Change). Breakdown: 1. Payout ratio is conservative as is growth strategy, mid-single digit percentage increases likely next few years. 2. Revenue Reliability boosted by heavily residential gas utility rate base (68% of revenue). Commercial and industrial are just 23% with the rest transportation. Unregulated revenue is tied to utility with marketing and a feeding pipeline and storage system. FY2024 earnings guidance range of $4.25 to $4.45 per share, 5-7% targeted annual growth rate next ten years with $7.2 bil 10-year CAPEX plan to fuel 7-8% annual utility rate base growth.3. Regulatory Relations good in Missouri and Alabama. STL Pipeline shutdown risk fades. Regulators approve acquisition of Mogas pipeline from CorEnergy. 4. Near-Term Refinancing Risk is manageable with $535 mil in debt maturities through 2025, $825 mil at parent level, 18.6% of debt is variable rate and all maturing in 2024. Cost of long-term debt capital manageable with December 2045 bonds yielding 5.5% to maturity, was 5.42% at beginning of 2023. 5. Operating efficiency strong with EBITDA margin guidance 31.4% for fiscal year ending Sept 30, 2024. | | | | | | | | | | | | | |
| **SSE Plc (London: SSE, OTC: SSEZY)** | SELL | 20.92 | 2.27 | -1.35 | -10.19 | 0.26 | 33.8 | C | 1/11/2024 | 3/15/2024 | 0 | 44.9 | UK Electricity |
| Q1 2024 Return: -10.45%. Semi-annual dividends declared for payment in 2024 so far are lower by -31% than year ago payments in British pound terms. Next semi-annual earnings May 22. Management affirms FY2024 targets, with range of 152 to 160 pence for earnings per share, 175 to 200 pence for FY2026/FY2027. Focus is on renewable energy generation spending. Quality Grade C (no change). Breakdown: 1. Rebases dividend to Interim rate of GBP0.20, a cut of -31% from year ago rate. Expect similar sized reduction in dividend to be declared in May. 2. Revenue Reliability is strong at network operations company plans to at least partially divest to focus on renewable energy, offshore wind business is lucrative but can be volatile. Primary driver of growth is asset expansion in renewable energy. Full-year FY2024 (end Mar 31) earnings per share guidance with mid-point at GBP1.50. Five-year guidance for compound earnings per share growth is 7-10%, CAPEX plan is GBP20.5 bil through FY2027. 3. Regulatory Relations cloud again as UK PM Sunak delays government's decarbonization plan to 2035 from 2030. Government under pressure to hold down customer rates with 2024 elections approaching. Change in government to Labour Party in 2024 could toughen regulatory environment further, as party has not disavowed previous nationalization plans. Regulators say they will stop companies from paying dividends if financial position is deemed at risk. 4. Near-Term Refinancing Risk elevated but manageable with $4.07 bil in maturing debt through end of 2025, balance sheet is complex with 41% variable and floating rate, 54% British pounds, 46% Euros (all revenue in UK). Long-term cost of capital manageable with bonds of August 2038 now yielding 5.1% to maturity, was 5.83% at beginning of 2023. 5. Operating Efficiency will be tested by company's strategic shift, EBITDA margin for fiscal year ending March 31, 2024 guidance is 25.6%. | | | | | | | | | | | | | |
| **Suburban Propane Partners LP (NYSE: SPH)** | Buy<16 | 21.02 | 6.18 | 48.25 | 25 | 0.33 | 52.6 | C | 2/5/2024 | 2/13/2024 | -4.7 | 70.9 | Propane Distribution |
| Q1 2024 Return: 16.88%. No dividend increase since August 2021. Next earnings expected May 3. Quality Grade C (No Change). Breakdown: 1. Payout ratio is conservative but will fluctuate with weather-related impact on demand, management holding dividend at same rate. 2. Revenue Reliability backed by rural nature of customer base where natural gas is not available. Propane gallons sold 44% to residential customers, 35% to commercial, 9% industrial, 5% government, 60% of residential users have automatic delivery. Management says no single customer accounts for more than 10% of demand. Weather an important driver of demand, wholesale prices are key to costs. Adding scale is best way to improve profitability in fragmented fuels distribution business. Acquisition of renewable natural gas assets announced in December will be "accretive" to EBITDA and distributable cash flow in FY2024. 3. Regulatory Relations not a major factor affecting returns, acquisitions of small systems in fragmented industry have been approved in past. 4. Near-Term Refinancing risk is a non-issue woith $9 mil debt maturities through end of 2025, 14% reliance on floating rate debt. March 2027 bonds yield 6.16% to maturity, was 6.67% at beginning of 2023. 5. Operating Efficiency steady, EBITDA margin 27% projected for 12 months ended Sept 30, 2024. | | | | | | | | | | | | | |
| **SunPower Corp (NSDQ: SPWR)** | SELL | 2.8 | N/A | -79.77 | -42.62 | N/A | 0 | F | N/A | N/A | N/A | 55.3 | Distributed Solar Energy |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: -37.89%. No dividend. Next earnings May 3. Company receives notification of filing deficiency from Nasdaq, must submit a plan to comply by late May. Quality Grade F (no change). Breakdown: 1. No dividend. 2. Revenue Reliability always challenged by competitive environment, partnerships are likely to be key. Inflation Reduction Act subsidy for home solar installation is a plus. Supply chain issues and rising commodity costs as well as financing questions challenge cost side as rollback of California net metering impact may hurt sales. 2024 guidance for gross margin of 17-19%, positive free cash flow by second half of year, net loss of -$80 to -$160 mil. EBITDA guidance for 2023 is -$25 to -$35 mil. 3. Regulatory environment is very positive for solar, market protection in US with tariffs is a key issue for supply chains. California changes to net metering rules are negative as is tight Federal Reserve monetary policy. 4. Near-Term Refinancing risks low on paper with $8 mil maturing debt before 2027, 90% floating rate debt. TotalEnergies bails out company with emergency cash and is now 70.1% owner or company. 5. Operating Efficiency weakens with competition, EBITDA margin expected at -1% in 2024. | | | | | | | | | | | | | |
| **Sunrun Inc (NSDQ: RUN)** | SELL | 11.72 | N/A | -41.84 | -39.77 | N/A | 0 | D | N/A | N/A | N/A | 61.7 | Distributed Solar Energy |
| Q1 2024 Return: -32.86%. No dividend. Next earnings expected May 3. Stock is dropped from S&P MidCap 400 index and joins Small Cap 600. Quality Grade D (No Change). Breakdown: 1. No dividend. 2. Revenue Reliability depends on ability to hold market share in a competitive environment, partnerships are likely to be key especially with California utilities. Management says it's transitioning to a "storage first" company. Company has greatly improved scale following merger with former Vivint but still hasn't proven sustainability of business model. 2024 guidance for 40-70% growth in storage capacity installed, solar capacity installed expected to decline by -23% to 27% in Q1 from Q4, management blames seaonality and "weather related limitations." Expects cash generation run-rate of $200 to $500 mil by Q4 2024. 3. Regulatory environment is very positive for solar in the states and most countries. California cut in net metering subsidy a negative, as is tight Federal Reserve monetary policy. 4. Near-Term Refinancing risk elevated with $921 mill in maturing debt by end of 2025, 95% reliance on floating rate debt means exposure to higher interest rates. Expects -$3.3 bil of negative free cash flow this year after funding $2.7 bil CAPEX, will depend on ability to access outside capital. 5. Operating Efficiency affected negatively by competition as company still has not proven business model, expectation for EBITDA margins in 2024 is -2.1%. | | | | | | | | | | | | | |
| **Superior Plus Corp (TSX: SPB, OTC: SUUIF)** | Buy<8 | 7.4 | 7.3 | -3.29 | 3.72 | 0.18 | 66.7 | B | 3/27/2024 | 4/15/2024 | -0.5 | 58.4 | Propane Distribution |
| Q1 2024 Return: 4.00%. Dividends now paid quarterly but no change in annualized amount this year, same rate paid since December 2014. Next earnings expected May 9. Quality Grade B (no change). Breakdown: 1. Payout ratio conservative, increases unlikely as company focuses on acquisitions. 2. Revenue Reliability affected by weather impact on propane sales in US and Canada but company can offset with increased scale. Residential is just 7.2% of volume sales, wholesale business is 50%. US propane volumes are 70% residential, very likely company's most secure revenue source. Acquisitions and synergies from adding scale are primary drivers of growth. Renewable natural gas and hydrogen acquisition and expansion adds new revenue stream. Guidance for 2024 is 5% boost in EBITDA, Certarus growth expected 15-20%, propane business 1-5% and will depend on weather. Targets 0.2 reduction in leverage ratio, target is debt 3.5 to 4 times EBITDA. 3. Regulatory Relations have been generally solid with acquisitions approved quickly in US and Canada, most deals are small and under the radar in what's still a very dispersed sector. 4. Refinancing Risk is manageable with $184 mil debt maturities through 2025 all floating rate, variable rate debt is 54% of total debt meaning increased exposure to rising interest rates for now. 5. Operating Efficiency improves with business simplification and growing scale of core business, EBITDA margin guidance 17.4% for 2024. | | | | | | | | | | | | | |
| **T-Mobile US (NSDQ: TMUS)** | Buy<140 | 162.08 | 1.6 | 12.83 | 0.5 | 0.65 | 0 | A | 5/31/2024 | 6/13/2024 | N/A | 63.6 | Communications |

Conrad's Utility Investor

## Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 2.21%. Paying quarterly dividend of 65 cents per share. Next earnings expected April 26. May invest in fiber broadband to bolster network. Quality Grade A (No change). Breakdown: 1. Initiates dividend in December with plan to raise 10% a year going forward, along with $3 bil in stock buybacks per quarter, which will systematically reduce cost of paying the dividend even as it increases. 2. Revenue Reliability always at risk to competition though strong marketing has made company a winner in recent years. Synergies from merger with former Sprint have exceeded expectations, reduce need to raise rates against inflation. 2024 guidance for 9% growth in EBITDA, free cash flow of $16.3 to $16.9 bil--up 22% at the mid-point from 2023. 3. Regulatory Relations amicable. Net neutrality unlikely to pose many issues. 4. Near-Term Refinancing risk is elevated but should be manageable with $7.55 bil in maturing debt to end of 2025, no variable rate debt and $5.a bil cash (end Sept 30 2023) with more than $16 in projected free cash flow in 2024 after dividends paid. Cost of long-term debt capital manageable with April 2050 bonds yielding 5.44% to maturity, was 5.75% at beginning of 2023. 5. Operating Efficiency looks solid and sustainable, EBITDA margin guidance is 39.1% for 2024. | | | | | | | | | | | | | |
| **TC Energy Corp (NYSE: TRP, TSX: TRP)** | Buy<55 | 39.99 | 7.07 | 10.52 | 3.62 | 0.96 | 82.9 | A | 3/27/2024 | 4/30/2024 | 3.6 | 62 | Energy Transport |
| Q1 2024 Return: 4.65%. Dividend raised 3.2% in Canadian dollar terms. Next earnings expected April 29. Sells Prince Rupert gas transmission assets to First Nations Nisga'a Nation, asset sales advance CAD6-7 bil annual CAPEX plans post-2024. Quality Grade A (No Change). Breakdown: 1. Payout ratio conservative with dividend secured by fee-based, contracted cash flow from assets away from the well head. Guidance for 3-5% annual dividend increases next several years. Management also says combined dividend of oil pipeline spinoff and remaining company will be at least the current level. 2. Revenue Reliability assured by diversity of projects as company finds multiple avenues of investment. US natural gas pipelines (41.7% earnings) sell to utilities as do Canadian gas pipes (17%). Mexican pipelines also contracted to utilities/government entities (7.4%). Gas pipelines are generally regulated and focused on end-users. Liquids Pipelines are contracted and will be spun off as new company. Rest of earnings are from power generation operations also selling to utilities and government entities. 2024 EBITDA guidance range of CAD11.2 to CAD11.5 bil. Annual EBITDA growth guidance is 5-7% through 2026, CAD8-CAD8.5 bil annual CAPEX is increased from 2023. Year end target for debt to EBITDA is 4.75 times. 3. Regulatory Relations solid throughout North America. Pipeline spinoff likely to be non-controversial with regulators. 4. Refinancing risk manageable with $3.95 bil in maturing debt to end of 2025, balance sheet complex with 29% variable, floating and step coupon rate, 70% US dollars and 30% Canadian dollars, long-term debt capital cost manageable as May 2052 bonds yield 5.48% to maturity, was 5.82% at beginning of 2023. 5. Operating Efficiency rising with focused growth, EBITDA margin guidance for 2024 is 69.2%. | | | | | | | | | | | | | |
| **Telecom Italia (NYSE: TIIAY, IM: TIT)** | SELL | 2.34 | N/A | -29.31 | -27.33 | 0.12 | 0 | D | 6/21/2021 | 6/30/2021 | N/A | 64.7 | Italy Communications |
| Q1 2024 Return: -25.94%. No annual dividend so far for calendar year 2024. Next earnings May 29. Activist investor Bluebell Capital submits slate of Board candidates as battle against management strategy continues. Shareholders propose sale of company's Brazil operations. KKR says it expects to close purchase of company's wireline network by summer despite opposition. Quality Grade D (No change). Breakdown: 1. Dividend eliminated and unlikely to resume until debt is reduced substantially and revenue stabilizes. 2. Revenue Reliability pressured long-term by competition at home, asset sales a wildcard. Guidance for 3% compound annual growth rate for revenue for 2024-26 under "free to run" industrial plan. Debt reduction plan calls for more than halving of debt-to-EBITDA ratio by end of 2026 from current 3.8 times to 1.6 to 1.7 times. Also sets cost cutting target of EUR400 mil Euros. 3. Regulatory Relations appear positive as company reaches deal to sell wireline network to KKR, though largest shareholder Vivendi SE (23.75% owner) has filed suit to block deal. Closing date set in Q3 2024. 4. Near-Term Refinancing risk is elevated at $9.07 bil in maturing debt by end of 2025, balance sheet is complex with 64% Euros, 30% US dollars, remainder Brazilian Real and Japanese Yen, 24% floating rate, had $6.1 bil cash on balance sheet as of Dec 31, 2023, $1.3 bil free cash flow projected in 2024. Cost of long-term debt capital manageable with March 2055 bonds yielding 5.88% to maturity, was 6.86% at beginning of 2023. 5. Operating Efficiency depends on cost cutting, EBITDA margin guidance is 39.1% in 2024. | | | | | | | | | | | | | |
| **Telefonica (NYSE: TEF, SM: TEF)** | Hold | 4.38 | 5.41 | 11.02 | 10.61 | 0.16 | 76.9 | D | 12/12/2023 | 1/3/2024 | -11.6 | 61.9 | Spain/UK/Lat Am Communications |

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 13.08%. Semi-annual dividends declared for 2024 are flat with 2023 in Euro terms. Spanish state buys 3% of company. Next earnings May 9. Quality Grade D (No Change). Breakdown: 1. Twice annual dividend is under perpetual pressure from CAPEX needs, management says will pay "minimum" dividend of 30 Euro cents a year through 2026 (current rate). 2. Revenue Reliability secured by best in class network in focused markets but offset by exposure of overseas operations to exchange rate volatility and devaluations. Restructuring efforts ongoing. Spain is an extremely difficult market. 2024 guidance for 1% revenue growth, 1-2% higher EBITDA and operating cash flow growth of 1-2%. Expects CAPEX of "up to 13%" of revenue, expects 10% free cash flow growth from EUR2.308 bil achieved in 2023 as now defined by management. New "strategic plan" calls for focusing on key markets and building out best in class networks to "lead the new digital era." Guidance for EBITDA and free cash flow growth of 2% annually through 2026, plans to cut net debt to EBITDA ratio to 2.2-2.5 times on consistent basis. 3. Regulatory Relations complex with exposure to many countries, restructuring efforts have been a major challenge for several years. 4. Near-Term Refinancing risk is manageable with $4.6 bil in maturing debt to end of 2025, balance sheet is complex with 67% Euros, 27% US dollars, rest mostly in British pounds, Brazilian Real, Peruvian Sol, 25% variable and floating rate debt, offset by $8.7 bil balance sheet cash, projected free cash flow in 2024 of $3.34 bil after dividends paid. Cost of long-term debt capital manageable with bonds due Dec 2051 yielding 4.43% to maturity, was 4.84% at beginning of 2023. 5. Operating Efficiency depends on cost cutting, EBITDA margin guidance is 31.8% for 2024. | | | | | | | | | | | | | |
| **Telefonica Brasil (NYSE: VIV, BZ: VIVT4)** | Buy<8 | 9.97 | N/A | 38.36 | -6.13 | 0.18 | 41.8 | C | 4/9/2024 | N/A | -14.8 | 21.2 | Brazil Communications |
| Q1 2024 Return: -7.95%. Dividends declared for payment in 2024 are lower by -33.8% than a year ago so far. Next earnings expected May 9. Quality Grade C (No Change). Breakdown: 1. Plan to distribute "at least 100% of net income" between 2024 and 2026, will likely include share buybacks. 2. Revenue Reliability ensured by best in class network. Primary drivers of growth are 5G wireless and fiber broadband customer additions. 3. Regulatory Relations amicable with Brazilian government. 4. Near-Term Refinancing risk low with $301 mil maturing debt to end of 2025, use of 100% floating rate debt exposes earnings to interest rate increases, offset by $906 mil cash at end of Q4 2023 and projected $1.5 bil free cash flow after dividends paid for 2024, 75.24% owner Telefonica SA is ultimate backstop still. 5. Operating Efficiency improves with cost cutting, network investment despite competition, EBITDA margin guidance is 41% for 2024. Still best piece of Telefonica SA global portfolio. | | | | | | | | | | | | | |
| **Telephone & Data Systems (NYSE: TDS)** | SELL | 15.91 | 4.78 | 60.34 | -11.33 | 0.19 | 47.4 | D | 3/14/2024 | 3/28/2024 | 2.8 | 46.1 | Communications |
| Q1 2024 Return: -11.66%. Dividend raised 2.7%. Next earnings expected May 3. Quality Grade D (no change). Breakdown: 1. Dividend payout ratio is aggressive with elevated CAPEX on 5G and fiber broadband, revenue erosion to competition. 2. Revenue Reliability appears to be increasingly pressured by competition with fiber looking more like a survival strategy. 2024 guidance of $920 mil to $1.02 bil for wireless EBITDA and $310 to $340 mil for wireline EBITDA. 3. Regulatory Relations good with no current issues, though any sale of US Cellular would be a test. 4. Near-Term Refinancing risk a non-issue with $44 mil in debt maturities through end of 2025, key risk is exposure to floating rate debt (38% total debt) and especially projected negative free cash flow of over -$255 mil in 2024 after dividends at current rate even without allowing for further revenue erosion. Bonds due December 2033 yield slightly elevated 6.94% to maturity, was 8.39% at beginning of 2023. 5. Operating Efficiency depends on cost cutting, EBITDA margin guidance for 2024 is 23.9%. | | | | | | | | | | | | | |
| **Telstra Corp (OTC: TLGPY, ASX: TLS)** | Hold | 12.33 | 4.41 | -10.15 | -5.57 | 0.29 | 112.9 | C | 2/28/2024 | 4/4/2024 | N/A | 47.1 | Australia Communications |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: -4.32%. Semi-annual dividends declared for 2024 are 5.9% higher than a year ago in Australian dollar terms. Next semi-annual earnings August 15. Quality Grade C (no change). Breakdown: 1. Payout ratio is aggressive for competitive environment, management more likely to pay "special" cash dividends than increase the base rate meaningfully next few years. 2. Revenue Reliability menaced by competition and tough regulation, soft Australian economy. FY2024 (end June 30) underlying EBITDA guidance range is AUD8.2 to AUD8.3 bil, free cash flow range AUD2.8 to AUD3.2 bil with CAPEX AUD3.6 to AUD3.7 bil. 3. Regulatory Relations in Australia are volatile as National Broadband Network remains problematic but company appears to be faring better than rivals. 4. Refinancing Risk manageable with $1.033 bil in maturing debt through end of 2025, balance sheet is complex with 14% floating rate debt, 39% Euros, 23% US dollars, 38% Australian dollars. Offset by $694 mil cash as of Dec 31, 2023, roughly $220 mil of free cash flow expected after dividends in FY2024. Cost of debt capital manageable with Nov 2027 bonds yielding 4.92% to maturity, was 4.9% at beginning of 2023. 5. Operating Efficiency helped by cost cutting, EBITDA margin guidance is 34.7% for 12 months ended June 30, 2024. | | | | | | | | | | | | | |
| **Telus Corp (NYSE: TU, TSX: T)** | Buy<25 | 15.94 | 7 | -14.7 | -9.57 | 0.38 | 101.5 | A | 3/8/2024 | 4/1/2024 | 5.6 | 61.3 | Canada Communications |
| Q1 2024 Return: -8.43%. Dividend raised 3.4% so far in calendar 2024 in Canadian dollar terms. Next earnings expected May 3. Quality Grade A (No Change). Breakdown: 1. Dividend payout ratio is conservative and backed by resilient income streams from wireless and broadband wireline services in western Canada. Management targets 7-10% annual growth through 2025, twice annual boosts are the current policy. 2. Revenue Reliability secured by best in class network in western Canada, 5G will widen advantage though rollout. Primary drivers are 5G uptake and fiber broadband connections. F2024 free cash flow guidance is CAD2.3 bil in 2024. Management sets 2024 guidance for revenue growth of 3-5%, EBITDA boost of 7-10%. 3. Regulatory Relations manageable though Canadian regulators have ordered fiber broadband networks be opened to competitors on the cheap, discouraging investment. 4. Near-Term Refinancing risk is manageable with $1.65 bil in maturing debt to end of 2025, balance sheet is complex with 8% floating rate debt, 74% Canadian dollars and 26% US dollars (no US dollar revenue). Bonds of February 2050 yield 5.41% to maturity, was 5.5% at beginning of 2023. 5. Operating Efficiency steady with EBITDA margin guidance of 36.7% for 2024. | | | | | | | | | | | | | |
| **Tesla (NSDQ: TSLA)** | Hold | 166.63 | N/A | -19.68 | -32.92 | N/A | 0 | C | N/A | N/A | N/A | 13.1 | Electric Vehicles |
| Q1 2024 Return: -29.25%. No dividend. Next earnings expected April 19. Quality Grade C (no change). Breakdown: 1. No payout. 2. Revenue Reliability may be reaching tipping point as economics of scale build in automobile business. China is increasingly the company's most important market as brand remains best in the world for EVs. Target capital spending of $10 bil plus in 2024 with reduction to $8 and $10 bil annually for 2025-26. Guidance is still for "notably lower" sales growth this year, followed by re-acceleration in 2025 with launch of "next generation compact vehicle" production. 3. Regulatory Relations are good with company's vehicles fully qualifying for tax credits. Key issue could be widening rift between governments in US and China, as country has key operations in both countries. Self driving vehicles also create controversy over safety issues. 4. Near-Term Refinancing risks manageable with $1.06 bil maturing debt to the end of 2025. Balance sheet is complex with 62% Chinese Reminbi, 38% US dollar, 62% floating rate but fully offset by $29 bil plus in balance sheet cash (end Dec 31, 2023) and expected $4.8 bil free cash flow generation for 2024. Can still issue stock at premium valuation of 61 times forward 2024 earnings. CEO Elon Musk still owns 12.91% of shares and is key to company's fortunes but investment grade credit ratings are a potential game changer with Moody's and S&P both now there. 5. Operating Efficiency is increasingly based on recurring numbers with EBITDA margin expected at 15.1% for 2024. | | | | | | | | | | | | | |
| **Tokyo Electric Power (Tokyo: 9501, OTC: TKECF)** | Buy<4 | 5.56 | N/A | 64.25 | 6.31 | N/A | 0 | C | 3/27/2013 | N/A | N/A | 65.2 | Japan Electricity |

Conrad's Utility Investor

## Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 18.97%. No dividend paid since 2011. Next earnings April 30. Quality Grade C (No Change). Breakdown: 1. No dividend likely until Fukushima resolution is much further along and more nuclear plants restart. 2. Revenue Reliability will greatly improve if company can execute restart of nuclear plants even with competition and remaining nuclear cleanup costs at Fukushima site. Natural gas marketing venture and renewable energy growth are now meaningful earnings drivers. Overseas expansion is also a plus though main company focus is Japan by necessity. Management forecasts losses to continue. 3. Regulatory Relations in Japan have potential to improve greatly this year if company can execute nuclear plant restart process, cleanup at Fukushima. 4. Near-Term Refinancing Risk is manageable with $3.27 bil in maturing debt by end of 2025, 46% floating rate debt means interest costs will rise with interest rates, $8.9 bil of cash (end Dec 31, 2023) a major offset but also expected negative free cash flow of -$1.3 bil in FY2024 (end Mar 31, 2024). Bonds of May 2040 yield 2.73% to maturity, was 2.44% at beginning of 2023. 5. Operating Efficiency would greatly improve with nuclear restart, EBITDA margin guidance for FY end March 31, 2024 is 6.8%. | | | | | | | | | | | | | |
| **TotalEnergies (NYSE: TTE, FP: TTE)** | Buy<65 | 71.7 | 3.74 | 27.58 | 7.37 | 0.81 | 46 | A | 3/18/2024 | 4/15/2024 | 0.9 | 28.6 | Super Major Oil/Gas |
| Q1 2024 Return: 3.36%. Dividend increased 6.8% in Euro terms. Next earnings April 26. Moody's rates outlook positive, cites improved balance sheet and steadier business model. Quality Grade A (No change). Breakdown: 1. Payout ratio set at "more than" 40% of operating cash flow, including both dividends and share buybacks. 2. Revenue Reliability helped by renewable energy and electricity growth, other downstream profits, on track to beat 2030 target of operating 100 gigawatts of renewable energy. LNG development continues with Qatari project, oil and gas prices will remain key for next 5 years at least. Annual net investments guidance range remains $16 to $18 bil, with 35% targeted for electric power and related expansion. Has 22.4 gigawatts of renewable energy. Still targeting 100 GW of renewable power production capacity by 2030. Renewables revenue stabilizes earnings against fossil fuel price volatility. 3. Regulatory Relations mostly benign and company has support of French government. 4. Near-Term Refinancing is manageable with $7.69 bil maturing debt through 2025, complex balance sheet with 39% variable, floating, auction rate and adjustable rate, 58% Euros, 30% US dollars, 7% British pounds, with rest mostly in Swiss Francs and Hong Kong dollars, more than offset by $34.9 bil balance sheet cash (end Dec 31, 2023) and $9.3 bil in expected 2024 free cash flow after dividends paid under conservative assumptions. Cost of long-term debt capital manageable with bonds due June 2060 yielding 5.07% to maturity, was 4.88% at beginning of 2023. 5. Operating Efficiency improves with cost cutting and especially higher energy prices, EBITDA margin guidance for 2024 is 19.1%. | | | | | | | | | | | | | |
| **TransAlta Corp (NYSE: TAC, TSX: TA)** | Buy<11 | 6.35 | 2.78 | -25.98 | -22.72 | 0.06 | 40 | B | 2/29/2024 | 4/1/2024 | 8 | 67.6 | Canada/Australia Electricity |
| Q1 2024 Return: -22.09%. Dividend increased 9.1% in Canadian dollar terms. Next earnings expected May 6. Launches "automatic" share buyback plan of up to 14 mil shares a year. Quality Grade B (No Change). Breakdown: 1. Payout ratio conservative with dividend backed by contracted capacity and hedges on prices of merchant sales, robust free cash flow forecast. Increases of 10% a year are doable. 2. Revenue Reliability backed by 85% contracted electricity generation in Alberta, hedging of merchant exposure. Company must manage exchange rates between Canada, Australia and the US. Asset expansion is primary growth driver, Alberta power market is also key to margins. EBITDA outlook for 2024 with guidance range of $1.15 to $1.3 bil, raises free cash flow guidance range to CAD1.47 to CAD1.96 per share, was CAD1.45 to CAD1.94 per share. Guidance for 2024-28 targets CAD3.5 bil investment focused on adding 1.75 gigawatts of renewables and energy storage capacity. Current development pipeline is 4.8 GW, management wants to expand to 10 GW by 2028. 3. Regulatory Relations stable as company appears to navigate a tough Australian environment well, Canada regulations have been amicable in recent years. 4. Near Term Refinancing risk manageable with $418 mil in maturing debt by end of 2025, complex balance sheet with 47% variable, floating and step coupon, 74% Canadian dollars, 26% US dollars. Cost of long-term debt capital manageable with March 2040 bonds yielding 6.52% to maturity, was 7.23% at beginning of 2023. 5. Operating Efficiency improving on cost cutting, EBITDA margin guidance is 48.3% for 2024. | | | | | | | | | | | | | |
| **Transmissione Elettricita Rete Nazionale (OTC: TEZNY, IM: TRN)** | Buy<25 | 24.85 | 1.95 | 4.96 | 1.22 | 0.37 | 72.9 | A | 11/24/2023 | 12/8/2023 | 6.6 | 62.3 | Italy Elec Trans/Distribution |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return:-1.05%. Semi-annual dividends declared for payment in 2024 are 8% higher than in 2023 in Euro terms. Next earnings May 8. Moody's affirms credit rating with stable outlook following update of CAPEX guidance to EUR16.5 bil for 2024-28 period.Quality Grade A (No Change). Breakdown: 1. Payout ratio conservative. Twice annual dividend is backed by utility franchise with Italian government support and spurred by rate base growth. Upper single digit percentage increases likely next few years. 2. Revenue Reliability high as regulated grid operation contributes majority of cash flow, with negligible risk to electricity prices or volumes. Asset expansion is primary driver of growth. Guidance is for Italian "industrial plan" to spend EUR21 bil through 2032 on country's power grid. 3. Regulatory Relations positive in Italy. Enjoys multi-year rate and investment plan. 4. Refinancing Risk manageable with $2.1 bil of maturing debt to end of 2025, has 46% floating rate debt. Bonds are 99.3% in Euros, rest in US dollars and Brazilian Real. Low cost of debt capital, bonds due Oct 2028 have yield to maturity of 3.22% to maturity, was 3.87% at beginning of 2023. 5. Operating Efficiency steady with EBITDA margin guidance of 69.9% for 2024. | | | | | | | | | | | | | |
| **TransUrban Group (ASX: TCL, OTC: TRAUF)** | Buy<9 | 8.53 | 4.81 | -5.14 | -10.73 | 0.3 | 81.8 | B | 12/28/2023 | 2/13/2024 | 22.9 | 58.5 | Global Toll Roads |
| Q1 2024 Return: -7.35%. Semi-annual dividend declared for payment in 2024 are 13.2% higher than what was paid a year earlier in Australian dollar terms. Next semi-annual earnings August 8. Quality Grade B (no change). Breakdown: 1. Guidance of 62 cents dividend per "stapled security" traded in Australia for FY2024. 2. Revenue Reliability benefits from increased driving, including electric vehicle usage. Key driver of long-term growth is building and operating new toll roads. Company is seeing record traffic on toll roads, management expects gains through 2030. 3. Regulatory Relations positive in key markets Australia, UK and US, regulatory approvals of some projects can take years. Australian Competition regulator has objected to company's purchase of a 55.45% ownership stake in EastLink toll road in Victoria, unknown if company will appeal. Company enters process to acquire Denver (Colorado) Northwest Parkway, seller currently owns 33% stake in project with 99-year concession signed in 2007. 4. Near-Term Refinancing risk manageable with $3.2 bil in maturing debt through 2025, balance sheet complex with 32% floating rate, 33% Australian dollars, 20% US dollars, 38% Euros, rest mostly in Swiss Francs and Canadian dollars, offset by $1.12 bil cash (end Dec 31, 2023). Secured bonds due July 2034 yield 3.68% to maturity, was 4.2% at beginning of 2023, much of project level debt is municipal bonds at low tax-advantaged rates and secured by assets. Ability to secure low cost financing is key to completing projects but management has been up to the challenge so far. 5. Operating Efficiency has remained resilient with EBITDA margin guidance 56% for FY2024 (end June 30). | | | | | | | | | | | | | |
| **UGI Corp (NYSE: UGI)** | SELL | 24.25 | 6.19 | -25.91 | -1.14 | 0.38 | 54.5 | B | 3/14/2024 | 4/1/2024 | 4.4 | 63.6 | Regulated Nat Gas/Fuel Dist |
| Q1 2024 Return: 1.28%. No dividend increase so far in 2024. Next earnings expected May 3. Quality Grade B (no change). Breakdown: 1. Dividend may depend on outcome of strategic review, company as is can afford low single digit percentage increases. Pullback to utility alone would likely trigger dividend cut. No timetable for completion. 2. Revenue Reliability should greatly improve with exit from European energy marketing, though terms still unknown. Rest of company is generally resilient in recessions, with winter heating season key as always. Regulated natural gas utility stable and acquisition will further boost earnings from stable sources. Propane sales in US (Amerigas) are 35% residential by volume, 39% commercial/industrial, 18% motor fuel and 4% agricultural. Renewable natural gas project from farms are new earnings driver. FY2024 (end Sept 30) earnings guidance range is $2.70 to $3 per share with 6-10% long-term annual earnings growth target. Strategic review results could still come in May, including plans for AmeriGas Propane unit. 3. Regulatory Relations appear steady in all jurisdictions with no major issues, European exit may be a challenge with energy market turmoil. 4. Near-Term Refinancing risk is elevated but manageable with $2.22 bil in maturing debt through 2025, balance sheet is complex with 43% at floating rates, 86% US dollars, 14% Euros. Cost of long-term debt capital manageable with bonds due February 2049 yielding 5.48% to maturity, was 5.23% at beginning of 2023. 5. Operating Efficiency has been erratic due to turbulence in fuel distribution especially in Europe, EBITDA margin guidance is 6.2% for fiscal year 2024 (end Sept 30). | | | | | | | | | | | | | |
| **Union Pacific Corp (NYSE: UNP)** | Hold | 242.53 | 2.14 | 23.33 | 0.14 | 1.3 | 49.7 | B | 2/28/2024 | 3/29/2024 | 10.3 | 69.8 | US Railroad |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 0.66%. No change in quarterly dividend since June 2022. Next earnings expected April 19. Quality Grade B (No Change). Breakdown: 1. Long-term guidance for 45% payout ratio, excess cash to fund stock buybacks with CAPEX "less than 15% of revenue." 2. Revenue Reliability is affected by volumes and US economy, supply chain strain indicative of heavy demand. Cost cutting focus of recent years may have run its course. Expects to generate free cash flow of almost $3 bil after dividends paid in 2024. Plans $3.4 mil in CAPEX with primary focus to "support safe operations, renew assets and grow with customers" with 56% devoted to upgrading and replacing infrastructure, $600 mil to "modernizing" locomotive fleet. 3. Regulatory Relations shift is pushing company to spend more on worker safety in coming years. 4. Near-Term Refinancing risk is manageable and reduced with $1.43 bil of debt maturities through 2025, zero reliance on variable rate debt. Expects to generate free cash flow of roughly $2.88 bil after dividends paid in 2024. Cost of long-term debt capital manageable with bonds due February 2070 yielding 5.25% to maturity, was 5.31% at beginning of 2023. 5. Operating Efficiency long-term trend is favorable though PSR as driver may have run its course, EBITDA margin still expected at 49.5% for 2024. | | | | | | | | | | | | | |
| **United Utilities (OTC: UUGRY, LSE: UU)** | SELL | 26.34 | 2.99 | 5.29 | -2.15 | 0.42 | 80.1 | C | 12/21/2023 | 2/8/2024 | 1.4 | 77.1 | UK Water |
| Q1 2024 Return: -5.19%. Semi-annual dividends declared for payment in 2024 are up 9.4% in British Pound terms. Next semi-annual earnings May 16.buys back GBP110.1 mil of debt due in 2025 in advance. Quality Grade C (no change). Breakdown: 1. Payout ratio target of 55-65% is conservative with low single digit percentage growth supported. 2. Revenue Reliability backed by regulatory deal fixing rates, CAPEX and returns through 2025 under multiyear UK rate deal. Rates adjust for inflation to keep water utilities whole in UK. Guidance for FY2024 (end Mar 31), midpoint of revenue growth guidance is 8.2% with inflation adjusted rates and asset growth of 4-5% as primary drivers, dividend growth in line with inflation, net debt of 55-65%. 3. Regulatory Relations appear to have worsened, unlikely to improve before next year's election as Conservative Party government attacks rate increases and opposition Labour Party in UK has not dropped nationalization plans for utilities if it takes power following 2024 elections. Regulators say they can order companies to cut dividends if financial health is deemed to be threatened. 4. Near Term Refinancing risk is low with $603 mil maturing debt through 2025, balance sheet is complex and exposed to rising interest rates with 14% floating rate, 86% British pounds, rest in US dollars, Hong Kong dollars, Japanese Yen, Euros where company has no operations. Long-term cost of debt capital very low with yield to maturity on November 2057 bonds 2.21%, was 1.99% at beginning of 2023. 5. Operating Efficiency is steady with EBITDA margin of 48.5% expected for FY2024 (end Mar 31). | | | | | | | | | | | | | |
| **Uniti Group (NSDQ: UNIT)** | SELL | 5.84 | 10.27 | 84.37 | 1.86 | 0.15 | 38.5 | F | 3/27/2024 | 4/12/2024 | 0 | 179.1 | Communications |
| Q1 2024 Return: 4.67%. No change in dividend so far in 2024, same payout since April 2020 cut. Next earnings expected May 3. Quality Grade F (no change). Breakdown: 1. Management has warned company at current dividend rate is over distributing REIT earnings. Dividend won't hold when Windstream Master Lease Agreement expires later in the decade, or if it can't keep up with payments. 2. Revenue Reliability is linked to Windstream continuing MLA payments, a black box now that Windstream is privately held. Uniti fiber business faces larger and better financed players and margins are low with revenue dropping in recent quarters. 2024 adjusted EBITDA guidance range of $930 to $950 mil on revenue of $1.15 to $1.17 bil, projects adjusted FFO per share of $1.29 to $1.36, no positive free cash flow anytime soon. 3. Regulatory Relations appear benign for now with no apparent issues, though disputes with Windstream are always a threat to return company to court. 4. Near-Term Refinancing Risk appears manageable with $473 mil debt maturities through 2025, but has $5.5 bil due from 2027-2030 (4 times current market capitalization). Debt is 9.4% floating rate, negative free cash flow expected after dividends. Cost of debt capital elevated with January 2030 bonds yielding a distressed 12.2% to maturity, was 14.13% at beginning of 2023. 5. Operating Efficiency impossible to accurately measure since Windstream data not readily available, Uniti operating income margin estimated at 52.6% for 2024. | | | | | | | | | | | | | |
| **Unitil Corp (NYSE: UTL)** | Buy<55 | 51.45 | 3.31 | -6.81 | -2.65 | 0.43 | 62.3 | A | 2/13/2024 | 2/29/2024 | 2.9 | 58.2 | Regulated Utility Trans/Dist |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: 0.40%. Dividend raised 4.9%. Next earnings expected May 2. Quality Grade A (No Change). Breakdown: 1. Target payout ratio is 55-65%, allowing company to fund greater CAPEX internally and maintain balance sheet strength. Low single digit dividend increases likely next few years. 2. Revenue Reliability backed by revenue decoupling for oil and gas in Massachusetts (27% electric, 11% gas revenue). New Hampshire is 57% residential sales, commercial and industrial customers include electrical components, healthcare and education. Maine is mostly residential. Largest customers purchase power on unregulated market. Guidance earnings growth target range of 5-7% a year, based on guidance for 6.5-8.5% annual rate base growth. 3. Regulatory Relations are good with no real issues in Massachusetts, New Hampshire and Maine. 4. Near-Term Refinancing risk is a non-issue with $5.2 mil in debt maturities through 2025, 44% floating rate debt means some exposure to rising interest rates. Cost of long-term debt capital manageable with bonds due Sept 2049 yielding 6% to maturity, was 5.94% at beginning of 2023. 5. Operating Efficiency is steady with EBITDA margin guidance of 27% for 2024. | | | | | | | | | | | | | |
| **Veolia Environnment (OTC: VEOEY, FP: VIE)** | Buy<19 | 16.12 | 2.88 | 8.73 | 3.8 | 0.61 | 96.6 | A | 5/5/2023 | 5/26/2023 | 32.9 | 65.9 | Water/Waste Products/Svcs |
| Q1 2024 Return: 2.80%. Annual dividend raised 11.6% for 2024 in Euro terms. Next earnings May 14. Wins EUR4 bil Paris water contract with 12 year term to manage drinking water system. Quality Grade A (no change). Breakdown: 1. Payout ratio is conservative, dividend should grow at upper single digit percentage rate annually going forward. 2. Revenue Reliability benefits from business focus on key market positions. Suez synergies continue to grow. 2024-27 financial guidance for EBITDA growth of 5-6% a year, debt to EBITDA of less than 3 times and dividend growth in line with 10% annual earnings increases. 2024 net income expected "above" EUR1.5 bil. 3. Regulatory Relations are good, geographic diversification is a plus. 4. Near-Term Refinancing risk is manageable with $3.78 bil in maturing debt through 2025, balance sheet is complex with 43% variable, floating rate and step coupon, 97% Euros, rest mainly in British pounds and US dollars, offset by $12.3 bil in cash (end Dec 31, 2023), cost of long-term debt capital manageable with bonds due June 2038 yielding 5.77% to maturity, was 5.69% at beginning of 2023. 5. Operating Efficiency will depend on cost cutting to offset economic turmoil with EBITDA margin guidance of 15.4% for 2024. | | | | | | | | | | | | | |
| **Verizon Communications (NYSE: VZ)** | Buy<50 | 42.54 | 6.25 | 17.62 | 11.28 | 0.67 | 57.2 | A | 4/9/2024 | 5/1/2024 | 2 | 65.1 | Communications |
| Q1 2024 Return: 13.08%. Dividend not increased so far in 2024. Next earnings April 22. Quality Grade A (No Change). Breakdown: 1. Payout ratio is conservative, low single digit growth likely going forward in dividend. 2. Revenue Reliability secured by best in class network, diversification of cash flow streams, focus on best customers. 5-G rollout has been slower than main rivals but is picking up steam as company retains customers and launches new services. 2024 guidance for 2-3.5% wireless service revenue growth, 1-3% EBITDA increase, adjusted earnings per share of $4.50 to $4.70, CAPEX of $17 to $17.5 bil. Sets target of "meaningful debt reduction" in 2024 by expanding EBITDA and free cash flow. 3. Regulatory Relations good with no major issues. Lead cables "issue" has vanished. 4. Near-Term Refinancing risk is low for size with $6.4 bil of maturing debt through 2025, little exposure to variable rates (2.6% total debt) but complex balance sheet with 75% in US dollars, 16% Euros, rest in British pounds, Australian dollars, Canadian dollars where company has no operations. Offset is $2.1 bil cash (end Q4 2023) and expected 2024 free cash flow after paying dividends of $7.5 bil even with elevated CAPEX in 2024. Cost of long-term capital manageable with bonds due March 2055 yielding 5.37% to maturity, was 5.53% at beginning of 2023. 5. Operating Efficiency rises with cost reduction, network upgrades, EBITDA margin guidance is 36% for 2024. | | | | | | | | | | | | | |
| **Vestas Wind Systems (OTC: VWSYF, DC: VWS)** | Buy<30 | 26.95 | N/A | -6.95 | -11.86 | N/A | 0 | C | 4/5/2024 | N/A | N/A | 52.7 | Wind Turbine manufacture |

Conrad's Utility Investor

# Utility Report Card

| Security (Exchange: Ticker) | Rating | Price | Yield | 12-Mo. Total Return | 3-Mo. Total Return | DVD / Share (CAD) | Payout Ratio | Quality Grade | Ex-DVD Date | DVD Payment Date | 3-Year DVD Growth | Debt/ Capital | Industry |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: -13.08%. Annual dividend is omitted in 2024. Next earnings May 2. Order flow accelerates as US offshore wind projects revive, European business remains robust, wins 319 megawatt contract to provide turbines to Sempra Energy (NYSE: SRE) project in Mexico. Quality Grade C (No Change). Breakout: 1. Dividend follows earnings, will omit in 2024 and very likely 2025 to hold in cash. 2. Revenue Reliability depends on ability to keep winning orders. Services business is growing will help stabilize revenue over time. Inflation and cost pressures, Underlying earnings power as leading supplier of wind turbines to a growing market is still very much intact. 2024 guidance for revenue of EUR16 to EUR18 bil, adjusted EBIT margin of 4-6% of revenue, EUR1.4 bil CAPEX. Also expects service segment of business to generate adjusted EBIT of EUR800 to DUR880 mil, as share of recurring revenue not affected by order volatility continues to grow. 3. Regulatory environment very favorable globally for rollout of wind power. Inflation Reduction Act is a major boon for orders. Europe has also enacted generous incentives for renewables adoption. 4. Near-Term Refinancing risk is a non-issue with no debt maturities until 2026, 19% variable rate debt exposes earnings to rising interest costs, offset by $3.8 bil balance sheet cash (end Sept 30 2023), expects to swing to positive free cash flow of $659 mil in 2024. 5. Operating Efficiency has stabilized as company has gained scale globally, EBITDA margin guidance for 2024 is 10.2%. | | | | | | | | | | | | | |
| **Vistra Energy Corp (NYSE: VST)** | Hold | 71.15 | 1.21 | 203.46 | 87.52 | 0.22 | 27 | C | 3/19/2024 | 3/29/2024 | 14.7 | 73.4 | Unregulated Elec Retail/Gen |
| Q1 2024 Return: 81.37%. Dividend increased 0.9% so far in 2024, three more boosts likely. Next earnings expected May 9. S&P boosts outlook to positive, citing continuing deleveraging. Quality Grade C (no change). Breakdown: 1. Dividend payout ratio is conservative and follows rising free cash flow. Double-digit increases are part of management's long-term plan along with aggressive share buybacks. 2. Revenue Reliability is affected by wholesale electricity prices, retail competition. Maintains 2024 guidance of $3.7 to $4.1 bil for EBITDA and $1.9 to $2.3 bil for free cash flow. Management says in earnings call that will update with Q1 results, likely to see solid boost. "Standalone Vistra" (not including Energy Harbor) is expected to see 2025 EBITDA of $3.8 to $4 bil. Energy Harbor acquisition closes and will contribute about half a quarter of earnings in Q1. 4. Refinancing Risk is manageable with $2.3 bil of maturing debt through end of 2025, 30% floating and variable rate debt means exposed to rising interest rates. First lien secured bonds of July 2029 yield 5.6% to maturity, was 6.77% at beginning of 2023. Company credit ratings one notch below investment grade at Moody's, two below at Fitch and S&P (positive outlook). 5. Operating Efficiency improving on cost cutting, EBITDA margin guidance for 2024 is 28.6%, projection was 26.7% three months ago. | | | | | | | | | | | | | |
| **Vodafone (NYSE: VOD, LN: VOD)** | SELL | 8.88 | 10.62 | -10.61382 | 0.33898 | 0.4888125 | 23.1 | D | 11/22/2023 | 2/2/2024 | -3.2872104644775 | 50.728568917959 | UK/Global Communications |
| Q1 2024 Return: 2.30%. No change in semi-annual dividends declared for payment since February 2020 in Euro terms. Next semi-annual earnings May 14. German unit cuts 2,000 jobs, UK merger with Hutchison unit appears unlikely without real concessions as company M&A to cut costs continues to bog down. Comapny announces plan to sell Italian operations as well. Quality Grade D (No Change). Breakdown: 1. Payout ratio is stretched with debt becoming a bigger burden, increases unlikely and a cut is still possible. 2. Revenue Reliability at risk to competition, underperforming operations in certain countries such as Spain and now India. M&A to streamline operations and monetize certain assets is a growth driver for earnings and share price, 5G rollout and fiber broadband are infrastructure focus. FY2024 (end Mar 31) EBITDA guidance range mid-point of EUR13.3 bil, free cash flow of EUR3.3 bil. 3. Regulatory Relations generally solid, tested by approval requests for joint ventures, acquisitions and asset sales which are now a key part of company strategy. 4. Near-Term Refinancing risk manageable and reduced with $4.44 bil in maturing debt through 2025, exposed to rising interest rates with 48% of total debt at variable and floating rates, also balance sheet is complex with 32% US dollars, 58% Euros, 8% British pounds, rest mainly in Australian dollars and Swiss Francs. Risk is offset by $13.8 bil balance sheet cash (end Dec 31, 2023). Cost of debt capital manageable with August 2056 bonds yielding 5.46% to maturity, was 5.45% at beginning of 2023. 5. Operating Efficiency depends on cost cutting, EBITDA margin guidance for FY2024 is 29.6%. | | | | | | | | | | | | | |
| **WEC Energy Group (NYSE: WEC)** | Buy<95 | 81.89 | 4.08 | -10.2749 | -4.096035 | 0.835 | 68.9 | A | 2/13/2024 | 3/1/2024 | 7.2314467430115 | 60.949959402062 | Regulated Elec/Gas |

Conrad's Utility Investor

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: -1.44%. Dividend increased 7.1%. Next earnings May 1. Quality Grade A (No Change). Breakdown: 1. Dividend payout ratio is conservative, long-term target is 6.5-7% annual dividend growth. 2. Revenue Reliability secured by utilities resilience. Residential plus farm is 30% of electric revenue, small commercial/industrial 35%, 35% large C&I. Big customers include paper, steel, mining but also agriculture and less cyclical enterprises (23% of total large c&i). Illinois and Minnesota have natural gas decoupling from revenue. Transmission investment is FERC regulated. 2024 earnings guidance range of $4.80 to $4.90 per share, long-term target of 6.5-7% annual dividend and earnings per share growth annually through 2028. Primary fuel is 2024-28 CAPEX plan of $23.7 bil, now mostly focused outside of Illinois where regulators have stalled system spending plans on affordability concerns for the moment. 3. Regulatory Relations strong in Wisconsin, Minnesota, Michigan, uncertain in Illinois with regulators ordering a pause in pipe replacement program though recent rate increase was amicable. Negotiations continue. 4. Near-Term Refinancing risk is manageable with $1.59 bil in maturing debt through 2025, 3.8% variable rate debt means modest exposure to rising interest rates, cost of long-term debt capital manageable with bonds due December 2095 yielding 6.06% to maturity, was 6.87% at beginning of 2023. 5. Operating Efficiency steady with EBITDA margin guidance for 2024 of 37.6%, projection three months ago was 35.4%. | | | | | | | | | | | | | |
| **Williams Companies (NYSE: WMB)** | Buy<38 | 39.3 | 4.83 | 38.86538 | 12.10501 | 0.475 | 41.8 | A | 3/7/2024 | 3/25/2024 | 4.1236796379089 | 63.480969197567 | Energy Transport |
| Q1 2024 Return: 13.25%. Dividend raised 6.1%. Next earnings expected May 3. Quality Grade A (no change). Breakdown: 1. Payout ratio is conservative, mid-single digit increases likely next few years. 2. Revenue Reliability solid with 97% of business "fee-based," new projects are increasingly difficult to build increasing scarcity value of existing assets. Also bolstered by business reliance on gas transportation service primarily to utilities, LNG exporters, industrial and power customers (81% of EBITDA) with oil just 7% and protected by minimum volume contracts, 90% of customers on transmission systems are investment grade rated. 2024 earnings per share of $1.65 to $1.86 excluding non-recurring items. Guidance range for EBITDA of $6.8 to $7.1 bil in 2024 and $7.2 to $7.6 bil in 2025. EBITDA growth target is 8%. CAPEX on asset growth is expected between $1.45 and $1.75 bil this year, $1.65 to $1.95 bil in 2025. 3. Regulatory Relations challenging in some states but no threat currently to existing pipelines or company's generally modest projects. Company has also been able to make acquisitions smoothly. 4. Near-Term Refinancing risk is manageable with $3 bil in maturing debt through end of 2025, 4.6% variable rate debt. Cost of long-term debt capital manageable with May 2050 bonds yielding 5.41% to maturity, was 5.29% at beginning of 2023. 5. Operating Efficiency improves as new projects add scale, costs cut. EBITDA margin guidance 70.1% for 2024. | | | | | | | | | | | | | |
| **Xcel Energy (NYSE: XEL)** | Buy<70 | 54.08 | 4.05 | -16.86898 | -13.89519 | 0.5475 | 58.6 | A | 3/14/2024 | 4/20/2024 | 6.4429278373718 | 60.966097939286 | Regulated Elec/Gas |
| Q1 2024 Return: -12.29%. Dividend raised 5.3%. Next earnings expected April 26. S&P cuts rating to BBB+ with negative outlook on wildfire risk worries, though amicable resolution in Texas for Smokehouse fire still looks like, and Colorado risk appears overblown at this time. Quality Grade A (No Change). Breakdown: 1. Dividend payout ratio is conservative, mid-to-upper single digit increases likely next several years, long-term payout ratio target of 50-60%. 2. Revenue Reliability secured by utility investment and rate base growth, especially on replacing fossil fuels with wind. Retail electric sales are 45% decoupled from demand (Minnesota 33% and Colorado 12%). Multiple rate riders in other states safeguard sales as well. Rate base is primary driver of growth. Target 5-7% annual growth long-term, expects to be "at or above" the top end of that growth range starting in 2025 with primary fuel $39 bil CAPEX planned through 2028, has 2024 earnings guidance range of $3.50 to $3.60 per share. Guidance is for $3 bil of tax credit transfers to help fund CAPEX. 3. Regulatory Relations amicable in all states with rate cases a process of compromise, risk to wildfire liablity appears overblown but still challenging with Texas the key state to reach an accomodation. Could put Southwestern Public Service unit (17% rate base) into bankruptcy in a worst case for Smokehouse wildfire liability. 4. Near-Term Refinancing risk is manageable with $1.65 bil in maturing debt through end of 2025, has no floating rate debt, cost of long-term debt capital manageable with first lien secured bonds due June 2051 yielding 5.03% to maturity, was 4.68% at beginning of 2023. 5. Operating Efficiency is steady, EBITDA margin guidance is 36.3% for 2024. | | | | | | | | | | | | | |
| **York Water (NSDQ: YORW)** | Buy<35 | 35.27 | 2.39 | -19.36641 | -7.500862 | 0.2108 | 58 | A | 2/28/2024 | 4/15/2024 | 3.9999995231628 | 44.868826102671 | Regulated Water |

Conrad's Utility Investor

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 2024 Return: -5.54%. Dividend increased 4%. Next earnings expected May 2. Quality Grade A (No Change). Breakdown: 1. Payout ratio conservative with dividend well protected with earnings, low to mid-single digit percentage increases likely the next several years. 2. Revenue Reliability solid, though commercial and industrial customers account for 28% of revenue, rest is steady residential and fire prevention. Utility CAPEX and acquisitions are primary sources of growth. Guidance for mid-single digit percentage earnings and dividend growth next few years, largely from acquisitions but also utility system upgrades in rate base. 3. Regulatory Relations strong in Pennsylvania. 4. Near-Term Refinancing risk is a non-issue with no maturing debt until 2026, 25.3% variable rate debt leaves some exposure to rising rates. Cost of debt capital is low with company able to issue municipal debt, November 2038 bonds yield 4.53% to maturity, was 4.59% at beginning of 2023. 5. Operating Efficiency high and steady with EBITDA margin 58.1% last 12 months. | | | | | | | | | | | | | |

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