All of the major electric utilities located in the central region of the United States are reviewed in this Issue; eastern electrics, in Issue 1; and the remaining utilities, in Issue 11.

By mid-May, every company in the Electric Utility Industry had reported earnings for the first quarter of 2020. There has been a variance of responses to earnings guidance. We discuss dividends, as well.

Electric utility stocks, as a group, have outperformed the broader market averages in 2020. There has been a wider-than-usual disparity in the performances of individual stocks. Electric company equities have exhibited more volatility than usual, too.

Earnings Guidance For 2020

By mid-May, all 37 companies in the Electric Utility Industry had reported earnings for the first quarter of 2020. Most companies held conference calls with analysts discussing their results, how they are responding to the coronavirus pandemic and the poor state of the economy, and earnings prospects for the full year. A few utilities also provided data about their kilowatt-hour sales since the end of the March period. Note that two companies reviewed in this Issue, *Fortis* and *MGE Energy*, do not provide earnings guidance, and *Evergy* is not doing so while a strategic review of the company is pending.

Utilities had contingency plans in place stating how to deal with a pandemic, and there haven't been any reports of serious operating problems. However, utilities have incurred expenses associated with the coronavirus and the weak economy. Due to the effects of the steep economic downturn, utilities have suspended disconnections for nonpayment and waived late fees. Some, such as Oklahoma Gas and Electric (the utility subsidiary of *OGE Energy*) also accelerated the timing of the pass-through to customers of lower fuel costs. Companies have also incurred costs related to the situation, such as bad-debt expense, changes in work practices, protective equipment, and additional cleaning of workplaces. Some states already allowed utilities to defer for future recovery excess bad-debt costs. Wisconsin was one of the first states to allow all utilities to defer coronavirus-related expenses. This benefits *Wisconsin Energy*, *Alliant Energy*, and *MGE Energy*. Several other states have followed suit.

Most states issued stay-at-home orders and ordered "nonessential" businesses to close. As more workers worked from home and students studied from home, that caused residential kilowatt-hour sales to increase. However, steep declines in commercial and industrial volume outweighed the gains from residential users. Because of this unique situation, some utilities provided sales data for April, which is atypical. For instance, Madison Gas and Electric, the utility subsidiary of *MGE Energy*, reported that retail kilowatt-hour sales fell 8.7% in April. As governments in many states began to loosen their restrictions in May, that helped volume recover. Still, the effects of the weak economy will reduce utility income for electric companies. As a result, utility management has instituted cost-cutting programs.

INDUSTRY TIMELINESS: 35 (of 95)

Utilities have had varied responses when providing earnings guidance with their first-quarter earnings releases and conference calls. *DTE Energy*, *WEC Energy*, *Ameren*, *CMS Energy*, and *Alliant Energy* did not change their targets. *American Electric Power* did not adjust its guidance either, but indicated that its most likely outcome is in the lower half of its range. *Otter Tail Corporation*, which owns some nonutility businesses, lowered its guidance due to the effects of the recession on its manufacturing business. *OGE Energy* also cut its target due to a decline in equity income from its stake in Enable Midstream Partners, a natural gas master limited partnership. (*CenterPoint Energy* also has a stake in Enable.) *ALLETE* withdrew its expectation due to the heightened uncertainty, but might reinstate guidance upon reporting second-quarter results (most likely in early August).

What About Dividends?

The board of directors of *CenterPoint Energy* slashed its dividend 48%, largely due to a steep decline in the value of its investment in, and a cut in the distributions received from, Enable. The boards of *ALLETE*, *Alliant Energy*, *WEC Energy*, and *Otter Tail* raised the payout in January or February, before the economic problems began. *DTE Energy* reiterated its expectation of 7% increases this year and next. Perhaps the economic problems will result in a lower rate of dividend growth, but we do not expect the boards of any companies reviewed here to cut the disbursement.

Conclusion

The price of almost every electric utility stock has declined in 2020, steeply in some cases. Most notably, the quotation of *CenterPoint Energy* has plummeted 34%. By contrast, the prices of *Ameren*, *Evergy*, *Fortis*, and *WEC Energy* have risen or declined just slightly, as these companies are pure plays in the regulated utility business and are better positioned to cope with the problems brought on by the economic downturn. The average dividend yield of equities in the Electric Utility Industry is 3.6%. Several issues reviewed this week offer attractive 18-month total return potential, but prospects for the period to 2023-2025 aren't as appealing.

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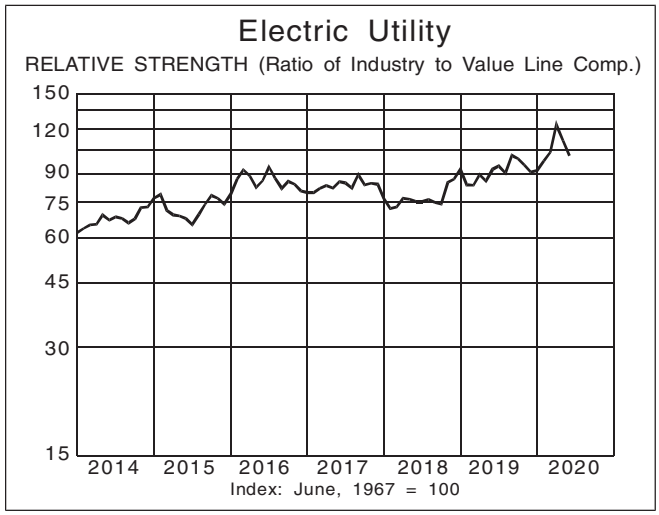

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