For Immediate Release

NATION'S TOP UTILITY COMPANIES TAKE VARIED APPROACHES TO BUSINESS RISKS POSED BY CLIMATE CHANGE, FROM FORWARD-LOOKING TO DEFENSE OF STATUS QUO

Most Utilities Lack Boards with Relevant Climate Science Expertise; Six Companies Still Rely on Coal for More Than 75 Percent of Energy

NEW YORK, NY, April 14, 2016 – Utilities are taking widely varied paths to meet climate change business challenges – from new approaches that will guarantee reliable energy supplies to litigation to protect the status quo. These findings are contained in a new report, *The Top 25 U.S. Electric Utilities: Climate Change, Corporate Governance and Politics*, from the Investor Responsibility Research Center Institute (IRRCi) and the Sustainable Investments Institute (SI2).

Download the full study here.

"Whatever your opinion of climate change, it is a reality that regulation and societal pressure is changing the business landscape for utilities," said Jon Lukomnik, IRRCi executive director. "Some utilities are taking proactive approaches to ensure ample and dependable energy supplies that reduce regulatory and legal risk. But other utilities are digging in their heels while looking backwards to maintain business as usual. Rather than changing the energy mix or seeking innovation that can reduce capital costs, some utilities are deploying their resources toward court battles and political influence."

Lukomnik added, "This report offers a new multi-perspective framework to help stakeholders understand each utility's climate change business strategies. Investors, in particular, can use this report to better evaluate which companies are deploying forward-thinking approaches and better equipping themselves for the business challenges ahead by improving their board expertise and management incentives."

"The tension between long-term planning needs and short-term profit taking comes out clearly in the report," said report lead author Sara E. Murphy. "We've tried to connect the dots between the most pressing issues on which investors say they want action—climate change and corporate political activity transparency—for a sector that will be hard hit if it doesn't adapt."

This comprehensive, 117-page study offers a new framework as outlined below with 12 key metrics for investors, companies and others to measure the nation's 25 largest public utilities' climate change orientation.

1. **Energy Mix**: Among the 20 companies that generate their own power, six rely on coal for more than 75 percent of their fuel cost including AES, NiSource, DTE Energy, Ameren, CMS Energy and American Electric Power. Conversely, coal makes up none of the fuel mix for two companies—PG&E and Sempra Energy.
2. **Advanced Metering**: Advanced Metering Infrastructure enables two-way communication between utilities and customers, helping to reduce energy demand. Leaders using this technology for grid modernization are CenterPoint Energy, Edison International, PG&E and Sempra Energy, Duke Energy, Consolidated Edison and PPL in Pennsylvania and Florida.
3. **Return on Capital Relative to Capital Expenditures (RoC:CapEx)**: The report explores how effectively utilities deploy capital while considering climate risks. CenterPoint Energy, Eversource Energy and DTE Energy have the strongest ratios, while Dominion Resources, Duke Energy, Exelon, FirstEnergy, NRG Energy and Southern have the weakest ratios.
4. **Stranded Carbon Asset Risk**: Stranded carbon asset risk measures the potential that a utility's assets can never be used if global warming is to be limited to two degrees Celsius. Data available for 12 of the 25 companies show that AEP, NRG Energy, Ameren and DTE Energy face the highest stranded carbon risk. Duke Energy, FirstEnergy, Southern and PPL have the lowest risk.
5. **Emissions Intensity**: This shows each company's contribution to the U.S. carbon footprint. The most carbon-intensive utilities are NiSource, NRG Energy, CMS Energy, Xcel Energy, DTE Energy, American Electric Power and AES. Those with the lowest intensity are PG&E and Exelon.
6. **Emissions Transparency**: While required emissions disclosure rules cover all 25 utilities, 15 also provide more extensive, voluntary reporting.
7. **Potential Legal Liability**: The Clean Power Plan, the primary vehicle through which the United States has pledged to implement the Paris climate accord, could impose financial penalties on greenhouse gas emitters. According to a Michigan Technical University analysis, Southern, NextEra Energy and AEP face the biggest potential liability. PG&E, Exelon and PSEG have the least risk.
8. **Board Climate Change Oversight and Expertise**: Among the utilities examined in this study, three firms—Ameren, Exelon and PG&E— currently have specifically articulated climate change board oversight responsibilities.
9. **Environment and Climate Change Management Incentives**: Few compensation incentives concern the environment and/or climate change.

When these issues are mentioned in incentive discussions, there is a heavy emphasis on legal compliance, but little else. An exception is Xcel Energy, which has stronger and more specific disclosures on the subject.

10. **Political Activity Spending and Public Policy Position Disclosure**: The 25 utilities in the study have together spent more than $400 million on federal lobbying and in federal and state elections in the last five years. NRG Energy, FirstEnergy. Southern and AEP are among the highest spenders. On the low end of the intensity scale are AES, Consolidated Edison, ONEOK and PPL.
11. **Corporate Political Activity Governance**: The Center for Political Accountability's Index shows that Edison International, Exelon, PG&E, Ameren and Entergy score highly, while CenterPoint Energy, AES, NRG Energy, FirstEnergy, Eversource Energy, ONEOK, NextEra Energy and NiSource score poorly.
12. **Litigation**: A number of utilities are taking legal stands for or against the Clean Power Plan. NextEra Energy and PG&E stand out for their legal support of the CPP, while Southern is the most active company opposing the CPP. AEP, Ameren, DTE Energy, Duke Energy, Entergy, NRG Energy and PPL are also active in their opposition to the CPP.

Download the full study here.

The Investor Responsibility Research Center Institute is a nonprofit research organization that funds academic and practitioner research enabling investors, policymakers, and other stakeholders to make data-driven decisions. IRRCi research covers a wide range of topics of interest to investors, is objective, unbiased, and disseminated widely. More information is available at www.irrcinstitute.org

The Sustainable Investments Institute (Si2) provides institutional investors with in-depth, impartial analysis of environmental and social policy shareholder resolutions filed at U.S. companies. It also is an incubator for empirical research on emerging sustainability topics and corporate and investor responsibility issues. More about Si2 is at www.siinstitute.org.

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