

Q2 2023 Dividends

HIGHLIGHTS

- Twenty-one companies increased or reinstated their dividend in 2023's first half compared to 22, 18 and 22 during the same period of 2022, 2021 and 2020, respectively. There were no dividend reductions.
- Thirty-eight of the 39 utilities in the EEI Index were paying a common stock dividend as of June 30, 2023.
- The average dividend increase during the first half of 2023 was 5.3%, with a range of 1.6% to 10.0% and a median increase of 5.8%.
- The electric utility industry's dividend payout ratio was 64.6% for the twelve months ended March 31, 2023, higher than all other U.S. business sectors.
- The industry's average dividend yield was 3.8% on June 30, 2023, leading all U.S. business sectors.

I. Sector Comparison, Dividend Payout Ratio

Last Twelve Months

Sector	Payout Ratio (%)
EEI Index Companies*	64.6
Utilities	59.7
Consumer Staples	54.1
Materials	36.7
Energy	35.3
Industrial	34.0
Health Care	30.5
Financial	27.4
Technology	26.2
Consumer Discretionary	22.5

*For this table, EEI (1) sums dividends and (2) sums earnings of all index companies and then (3) divides to determine the comparable DPR.

EEI Index Companies payout ratio based on LTM common dividends paid and income before nonrecurring and extraordinary items.

S&P sector payout ratios based on 2023E dividends and earnings per share (estimates as of 6/30/2023).

For more information on constituents of each S&P sector see www.sectorspdr.com.
Source: AltaVista Research, S&P Global Market Intelligence, EEI Finance Department.

II. Sector Comparison, Dividend Yield

at 6/30/2023

Sector	Yield (%)
EEI Index Companies	3.8
Energy	3.5
Utilities	3.4
Consumer Staples	2.6
Materials	2.1
Financial	2.0
Industrial	1.8
Health Care	1.7
Consumer Discretionary	0.9
Technology	0.9

*EEI Index Companies' yield based on last announced, annualized dividend rates (as of 6/30/2023); S&P sector yields based on 2023E cash dividends (estimates as of 6/30/2023).

For more information on constituents of each S&P sector see www.sectorspdr.com.
Source: AltaVista Research, S&P Global Market Intelligence, EEI Finance Department.

COMMENTARY

The investor-owned electric utility industry continued its long-term trend of widespread dividend increases during the first six months of 2023. A total of 21 companies increased or reinstated their dividend compared to 22, 18 and 22 during the same period of 2022, 2021 and 2020, respectively. There were no dividend reductions in the first half of 2023; this compares to one, zero and two during the full calendar-years 2022, 2021 and 2020. Continuing on a full-year basis, 34 companies increased their dividend in 2022 compared to 32 in 2021, 34 in 2020, 37 in 2019, 39 in 2018, 38 in 2017, 40 in 2016 and 36 to 40 companies annually from 2012 through 2015. The percentage of companies that raised or reinstated their dividend was 87% in 2022, which was up from 82% in 2021 and in line with the 85% to 93% range seen from 2015 through 2020. By contrast, only 27 of the 65 utilities tracked

III. Dividend Patterns 2001–2023

U.S. Investor-Owned Electric Utilities

	Raised	No Change	Lowered	Omitted	Reinstated	Not Paying	Total	Dividend Payout Ratio*									
2001	21	40	3	2	0	3	69	64.1%									
2002	26	27	6	3	0	3	65	67.5%									
2003	26	24	7	2	1	5	65	63.7%									
2004	35	22	1	0	0	7	65	67.9%									
2005	34	22	1	1	2	5	65	66.5%									
2006	41	17	0	0	0	6	64	63.5%									
2007	40	15	0	0	3	3	61	62.1%									
2008	36	20	1	0	1	1	59	66.8%									
2009	31	23	3	0	0	1	58	69.6%									
2010	34	22	0	0	0	1	57	62.0%									
2011	31	22	0	1	1	0	55	62.8%									
2012	36	14	0	0	1	0	51	64.2%									
2013	36	12	1	0	0	0	49	61.5%									
2014	38	9	1	0	0	0	48	60.4%									
2015	39	7	0	0	0	0	46	67.0%									
2016	40	4	0	0	0	0	44	62.9%									
2017	38	4	0	1	0	0	43	64.0%									
2018	39	1	1	0	0	1	42	63.9%									
2019	37	2	0	0	0	1	40	62.6%									
2020	34	2	2	0	0	1	39	65.3%									
2021	32	6	0	0	0	1	39	61.6%									
2022	34	3	1	0	0	1	39	69.1%									
2023 Q1	19	19	0	0	0	1	39	69.5%									
2023 Q2	2	36	0	0	0	1	39	68.2%									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 Q1	2023 Q2
Avg. Increase	9.4%	7.2%	8.2%	6.8%	7.2%	5.3%	5.7%	5.8%	5.6%	5.6%	5.7%	5.1%	5.1%	4.8%	5.2%	5.4%	4.0%
Avg. Decrease	45.7%	46.4%	NA	100%	NA	41.0%	34.5%	NA	NA	NA	79.8%	NA	40.6%	NA	51.8%	NA	NA

Note: Only one action per company per year is counted. If a company raised its dividend twice, this counts as one in the Raised column. / *2023 figures reflect dividend changes (raised, lowered, etc.) through 6/30/2023 and earnings and dividends through 3/31/2023 (payout ratio).

Source: AltaVista Research, S&P Global Market Intelligence, EEI Finance Department.

IV. Category Comparison, Dividend Payout Ratio

Last Twelve Months

Category	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023*
EEI Index	60.4	67.0	62.9	64.0	63.9	62.6	65.3	61.6	70.8	68.2
Regulated	59.4	68.7	61.1	68.7	60.1	62.1	65.3	59.5	69.2	65.9
Mostly Reg.	63.8	62.6	68.0	53.3	72.8	64.1	65.2	69.0	77.4	83.6
Diversified	56.4	64.9	64.6	--	--	--	--	--	--	--

Regulated: 80% or more of total assets are regulated

Mostly Regulated: Less than 80% of total assets are regulated

Diversified: Prior to 2017, less than 50% of total assets are regulated

*2023 figures reflect earnings and dividends through 3/31/2023.

Source: EEI Finance Department, S&P Global Market Intelligence and company reports.

by EEI increased their dividend in 2003, just prior to the passage of legislation that reduced dividend tax rates. The percentages noted above are drawn from a dataset that begins in 1988. Mergers and acquisitions reduced the number of publicly traded utilities included in the EEI Index from 65 in 2003 to 39 at year-end 2022.

As shown in Table III, 38 of the 39 publicly traded utilities in the EEI Index were paying a common stock dividend as of June 30, 2023. Each company is limited to one action per year in the table; if a company raised its dividend twice

V. Category Comparison, Dividend Yield

at 6/30/2023

Category	Dividend Yield (%)
EEI Index	3.8
Regulated	3.7
Mostly Regulated	4.0

Regulated: 80% or more of total assets are regulated

Mostly Regulated: Less than 80% of total assets are regulated

Source: EEI Finance Department, S&P Global Market Intelligence and company reports.

during a year that counts as one in the Raised column. Nineteen of the 21 increases in 2023's first half occurred in Q1. Electric utilities generally use the same quarter each year for dividend changes, with Q1 the most common.

2023 Increases Average 5.3%

The average dividend increase during the first half of 2023 was 5.3%, with a range of 1.6% to 10.0% and a median increase of 5.8%. NextEra Energy (+10.0% in Q1), WEC Energy (+7.2% in Q1), Ameren (+6.8% in Q1), and Xcel

VI. Dividend Summary

U.S. Investor-Owned Electric Utilities (at 6/30/2023)

Company Name	Ticker	Category	Annual Dividend Rate	Payout Ratio	Dividend Yield	Last Action	To	From	Announced
ALLETE, Inc.	ALE	MR	\$2.71	122.7%	4.7%	Raised	\$2.71	\$2.60	2023 Q1
Alliant Energy Corporation	LNT	R	\$1.81	66.2%	3.4%	Raised	\$1.81	\$1.71	2023 Q1
Ameren Corporation	AEE	R	\$2.52	57.1%	3.1%	Raised	\$2.52	\$2.36	2023 Q1
American Electric Power Co., Inc.	AEP	R	\$3.32	65.9%	3.9%	Raised	\$3.32	\$3.12	2022 Q4
AVANGRID, Inc.	AGR	MR	\$1.76	111.6%	4.7%	Raised	\$1.76	\$1.73	2018 Q3
Avista Corporation	AVA	R	\$1.84	95.4%	4.7%	Raised	\$1.84	\$1.76	2023 Q1
Black Hills Corporation	BKH	R	\$2.50	59.7%	4.1%	Raised	\$2.50	\$2.38	2022 Q4
CenterPoint Energy, Inc.	CNP	R	\$0.76	53.2%	2.6%	Raised	\$0.76	\$0.72	2022 Q4
CMS Energy Corporation	CMS	R	\$1.95	82.0%	3.3%	Raised	\$1.95	\$1.84	2023 Q1
Consolidated Edison, Inc.	ED	R	\$3.24	67.7%	3.6%	Raised	\$3.24	\$3.16	2023 Q1
Dominion Resources, Inc.	D	R	\$2.67	54.0%	5.2%	Raised	\$2.67	\$2.52	2022 Q1
DTE Energy Company	DTE	R	\$3.81	62.2%	3.5%	Raised	\$3.81	\$3.54	2022 Q4
Duke Energy Corporation	DUK	R	\$4.02	77.0%	4.5%	Raised	\$4.02	\$3.94	2022 Q3
Edison International	EIX	R	\$2.95	46.1%	4.2%	Raised	\$2.95	\$2.80	2022 Q4
Entergy Corporation	ETR	R	\$4.28	89.4%	4.4%	Raised	\$4.28	\$4.04	2022 Q4
Evergy, Inc.	EVRG	R	\$2.45	66.0%	4.2%	Raised	\$2.45	\$2.29	2022 Q4
Eversource Energy	ES	R	\$2.70	59.6%	3.8%	Raised	\$2.70	\$2.55	2023 Q1
Exelon Corporation	EXC	R	\$1.44	59.8%	3.5%	Raised	\$1.44	\$1.35	2023 Q1
FirstEnergy Corp.	FE	R	\$1.56	150.2%	4.0%	Raised	\$1.56	\$1.52	2019 Q4
Hawaiian Electric Industries, Inc.	HE	MR	\$1.44	67.5%	4.0%	Raised	\$1.44	\$1.40	2023 Q1
IDACORP, Inc.	IDA	R	\$3.16	58.1%	3.1%	Raised	\$3.16	\$3.00	2022 Q4
MDU Resources Group, Inc.	MDU	MR	\$0.89	52.5%	4.3%	Raised	\$0.89	\$0.87	2022 Q4
MGE Energy, Inc.	MGEE	R	\$1.63	54.1%	2.1%	Raised	\$1.63	\$1.55	2022 Q3
NextEra Energy, Inc.	NEE	MR	\$1.87	63.8%	2.5%	Raised	\$1.87	\$1.70	2023 Q1
NiSource Inc.	NI	R	\$1.00	55.7%	3.7%	Raised	\$1.00	\$0.94	2023 Q1
NorthWestern Corporation	NWE	R	\$2.56	77.4%	4.5%	Raised	\$2.56	\$2.52	2023 Q1
OGE Energy Corp.	OGE	R	\$1.66	77.8%	4.6%	Raised	\$1.66	\$1.64	2022 Q3
Otter Tail Corporation	OTTR	R	\$1.75	25.4%	2.2%	Raised	\$1.75	\$1.65	2023 Q1
PG&E Corporation	PCG	R	-	0.0%	0.0%	Lowered	\$0.00	\$2.12	2017 Q4
Pinnacle West Capital Corporation	PNW	R	\$3.46	79.2%	4.2%	Raised	\$3.46	\$3.40	2022 Q4
PNM Resources, Inc.	PNM	R	\$1.47	53.0%	3.3%	Raised	\$1.47	\$1.39	2022 Q4
Portland General Electric Company	POR	R	\$1.90	64.8%	4.1%	Raised	\$1.90	\$1.81	2023 Q2
PPL Corporation	PPL	R	\$0.96	55.5%	3.6%	Raised	\$0.96	\$0.90	2023 Q1
Public Service Enterprise Group Inc.	PEG	R	\$2.28	45.5%	3.6%	Raised	\$2.28	\$2.16	2023 Q1
Sempra Energy	SRE	R	\$2.38	48.6%	3.3%	Raised	\$2.38	\$2.29	2023 Q1
Southern Company	SO	R	\$2.80	82.0%	4.0%	Raised	\$2.80	\$2.72	2023 Q2
Unitil Corporation	UTL	R	\$1.62	57.5%	3.2%	Raised	\$1.62	\$1.56	2023 Q1
WEC Energy Group, Inc.	WEC	R	\$3.12	69.3%	3.5%	Raised	\$3.12	\$2.91	2023 Q1
Xcel Energy Inc.	XEL	R	\$2.08	58.1%	3.3%	Raised	\$2.08	\$1.95	2023 Q1
Industry Average				68.2%	3.8%				

Categories — R = Regulated (80% or more of total assets are regulated), MR = Mostly Regulated (Less than 80% of total assets are regulated); based on assets at 12/31/2021.

Dividend Per Share — Per share amounts are annualized declared figures as of 6/30/2023.

Dividend Payout Ratio — Dividends paid for 12 months ended 3/31/2023 divided by net income before nonrecurring and extraordinary items for 12 months ended 3/31/2023.

While net income is after tax, nonrecurring and extraordinary items are pre-tax as there is no consistent method of gathering these items on a tax-adjusted basis under current reporting guidelines. On an individual company basis, the Payout Ratio in the table could differ slightly from what is reported directly by the company. NM applies to companies with negative earnings or payout ratios greater than 200%.

Dividend Yield — Annualized Dividends Per Share at 6/30/2023 divided by stock price at market close on 6/30/2023.

Source: EEI Finance Department and S&P Global Market Intelligence.

Energy, PPL Corporation and Exelon (all +6.7% in Q1) posted the largest percentage increases.

NextEra Energy, headquartered in Juno Beach, Florida, increased its quarterly dividend from \$0.425 to \$0.4675 per share during the first quarter. The increase is consistent with its plan, announced in 2022, to target roughly 10% annual growth in dividends per share through at least 2024, off a

2022 base. NextEra recorded the industry’s highest percentage increases in 2022 (+10.4%), 2021 (+10.0%), 2020 (+12.0%) and 2019 (+12.6%), which followed the second-highest percentage increase in 2018 (+13.0%) and the largest percentage increases in both 2017 (+12.9%) and 2016 (+13.0%, along with Edison International and DTE Energy).

VII. Free Cash Flow

U.S. Investor-Owned Electric Utilities

(\$ Billions)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net Cash Provided by Oper. Activi-	82.9	77.7	84.4	84.0	87.1	89.0	101.6	98.3	101.2	100.0	95.3	67.7	82.4	92.3
— Capital Expenditures	(77.6)	(74.2)	(78.6)	(90.3)	(90.3)	(96.1)	(104.0)	(112.5)	(113.1)	(121.0)	(125.9)	(135.3)	(136.6)	(150.8)
— Div. Paid to Common Shares	(17.1)	(18.0)	(19.3)	(20.5)	(20.8)	(21.1)	(22.5)	(23.8)	(25.5)	(25.6)	(27.9)	(29.3)	(30.3)	(31.4)
Free Cash Flow	(11.8)	(14.4)	(13.5)	(26.8)	(24.0)	(28.2)	(24.8)	(38.0)	(37.5)	(46.6)	(58.5)	(96.9)	(84.4)	(89.9)

Source: S&P Global Market Intelligence and EEI Finance Department.

WEC Energy Group, based in Milwaukee, Wisconsin, raised its quarterly dividend from \$0.7275 to \$0.78 in the first quarter. This marked its 322nd consecutive quarterly common stock dividend dating back to 1942 and the 20th straight year with a dividend increase. WEC Energy continues to target a dividend payout ratio of 65% to 70% of earnings.

Ameren, headquartered in St. Louis, Missouri, raised its quarterly dividend from \$0.59 to \$0.63 per share in Q1, marking the tenth consecutive annual increase. The company anticipates dividend growth will be in line with long-term earnings growth and expects to maintain a payout ratio of 55% to 70%.

Xcel Energy, based in Minneapolis, Minnesota, increased its quarterly dividend from \$0.4875 to \$0.52 per share during Q1. Since increasing its dividend growth objective in 2015 to a range of 5% to 7% annually, Xcel has delivered average annual dividend increases above 6%.

PPL Corporation, headquartered in Allentown, Pennsylvania, raised its quarterly dividend from \$0.225 to \$0.24 per share in Q1. The company reaffirmed expectations of 6% to 8% annual per share earnings and dividend growth through at least 2026.

Exelon, based in Chicago, Illinois, increased its quarterly dividend from \$0.3375 to \$0.36 per share during Q1. In February 2022, the company completed the separation of Constellation Energy (Exelon's former power generation and competitive energy business) from Exelon with Exelon continuing as parent company for the fully regulated transmission and distribution utilities.

The industry's average and median increases have been relatively consistent in recent years. The average increase was 5.2% in 2022, 4.8% in 2021, 5.1% in both 2020 and 2019, 5.7% in 2018 and 5.6% in 2017 and 2016. The median increase was 5.6% in 2022, 5.4% in 2021, 5.5% in 2020, 4.9% in 2019, 5.5% in 2018 and 2017 and 5.1% in 2016.

Payout Ratio and Dividend Yield

The industry's dividend payout ratio was 64.6% for the twelve months ended March 31, 2023, higher than all other U.S. business sectors (see Table 1). The industry's payout ratio was 68.2% when measured as an unweighted average of individual company ratios; 64.6% represents an aggregate

figure. From 2000 through 2021, the industry's annual payout ratio ranged from 60.4% to 70.8%.

While the industry's net income has fluctuated from year to year, its payout ratio has remained relatively consistent after eliminating non-recurring and extraordinary items from earnings. We use the following approach when calculating the industry's dividend payout ratio:

1. Non-recurring and extraordinary items are eliminated from earnings.
2. Companies with negative adjusted earnings are eliminated.
3. Companies with a payout ratio in excess of 200% are eliminated.

The industry's average dividend yield was 3.8% on June 30, 2023, leading all U.S. business sectors. The yield had fallen to 3.3% on June 30, 2022 and has since risen due to lower utility stock prices along with higher dividends; the market-cap-weighted EEI Index had a total shareholder return of negative 4.3% for the year ended June 30, 2023. The industry's average dividend yield was 3.4% at year-end 2022, 3.3% at year-end 2021, 3.6% at year-end 2020 and 3.0% at year-end 2019.

We calculate the industry's average dividend yield using an unweighted average of the yields of EEI Index companies paying a dividend. The strong yields prevalent among most electric utilities have helped support their share prices over the past decade, particularly given the period's historically low interest rates.

Business Category Comparison

The Regulated category's dividend payout ratio was 65.9% for the twelve months ended March 31, 2023, compared to 83.6% for the Mostly Regulated category. The Regulated group produced the highest annual payout ratio of the two groups in 2020, 2017, 2015, 2011, 2010 and in each year from 2003 through 2008.

The Regulated and Mostly Regulated groups' average dividend yields were 3.7% and 4.0%, respectively on June 30, 2023, compared to 3.3% and 3.4% on June 30, 2022, 3.5% and 3.1% on June 30, 2021 and 3.7% and 3.8% on June 30, 2020.

Electric Utilities' History of Strong Dividends

The electric utility sector has long been known as a leading dividend payer among U.S. business sectors. This reputation is founded on:

- A steady stream of income from a product that is universally needed and with low elasticity of demand.
- A mostly regulated industry that provides reasonable returns on investment and relatively low investment risk.
- A mature industry comprised of companies with very long track records of maintaining and/or steadily increasing their dividends over time.

These characteristics are especially attractive to an aging population of investors who seek a combination of growth and income. A typical total return model for electric utilities is approximately 4% to 5% annual earnings growth and a 3% to 4% dividend yield, producing a highly visible and

relatively stable 7% to 9% annualized long-term total return potential.

Dividend Tax Rates

The top tax rate for both dividends and capital gains is currently 20%, with 2022 income thresholds of \$517,200 for couples and \$459,750 for individuals. For taxpayers below these thresholds, dividends and capital gains are taxed at rates of 15% or 0%, depending on a filer's income. A 3.8% Medicare tax that was included in 2010 health care legislation is also applied to all investment income for couples earning more than \$250,000 (\$200,000 for singles).

The Tax Cuts and Jobs Act (TCJA), signed into law in December 2017, maintained the pre-existing and equal tax rates for dividends and capital gains. This parity is crucial to avoid a capital raising disadvantage for companies, such as electric utilities, that rely on a strong dividend to attract investors and finance capital spending. ■