Edison Electric INSTITUTE

Dividends

Q2 2022
FINANCIAL UPDATE

QUARTERLY REPORT
OF THE U.S. INVESTOR-OWNED
ELECTRIC UTILITY INDUSTRY

About EEI

EEI is the association that represents all U.S. investor-owned electric companies. Our members provide electricity for 220 million Americans, and operate in all 50 states and the District of Columbia. As a whole, the electric power industry supports more than 7 million jobs in communities across the United States. In addition to our U.S. members, EEI has more than 60 international electric companies, with operations in more than 90 countries, as International Members, and hundreds of industry suppliers and related organizations as Associate Members. Organized in 1933, EEI provides public policy leadership, strategic business intelligence, and essential conferences and forums.

About EEI's Quarterly Financial Updates

EEI's quarterly financial updates present industry trend analyses and financial data covering 44 U.S. investor-owned electric utility companies. These 44 companies include 39 electric utility holding companies whose stocks are traded on major U.S. stock exchanges and five electric utilities who are subsidiaries of non-utility or foreign companies. Financial updates are published for the following topics:

- Stock Performance
- Dividends
- Credit Ratings
- Rate Review

EEI Finance Department material can be found online at: www.eei.org/QFU.

For EEI Member Companies

The EEI Finance and Accounting Division maintains current year and historical data sets that cover a wide range of industry financial and operating metrics. We look forward to serving as a resource for member companies who wish to produce customized industry financial data and trend analyses for use in:

- Investor relations studies and presentations
- Internal company presentations
- Performance benchmarking
- Peer group analyses
- Annual and quarterly reports to shareholders

We Welcome Your Feedback

EEI is interested in ensuring that our publications and industry data sets best address the needs of member companies and the regulatory and financial communities. We welcome your comments, suggestions and inquiries.

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Future EEI Finance Meetings

EEI Financial Conference
November 13-15, 2022
Diplomat Resort & Spa
Hollywood, Florida

For more information about future EEI Finance Meetings, please contact Aaron Cope, Jr. at (202) 508-5128 or acope@eei.org

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The 44 U.S. Investor-Owned Electric Utilities

The companies listed below all serve a regulated distribution territory. Other utilities, such as transmission provider ITC Holdings, are not shown below because they do not serve a regulated distribution territory. However, their financial information is included in relevant EEI data sets, such as transmission-related construction spending.

ALLETE, Inc. (ALE)
Alliant Energy Corporation (LNT)
Ameren Corporation (AEE)
American Electric Power Company, Inc. (AEP)
AVANGRID, Inc. (AGR)
Avista Corporation (AVA)
Berkshire Hathaway Energy
Black Hills Corporation (BKH)
CenterPoint Energy, Inc. (CNP)
Cleco Corporation
CMS Energy Corporation (CMS)
Consolidated Edison, Inc. (ED)
Dominion Energy, Inc. (D)
DPL, Inc.
DTE Energy Company (DTE)
Duke Energy Corporation (DUK)
Edison International (EIX)
Entergy Corporation (ETR)
Evergy, Inc. (EVRG)
Eversource Energy (ES)
Exelon Corporation (EXC)
FirstEnergy Corp. (FE)
Hawaiian Electric Industries, Inc. (HE)
IDACORP, Inc. (IDA)
IPALCO Enterprises, Inc.
MDU Resources Group, Inc. (MDU)
MGE Energy, Inc. (MGEE)
NextEra Energy, Inc. (NEE)
NiSource Inc. (NI)
NorthWestern Corporation (NWE)
OGE Energy Corp. (OGE)
Otter Tail Corporation (OTTR)
PG&E Corporation (PCG)
Pinnacle West Capital Corporation (PNW)
PNM Resources, Inc. (PNM)
Portland General Electric Company (POR)
PPL Corporation (PPL)
Public Service Enterprise Group Inc. (PEG)
Puget Energy, Inc.
Sempra Energy (SRE)
Southern Company (SO)
Unitil Corporation (UTL)
WEC Energy Group, Inc. (WEC)
Xcel Energy, Inc. (XEL)

Note: Companies shown in italics are not listed on U.S. stock exchanges for one of the following reasons — they are subsidiaries of an independent power producer; they are subsidiaries of foreign-owned companies; or they were acquired by other investment firms.

Companies Listed by Category

(Based on Business Segmentation Data as of 12/31/2021)

Please refer to the Quarterly Financial Updates webpage for previous years' lists.

Given the diversity of utility holding company corporate strategies, no single company categorization approach will be useful for all EEI members and utility industry analysts. Nevertheless, we believe the following classification provides an informative framework for tracking financial trends.

Regulated	80% or more of total assets are regulated
Mostly Regulated	Less than 80% of total assets are regulated

Categorization is based on year-end business segmentation data presented in SEC 10-K filings, supplemented by discussions with and information provided by parent company IR departments.

The EEI Finance and Accounting Division continues to evaluate our approach to company categorization and business segmentation. In addition, we can produce customized categorization and peer group analyses in response to member company requests. We welcome comments, suggestions and feedback from EEI member companies and the financial community.

Regulated (36 of 44)

Alliant Energy Corporation
Ameren Corporation
American Electric Power Company, Inc.
Avista Corporation
Black Hills Corporation
CenterPoint Energy, Inc.
Cleco Corporation
CMS Energy Corporation
Consolidated Edison, Inc.
Dominion Energy, Inc.
DPL Inc.
DTE Energy Company
Duke Energy Corporation
Edison International
Entergy Corporation
Evergy, Inc.
Eversource Energy
FirstEnergy Corp.
IDACORP, Inc.
IPALCO Enterprises, Inc.
MGE Energy, Inc.
NiSource Inc.
NorthWestern Corporation
OGE Energy Corp.
Otter Tail Corporation
PG&E Corporation
Pinnacle West Capital Corporation
PNM Resources, Inc.
Portland General Electric Company
PPL Corporation
Puget Energy, Inc.
Sempra Energy
Southern Company
Unitil Corporation
WEC Energy Group, Inc.
Xcel Energy Inc.

Mostly Regulated (8 of 44)

ALLETE, Inc.
AVANGRID, Inc.
Berkshire Hathaway Energy
Exelon Corporation
Hawaiian Electric Industries, Inc.
MDU Resources Group, Inc.
NextEra Energy, Inc.
Public Service Enterprise Group Incorporated

Note: Companies shown in italics are not listed on U.S. stock exchanges for one of the following reasons — they are subsidiaries of an independent power producer; they are subsidiaries of foreign-owned companies; or they were acquired by other investment firms.

Q2 2022

Dividends

HIGHLIGHTS

- Twenty-two companies increased or reinstated their dividend in 2022's first half compared to 18 and 22 in the comparable year-ago and 2020 periods. One company reduced its dividend.
- Thirty-eight of the 39 utilities in the EEI Index were paying a common stock dividend as of June 30, 2022.
- The average dividend increase during 2022's first half was 5.5% with a range of 1.6% to 10.4% and a median increase of 5.8%.
- The industry's dividend payout ratio was 67.7% for the twelve months ended March 31, 2022, higher than all other U.S. business sectors.
- The industry's average dividend yield was 3.3% on June 30, 2022, leading all U.S. business sectors.

COMMENTARY

The investor-owned electric utility industry continued its long-term trend of widespread dividend increases during the first six months of 2022. A total of 22 companies increased or reinstated their dividend compared to 18 and 22 during the same periods of 2021 and 2020, respectively. There was one dividend reduction in the first half of 2022 compared to zero in calendar-year 2021 and two in calendar-year 2020.

Thirty-two companies increased their dividend in full calendar-year 2021 compared to 34 in 2020, 37 in 2019, 39 in 2018, 38 in 2017, 40 in 2016 and 36 to 39 companies annually from 2012 through 2015. Continuing on a calendar-year basis, the percentage of companies that raised or reinstated their dividend was 82% in 2021; this was just below the 85% to 93% range seen from 2015 through 2020. By contrast, only 27, or 42%, of the 65 utilities tracked by EEI increased

I. Sector Comparison, Dividend Payout Ratio

Last Twelve Months

Sector	Payout Ratio (%)
EEI Index Companies*	67.7%
Utilities	62.4%
Consumer Staples	54.7%
Industrial	32.5%
Energy	30.8%
Financial	28.1%
Materials	26.8%
Health Care	26.1%
Technology	22.4%
Consumer Discretionary	22.0%

*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 2022E dividends and earnings per share (estimates as of 6/30/2022).

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 6/30/2022

Sector	Yield (%)
EEI Index Companies*	3.3%
Energy	3.0%
Utilities	2.9%
Consumer Staples	2.6%
Financial	2.1%
Materials	1.9%
Industrial	1.7%
Health Care	1.6%
Technology	1.0%
Consumer Discretionary	0.9%

*EEI Index Companies' yield based on last announced, annualized dividend rates (as of 6/30/2022); S&P sector yields based on 2022E cash dividends (estimates as of 6/30/2022).

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.

III. Dividend Patterns 2001–2021

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 Q1	19	18	1	0	0	1	39	59.6%
2022 Q2	3	35	0	0	0	1	39	61.4%

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Q1 2022	Q2 2022*
Avg. Increase	7.4%	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%	5.1%	5.3%	6.9%
Avg. Decrease	NA	45.7%	46.4%	NA	100%	NA	41.0%	34.5%	NA	NA	NA	79.8%	NA	40.6%	NA	51.8%	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. / *2022 figures reflect dividend changes (raised, lowered, etc.) through 6/30/2022 and earnings and dividends through 3/31/2022 (payout ratio).
Source: AltaVista Research, S&P Global Market Intelligence, EEI Finance Department.

IV. Category Comparison, Dividend Payout Ratio

Last Twelve Months

Category	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022*
EEI Index	61.5	60.4	67.0	62.9	64.0	63.9	62.6	65.3	61.6	61.4
Regulated	60.5	59.4	68.7	61.1	68.7	60.1	62.1	65.3	59.5	60.8
Mostly Reg.	64.7	63.8	62.6	68.0	53.3	72.8	64.1	65.2	69.0	64.1
Diversified	44.7	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
*2022 figures reflect earnings and dividends through 3/31/2022.
Source: EEI Finance Department, S&P Global Market Intelligence and company reports.

V. Category Comparison, Dividend Yield

at 6/30/2022

Category	Dividend Yield (%)
EEI Index	3.3
Regulated	3.3
Mostly Regulated	3.4

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.

their dividend in 2003, just prior to the passage of legislation that reduced dividend tax rates. The percentages noted above are drawn from data that begins in 1988. Mergers and acquisitions reduced the number of publicly traded utilities in the EEI Index from 65 in 2003 to 39 at year-end 2021.

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, 2022. Each company is limited to one action per year in the table. For example, if a company raised its dividend twice during a year that counts as one in the Raised column. Nineteen of the 22 increases in 2022's first half occurred in Q1. Electric utilities generally use the same quarter each year for dividend changes, with Q1 being the most common.

2022 Increases Average 5.5%

The average dividend increase during the first half of 2022 was 5.5%, with a range of 1.6% to 10.4% and a median increase of 5.8%. NextEra Energy (+10.4% in Q1), WEC Energy (+7.4% in Q1), Ameren (+7.3% in Q1) and NiSource (+6.8% in Q1) posted the largest percentage increases.

VI. Dividend Summary

U.S. Investor-Owned Electric Utilities (at 6/30/2022)

Company Name	Ticker	Category	Annual Dividend Rate	Payout Ratio	Dividend Yield	Last Action	To	From	Announced
ALLETE, Inc.	ALE	MR	$2.60	94.8%	4.4%	Raised	$2.60	$2.52	2022 Q1
Alliant Energy Corporation	LNT	R	$1.71	59.0%	2.9%	Raised	$1.71	$1.61	2022 Q1
Ameren Corporation	AEE	R	$2.36	57.0%	2.6%	Raised	$2.36	$2.20	2022 Q1
American Electric Power Co., Inc.	AEP	R	$3.12	58.6%	3.3%	Raised	$3.12	$2.96	2021 Q4
AVANGRID, Inc.	AGR	MR	$1.76	81.7%	3.8%	Raised	$1.76	$1.73	2018 Q3
Avista Corporation	AVA	R	$1.76	80.0%	4.0%	Raised	$1.76	$1.69	2022 Q1
Black Hills Corporation	BKH	R	$2.38	54.5%	3.3%	Raised	$2.38	$2.26	2021 Q4
CenterPoint Energy, Inc.	CNP	R	$0.68	NM	2.3%	Raised	$0.68	$0.64	2021 Q3
CMS Energy Corporation	CMS	R	$1.84	67.3%	2.7%	Raised	$1.84	$1.74	2022 Q1
Consolidated Edison, Inc.	ED	R	$3.16	65.9%	3.3%	Raised	$3.16	$3.10	2022 Q1
Dominion Resources, Inc.	D	R	$2.67	75.3%	3.3%	Raised	$2.67	$2.52	2022 Q1
DTE Energy Company	DTE	R	$3.54	55.3%	2.8%	Raised	$3.54	$3.30	2021 Q4
Duke Energy Corporation	DUK	R	$3.94	50.8%	3.7%	Raised	$3.94	$3.86	2021 Q3
Edison International	EIX	R	$2.80	37.5%	4.4%	Raised	$2.80	$2.65	2021 Q4
Entergy Corporation	ETR	R	$4.04	59.8%	3.6%	Raised	$4.04	$3.80	2021 Q4
Evergy, Inc.	EVRG	R	$2.29	61.2%	3.5%	Raised	$2.29	$2.14	2021 Q4
Eversource Energy	ES	R	$2.55	61.6%	3.0%	Raised	$2.55	$2.41	2022 Q1
Exelon Corporation	EXC	MR	$1.35	36.6%	3.0%	Raised	$1.35	N/A	2020 Q1
FirstEnergy Corp.	FE	R	$1.56	60.4%	4.1%	Raised	$1.56	$1.52	2019 Q4
Hawaiian Electric Industries, Inc.	HE	MR	$1.40	61.2%	3.4%	Raised	$1.40	$1.36	2022 Q1
IDACORP, Inc.	IDA	R	$3.00	59.9%	2.8%	Raised	$3.00	$2.84	2021 Q4
MDU Resources Group, Inc.	MDU	MR	$0.87	48.4%	3.2%	Raised	$0.87	$0.85	2021 Q4
MGE Energy, Inc.	MGEE	R	$1.55	52.7%	2.0%	Raised	$1.55	$1.48	2021 Q3
NextEra Energy, Inc.	NEE	MR	$1.70	NM	2.2%	Raised	$1.70	$1.54	2022 Q1
NiSource Inc.	NI	R	$0.94	57.3%	3.2%	Raised	$0.94	$0.88	2022 Q1
NorthWestern Corporation	NWE	R	$2.52	71.8%	4.3%	Raised	$2.52	$2.48	2022 Q1
OGE Energy Corp.	OGE	R	$1.64	94.1%	4.3%	Raised	$1.64	$1.61	2021 Q3
Otter Tail Corporation	OTTR	R	$1.65	30.1%	2.5%	Raised	$1.65	$1.56	2022 Q1
PG&E Corporation	PCG	R	$0.00	0.0%	0.0%	Lowered	$0.00	$2.12	2017 Q4
Pinnacle West Capital Corporation	PNW	R	$3.40	60.3%	4.6%	Raised	$3.40	$3.32	2021 Q4
PNM Resources, Inc.	PNM	R	$1.39	52.3%	2.9%	Raised	$1.39	$1.31	2022 Q1
Portland General Electric Company	POR	R	$1.81	73.1%	3.7%	Raised	$1.81	$1.72	2022 Q2
PPL Corporation	PPL	R	$0.90	NM	3.3%	Raised	$0.90	$0.80	2022 Q2
Public Service Enterprise Group Inc.	PEG	MR	$2.16	62.1%	3.4%	Raised	$2.16	$2.04	2022 Q1
Sempra Energy	SRE	R	$4.58	48.5%	3.0%	Raised	$4.58	$4.40	2022 Q1
Southern Company	SO	R	$2.72	76.3%	3.8%	Raised	$2.72	$2.64	2022 Q2
Unitil Corporation	UTL	R	$1.56	62.3%	2.7%	Raised	$1.56	$1.52	2022 Q1
WEC Energy Group, Inc.	WEC	R	$2.91	62.5%	2.9%	Raised	$2.91	$2.71	2022 Q1
Xcel Energy Inc.	XEL	R	$1.95	58.9%	2.8%	Raised	$1.95	$1.83	2022 Q1
Industry Average				**61.4%**	**3.3%**				

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 6/30/2022.
Dividend Payout Ratio — Dividends paid for 12 months ended 3/31/2022 divided by net income before nonrecurring and extraordinary items for 12 months ended 3/31/2022.
Dividend Yield — Annualized Dividends Per Share at 6/30/2022 divided by stock price at market close on 6/30/2022.
NM applies to companies with negative earnings or payout ratios greater than 200%. / N/A = Not Applicable

NextEra Energy, headquartered in Juno Beach, Florida, increased its quarterly dividend from $0.385 to $0.425 per share during the first quarter. The increase is consistent with its plan, announced in 2020, to target roughly 10% annual growth in dividends per share through at least 2022, off a 2020 base. NextEra recorded the industry's highest percentage increases in 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).

WEC Energy Group, based in Milwaukee, Wisconsin, raised its quarterly dividend from $0.6775 to $0.7275 in the first quarter. This marked its 318th consecutive quarterly common stock dividend, dating back to 1942, and the 19th straight year with a dividend increase. WEC Energy contin-

VII. Free Cash Flow

U.S. Investor-Owned Electric Utilities

($ Billions)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net Cash Provided by Oper. Activities	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
— Capital Expenditures	(77.6)	(74.2)	(78.6)	(90.3)	(90.3)	(96.1)	(104.0)	(112.5)	(113.1)	(119.5)	(123.8)	(132.7)	(134.1)
— 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)
Free Cash Flow	(11.8)	(14.4)	(13.5)	(26.8)	(24.0)	(28.2)	(24.8)	(38.0)	(37.5)	(44.7)	(56.4)	(94.4)	(81.9)

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

ues to target a dividend payout ratio of 65 to 70 percent of earnings.

Ameren, headquartered in St. Louis, Missouri, raised its quarterly dividend from $0.55 to $0.59 per share in Q1, marking the ninth consecutive annual increase. The company anticipates dividend growth will be in line with long-term earnings-per-share growth using its targeted payout ratio of 55% to 70%.

NiSource, based in Merrillville, Indiana, increased its quarterly dividend from $0.22 to $0.235 per share during Q1. NiSource continues to target a 60% to 70% payout ratio and 7% to 9% diluted net operating earnings per share (non GAAP) compound annual growth through 2024, driven by infrastructure investment.

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

PPL reduced its quarterly dividend from $0.415 to $0.20 in Q1 as part of a strategic repositioning and dividend reset. PPL completed a targeted $1 billion share repurchase program on December 31, 2021, which returned value to existing shareholders in a different manner than dividends. During 2022, PPL competed the sale of its U.K. business, Western Power Distribution, and purchased Narragansett Electric Company, Rhode Island's primary electric and gas utility. PPL subsequently increased its dividend by 12.5% during Q2 2022 to a quarterly rate of $0.225 per share.

Payout Ratio and Dividend Yield

The industry's dividend payout ratio was 67.7% for the twelve months ended March 31, 2022, higher than all other U.S. business sectors (see Table 1). The industry's payout ratio was 61.4% when measured as an un-weighted average of individual company ratios; 67.7% represents an aggregate figure. From 2000 through 2021, the industry's annual payout ratio ranged from 60.4% to 69.6%.

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 3.3% on June 30, 2022, leading all U.S. business sectors. The yield reached 3.8% on June 30, 2020 and has since fallen due to a rise in utility stock prices. The market cap-weighted EEI Index increased 31.8% during the two-year period ending June 30, 2022. The industry's average dividend yield was 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 un-weighted 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. The Tax Cuts and Jobs Act, 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 high-dividend companies.

Business Category Comparison

The Regulated category's dividend payout ratio was 60.8% for the 12 months ended March 31, 2022, compared to 64.1% for the Mostly Regulated category. Among these two categories, the Regulated group produced the higher annual payout ratio in calendar years 2020, 2017, 2015, 2011, 2010 and in each year from 2003 through 2008.

The Regulated and Mostly Regulated groups' average dividend yields were 3.3% and 3.4%, respectively on June 30, 2022, compared to 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.

VII. Free Cash Flow

- A mostly regulated industry that provides reasonable returns on investment and relatively low investment risk.
- A mature industry with many companies who have steadily increased 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 4-5% earnings growth and 3-4% dividend yield, which together create 7-9% annual total return potential.

Inflation Reduction Act of 2022

Since early 2021, an increase in dividend tax rates for the highest individual tax bracket has been on the table as a potential revenue source for the Biden Administration's Build Back Better Act (BBBA) legislation. By 2022, however, it had become clear the BBBA would need to be significantly reduced in size to have a chance at success. On August 16, 2022 the Inflation Reduction Act of 2022 (IRA) was signed into law; the IRA is a slimmed down version of this legislation that retained BBBA's robust clean energy tax package (that EEI strongly supported) and maintained current capital gains and dividend tax parity.

The top tax rate for 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 currently 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).

Low dividend tax rates support the industry's ability to attract capital for investment. Maintaining parity between dividend and capital gains tax rates is crucial to avoid a disadvantage for companies that rely on a strong dividend to attract investors. The TCJA, which was signed into law in December of 2017, maintained pre-existing tax rates for dividends and capital gains.■