Edison Electric INSTITUTE

Dividends

Q2 2021
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 7-9, 2021
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 12/31/2020)

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 and the capital markets' response to business strategies as companies depart from the traditional regulated utility model.

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 (35 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.
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 (9 of 44)

ALLETE, Inc.
AVANGRID, Inc.
Berkshire Hathaway Energy
DTE Energy Company
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 2021

Dividends

HIGHLIGHTS

- A total of 19 companies increased or reinstated their dividend in the first half of 2021 compared to 22 in the first half of 2020. No companies lowered their dividend.
- The percentage of companies that raised or reinstated their dividend during full-year 2020 was 87%, slightly below the record 93% in both 2019 and 2018.
- The average dividend increase during the first half of 2021 was 4.9%, with a range of 1.3% to 10.0% and a median increase of 5.3%.
- The industry's payout ratio was 62.9% for the twelve months ended March 31, 2021, trailing only the Energy sector's 78.0% and the broader Utilities sector's 63.4%.
- The industry's average dividend yield was 3.4% on June 30, 2021, trailing only the Energy sector's 4.1%.

COMMENTARY

The investor-owned electric utility industry continued its long-running trend of widespread dividend increases during the first six months of 2021. A total of 19 companies increased or reinstated their dividend compared to 22 in the first half of 2020. No companies lowered their dividend.

Thirty-four companies increased their dividend in full calendar year 2020 compared to 37 in 2019, 39 in 2018, 38 in 2017, 40 in 2016 and 36 to 40 annually from 2012 through 2015. The percentage of companies that raised or reinstated their dividend in 2020 was 87%, only slightly below the record high 93% in both 2019 and 2018 and consistent with the historically high 88% in 2017, 91% in 2016 and 85% in 2015. Only 27 of the 65 utilities tracked by EEI increased their dividend in 2003, just prior to the passage of legislation that reduced dividend tax rates. M&A activity reduced the number of publicly traded utilities included in the EEI Index

I. Sector Comparison, Dividend Payout Ratio

Last Twelve Months

Sector	Payout Ratio (%)
Energy	78.0%
Utilities	63.4%
EEI Index Companies*	62.9%
Consumer Staples	55.3%
Industrial	38.7%
Materials	32.2%
Health Care	27.7%
Financial	24.7%
Technology	24.5%
Consumer Discretionary	23.8%

*For this table, EEI (1) sums dividends and (2) sums earnings of all index companies and then (3) divides to determine the comparable dividend payout ratio (DPR). The EEI Index represents the 12-month period ending 3/31/2021.

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 2021E dividends and earnings per share (estimates as of 6/30/2020).

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 6/30/2021

Sector	Yield (%)
Energy	4.1%
EEI Index Companies*	3.6%
Utilities	3.3%
Consumer Staples	2.6%
Materials	1.8%
Financial	1.7%
Health Care	1.6%
Industrial	1.4%
Technology	0.9%
Consumer Discretionary	0.7%

*EEI Index Companies' yield based on last announced, annualized dividend rates (as of 6/30/2021); S&P sector yields based on 2020E cash dividends (estimates as of 6/30/2021).

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 2000–2021

U.S. Investor-Owned Electric Utilities

	Raised	No Change	Lowered	Omitted	Reinstated	Not Paying	Total	Dividend Payout Ratio*
2000	26	39	3	1	0	2	71	63.9%
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 Q1*	17	21	0	0	0	1	39	65.3%
2021 Q2*	2	36	1	0	0	1	39	63.2%

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Q1 2021	Q2 2021
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%	4.9%	4.3%
Avg. Decrease	NA	45.7%	46.4%	NA	100%	NA	41.0%	34.5%	NA	NA	NA	79.8%	NA	40.6%	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. / * 2021 figures reflect dividend changes (raised, lowered, etc.) through 6/30/2021 and earnings and dividends through 3/31/2021 (payout ratio). / Source: AltaVista Research, S&P Global Market Intelligence, EEI Finance Department.

IV. Category Comparison, Dividend Payout Ratio

Last Twelve Months

Category	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021*
EEI Index	64.2	61.5	60.4	67.0	62.9	64.0	63.9	62.6	65.3	63.2
Regulated	62.1	60.5	59.4	68.7	61.1	68.7	60.1	62.1	65.3	62.5
Mostly Reg.	69.7	64.7	63.8	62.6	68.0	53.3	72.8	64.1	65.2	66.0
Diversified	53.4	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
*2021 figures reflect earnings and dividends through 3/31/2021.
Source: EEI Finance Department, S&P Global Market Intelligence and company reports.

V. Category Comparison, Dividend Yield

at 6/30/2021

Category	Dividend Yield (%)
EEI Index	3.4
Regulated	3.5
Mostly Regulated	3.1

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.

from 65 in 2003 to 39 at year-end 2020. The record-high 93% noted above is based on data beginning in 1988.

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, 2021. 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. Of the 19 increases during 2021's first half, 17 occurred in Q1. Companies generally use the same quarter each year for dividend changes, with the first the most common for electric utilities.

2021 Increases Average 4.9%

The average dividend increase during the first half of 2021 was 4.9%, with a range of 1.3% to 10.0% and a median increase of 5.3%. NextEra Energy (+10.0% in Q1), WEC Energy (+7.1% in Q1), Ameren (+6.8% in Q1) and CMS Energy (+6.7% in Q1) posted the largest percentage increases.

NextEra Energy, headquartered in Juno Beach, Florida, increased its quarterly dividend from $0.35 to $0.385 per share during the first quarter. The increase is consistent with its plan, announced in 2020, to target roughly 10% annual

VI. Dividend Summary

U.S. Investor-Owned Electric Utilities (at 6/30/2021)

Company Name	Ticker	Category	Annual Dividend Rate	Payout Ratio	Dividend Yield	Last Action	To	From	Announced
ALLETE, Inc.	ALE	MR	$2.52	91.9%	3.6%	Raised	$2.52	$2.47	2021 Q1
Alliant Energy Corporation	LNT	R	$1.61	61.7%	2.9%	Raised	$1.61	$1.52	2021 Q1
Ameren Corporation	AEE	R	$2.20	53.1%	2.7%	Raised	$2.20	$2.06	2021 Q1
American Electric Power Co., Inc.	AEP	R	$2.96	63.0%	3.5%	Raised	$2.96	$2.80	2020 Q4
AVANGRID, Inc.	AGR	MR	$1.76	82.7%	3.4%	Raised	$1.76	$1.73	2018 Q3
Avista Corporation	AVA	R	$1.69	75.3%	4.0%	Raised	$1.69	$1.62	2021 Q1
Black Hills Corporation	BKH	R	$2.26	56.1%	3.4%	Raised	$2.26	$2.14	2020 Q4
CenterPoint Energy, Inc.	CNP	R	$0.64	31.9%	2.6%	Raised	$0.64	$0.60	2020 Q4
CMS Energy Corporation	CMS	R	$1.74	55.0%	2.9%	Raised	$1.74	$1.63	2021 Q1
Consolidated Edison, Inc.	ED	R	$3.10	59.2%	4.3%	Raised	$3.10	$3.06	2021 Q1
Dominion Resources, Inc.	D	R	$2.52	93.9%	3.4%	Lowered	$2.52	$3.76	2020 Q4
DTE Energy Company	DTE	MR	$3.30	52.7%	2.5%	Raised	$3.30	$3.08	2020 Q4
Duke Energy Corporation	DUK	R	$3.86	68.3%	3.9%	Raised	$3.86	$3.78	2020 Q3
Edison International	EIX	R	$2.65	40.8%	4.6%	Raised	$2.65	$2.55	2020 Q4
Entergy Corporation	ETR	R	$3.80	45.7%	3.8%	Raised	$3.80	$3.72	2020 Q4
Evergy, Inc.	EVRG	R	$2.14	58.8%	3.5%	Raised	$2.14	$2.02	2020 Q4
Eversource Energy	ES	R	$2.41	59.8%	3.0%	Raised	$2.41	$2.27	2021 Q1
Exelon Corporation	EXC	MR	$1.53	82.8%	3.5%	Raised	$1.53	$1.45	2020 Q1
FirstEnergy Corp.	FE	R	$1.56	70.2%	4.2%	Raised	$1.56	$1.52	2019 Q4
Hawaiian Electric Industries, Inc.	HE	MR	$1.36	65.8%	3.2%	Raised	$1.36	$1.32	2021 Q1
IDACORP, Inc.	IDA	R	$2.84	57.0%	2.9%	Raised	$2.84	$2.68	2020 Q4
MDU Resources Group, Inc.	MDU	MR	$0.85	40.1%	2.7%	Raised	$0.85	$0.83	2020 Q4
MGE Energy, Inc.	MGEE	R	$1.48	52.2%	2.0%	Raised	$1.48	$1.41	2020 Q3
NextEra Energy, Inc.	NEE	MR	$1.54	61.6%	2.1%	Raised	$1.54	$1.40	2021 Q1
NiSource Inc.	NI	R	$0.88	55.6%	3.6%	Raised	$0.88	$0.84	2021 Q1
NorthWestern Corporation	NWE	R	$2.48	72.4%	4.1%	Raised	$2.48	$2.40	2021 Q1
OGE Energy Corp.	OGE	R	$1.61	85.6%	4.8%	Raised	$1.61	$1.55	2020 Q4
Otter Tail Corporation	OTTR	R	$1.56	60.5%	3.2%	Raised	$1.56	$1.48	2021 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	$3.32	61.8%	4.1%	Raised	$3.32	$3.13	2020 Q4
PNM Resources, Inc.	PNM	R	$1.31	46.0%	2.7%	Raised	$1.31	$1.23	2020 Q4
Portland General Electric Company	POR	R	$1.72	78.0%	3.7%	Raised	$1.72	$1.63	2021 Q2
PPL Corporation	PPL	R	$1.66	114.3%	5.9%	Raised	$1.66	$1.65	2020 Q1
Public Service Enterprise Group Inc.	PEG	MR	$2.04	50.6%	3.4%	Raised	$2.04	$1.96	2021 Q1
Sempra Energy	SRE	R	$4.40	45.9%	3.3%	Raised	$4.40	$4.18	2021 Q1
Southern Company	SO	R	$2.64	68.2%	4.4%	Raised	$2.64	$2.56	2021 Q2
Unitil Corporation	UTL	R	$1.52	63.5%	2.9%	Raised	$1.52	$1.50	2021 Q1
WEC Energy Group, Inc.	WEC	R	$2.71	62.8%	3.0%	Raised	$2.71	$2.53	2021 Q1
Xcel Energy Inc.	XEL	R	$1.83	57.6%	2.8%	Raised	$1.83	$1.72	2021 Q1
Industry Average				**63.2%**	**3.4%**				

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 12/31/2020.
Dividend Per Share — Per share amounts are annualized declared figures as of 6/30/2021.
Dividend Payout Ratio — Dividends paid for 12 months ended 3/31/2021 divided by net income before nonrecurring and extraordinary items for 12 months ended 3/31/2021.
Dividend Yield — Annualized Dividends Per Share at 6/30/2021 divided by stock price at market close on 6/30/2021.
NM applies to companies with negative earnings or payout ratios greater than 200%.

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.

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

growth in dividends per share through at least 2022, off a 2020 base. NextEra recorded the industry's highest percentage increases in 2020 (+12.0%) and 2019 (+12.6%), the second-highest 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 $0.6325 to $0.6775 in the first quarter. This marked the 314th consecutive quarter, dating back to 1942, that the company will have paid a dividend to its stockholders and its 18th straight annual dividend increase. WEC Energy continues to target a dividend payout ratio of 65 to 70 percent of earnings.

Ameren, headquartered in St. Louis, Missouri, raised its quarterly dividend from $0.515 to $0.55 per share in Q1. CMS Energy, based in Jackson, Michigan, increased its quarterly dividend from $0.4075 to $0.435 per share during Q1.

VII. Free Cash Flow

U.S. Investor-Owned Electric Utilities

($ Billions)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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
— 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)
— Div. Paid to Common Shareholders	(17.1)	(18.0)	(19.3)	(20.5)	(20.8)	(21.1)	(22.5)	(23.8)	(25.5)	(25.6)	(27.9)	(29.3)
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)

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

The industry's average and median increases have been relatively consistent in recent years. The average increase was 5.1% in both 2020 and 2019, 5.7% in 2018 and 5.6% in 2017 and in 2016. The median increase was 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 62.9% for the twelve months ended March 31, 2021, trailing only the Energy sector's 78.0% and the broader Utilities sector's 63.4%. The industry's payout ratio was 63.2% when measured as an un-weighted average of individual company ratios; 62.9% represents an aggregate figure. From 2000 through 2019, 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 3.4% on June 30, 2021, trailing only the Energy sector's 4.1%. The industry's yield reached 3.8% on June 30, 2020 and has since fallen due to broadly higher utility stock prices. The market cap-weighted EEI Index increased by 15.4% for the year ended June 30, 2021. The industry's dividend yield was 3.6% at year-end 2020, 3.0% at year-end 2019 and 3.4% on each of the three previous year ends.

We calculate the industry's aggregate 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 pre-existing tax rates and parity for dividends and capital gains; this is crucial to avoid a capital raising disadvantage for high-dividend companies.

Business Category Comparison

The Regulated category's dividend payout ratio was 62.5% for the 12 months ended March 31, 2021 compared to 66.0% for the Mostly Regulated category. Among these two categories, the Regulated group produced the higher annual payout ratio in 2020, 2017, 2015, 2011, 2010 and in each year from 2003 through 2008.

The Regulated and Mostly Regulated groups' average dividend yields were 3.5% and 3.1%, respectively, on June 30, 2021, down from their respective levels of 3.6% and 3.4% at year-end 2020 and 3.7% and 3.8% on June 30, 2020.

Electric Utilities' History of Strong Dividends

For more than a century, the investor-owned electric utility industry has stood out among U.S. business sectors for its steady and rising dividends. This reputation is founded on:

- A steady stream of income from a product that's universally needed with low elasticity of demand.
- A highly regulated industry that provides reasonable returns on investment with associated low business 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 4-5% annual earnings growth and a 3-4% dividend yield, producing a highly visible and relatively stable 7-9% annualized long-term total return potential. (The market's valuation of that return stream, of course, will shift with investor sentiment).

Biden Proposal on Dividend Tax Rates

In April, the Biden administration released the American Families Plan, which focuses on investment in education, child care and paid family leave. It was the second in a series of infrastructure proposals that are collectively called the "Build Back Better" plan; this includes an increase in capital gains and dividend tax rates for the highest individual tax bracket, applying ordinary income tax rates for those with incomes over $1 million. Under President Biden's plan, the highest individual income tax rate would also increase from 37.0% to the pre-Tax Cuts & Jobs Act (TCJA) highest rate of 39.6%. No other income tax bracket would incur a dividend tax rate increase.

The top tax rate for dividends and capital gains is currently 20%, with 2021 income thresholds of $501,600 for couples and $445,850 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 electric utility 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.■