

# Q4 2022 Dividends

## HIGHLIGHTS

- Thirty-four companies increased or reinstated their dividend in 2022 compared to 32 in 2021 and 34 in 2020. There was one dividend reduction compared to zero in 2021 and two in 2020.
- Thirty-eight of the 39 utilities in the EEI Index were paying a common stock dividend as of December 31, 2022.
- The average dividend increase in 2022 was 5.2%, with a range of 1.0% to 12.2% and a median increase of 5.6%.
- The industry's dividend payout ratio was 69.4% for the twelve months ended September 30, 2022, higher than all other U.S. business sectors,
- The industry's average dividend yield was 3.4% on December 31, 2022, leading all U.S. business sectors.

## I. Sector Comparison, Dividend Payout Ratio

*Last Twelve Months*

Sector	Payout Ratio (%)
EEI Index Companies*	69.4%
Utilities	59.3%
Consumer Staples	54.3%
Industrial	34.5%
Financial	29.1%
Materials	29.0%
Consumer Discretionary	27.6%
Energy	26.7%
Health Care	26.1%
Technology	23.0%

\*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 12/31/2022).

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

## II. Sector Comparison, Dividend Yield

*at 12/31/2022*

Sector	Yield (%)
EEI Index Companies	3.4%
Energy	3.2%
Utilities	3.0%
Consumer Staples	2.5%
Financial	2.1%
Materials	2.1%
Industrial	1.7%
Health Care	1.6%
Technology	1.1%
Consumer Discretionary	1.0%

\*EEI Index Companies' yield based on last announced, annualized dividend rates (as of 12/31/2022); S&P sector yields based on 2022E cash dividends (estimates as of 12/31/2022).

For more information on constituents of each S&P sector see [www.sectorspdr.com](http://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 in 2022. A total of 34 companies increased or reinstated their dividend compared to 32 in 2021, 34 in 2020, 37 in 2019, 39 in 2018 and 36 to 40 companies annually from 2012 through 2017. There was one dividend reduction compared to zero in 2021 and two in 2020.

The percentage of companies that raised or reinstated their dividend in 2022 was 87%, up from 82% in 2021 and aligned with the 85% to 93% range seen from 2015 through 2020. By contrast, 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. The percentages noted above are drawn from a dataset that begins in 1988. Mergers and acquisitions reduced the number of publicly

### III. Dividend Patterns 2001–2022

#### 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%

  

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	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%	5.2%
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%

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 12/31/2022 and earnings and dividends through 9/30/2022 (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	69.1
Regulated	60.5	59.4	68.7	61.1	68.7	60.1	62.1	65.3	59.5	66.6
Mostly Reg.	64.7	63.8	62.6	68.0	53.3	72.8	64.1	65.2	69.0	79.6
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 9/30/2022.

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

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 December 31, 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. Electric utilities generally use the same quarter each year for dividend changes, with Q1 being the most common.

### V. Category Comparison, Dividend Yield

#### at 12/31/2022

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

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.

### 2022 Increases Average 5.2%

The average dividend increase in 2022 was 5.2%, with a range of 1.0% to 12.2% and a median increase of 5.6%. PNM Resources (12.2% including both its Q1 and Q4 raises), CenterPoint Energy (11.8% including both its Q3 and Q4 increases) and NextEra Energy (+10.4% in Q1) posted the largest percentage increases for the full year.

PNM Resources, headquartered in Albuquerque, New Mexico, raised its quarterly dividend from \$0.3275 to \$0.3475 and then to \$0.3575 per share. The increases are

## VI. Dividend Summary

U.S. Investor-Owned Electric Utilities (at 12/31/2022)

Company Name	Ticker	Category	Annual Dividend Rate	Payout Ratio	Dividend Yield	Last Action	To	From	Announced
ALLETE, Inc.	ALE	MR	\$2.60	99.4%	4.0%	Raised	\$2.60	\$2.52	2022 Q1
Alliant Energy Corporation	LNT	R	\$1.71	62.6%	3.1%	Raised	\$1.71	\$1.61	2022 Q1
Ameren Corporation	AEE	R	\$2.36	57.5%	2.7%	Raised	\$2.36	\$2.20	2022 Q1
American Electric Power Co., Inc.	AEP	R	\$3.32	61.9%	3.5%	Raised	\$3.32	\$3.12	2022 Q4
AVANGRID, Inc.	AGR	MR	\$1.76	81.0%	4.1%	Raised	\$1.76	\$1.73	2018 Q3
Avista Corporation	AVA	R	\$1.76	98.6%	4.0%	Raised	\$1.76	\$1.69	2022 Q1
Black Hills Corporation	BKH	R	\$2.50	57.2%	3.6%	Raised	\$2.50	\$2.38	2022 Q4
CenterPoint Energy, Inc.	CNP	R	\$0.76	NM	2.5%	Raised	\$0.76	\$0.72	2022 Q4
CMS Energy Corporation	CMS	R	\$1.84	69.5%	2.9%	Raised	\$1.84	\$1.74	2022 Q1
Consolidated Edison, Inc.	ED	R	\$3.16	58.1%	3.3%	Raised	\$3.16	\$3.10	2022 Q1
Dominion Resources, Inc.	D	R	\$2.67	68.8%	4.4%	Raised	\$2.67	\$2.52	2022 Q1
DTE Energy Company	DTE	R	\$3.81	63.6%	3.2%	Raised	\$3.81	\$3.54	2022 Q4
Duke Energy Corporation	DUK	R	\$4.02	78.8%	3.9%	Raised	\$4.02	\$3.94	2022 Q3
Edison International	EIX	R	\$2.95	41.1%	4.6%	Raised	\$2.95	\$2.80	2022 Q4
Entergy Corporation	ETR	R	\$4.28	81.9%	3.8%	Raised	\$4.28	\$4.04	2022 Q4
Eversource Energy	ES	R	\$2.55	59.7%	3.0%	Raised	\$2.55	\$2.41	2022 Q1
Exelon Corporation	EXC	MR	\$1.35	56.0%	3.1%	Raised	\$1.35	N/A	2020 Q1
FirstEnergy Corp.	FE	R	\$1.56	62.5%	3.7%	Raised	\$1.56	\$1.52	2019 Q4
Hawaiian Electric Industries, Inc.	HE	MR	\$1.40	65.5%	3.3%	Raised	\$1.40	\$1.36	2022 Q1
IDACORP, Inc.	IDA	R	\$3.16	60.8%	2.9%	Raised	\$3.16	\$3.00	2022 Q4
MDU Resources Group, Inc.	MDU	MR	\$0.89	52.2%	2.9%	Raised	\$0.89	\$0.87	2022 Q4
MGE Energy, Inc.	MGEE	R	\$1.63	55.1%	2.3%	Raised	\$1.63	\$1.55	2022 Q3
NextEra Energy, Inc.	NEE	MR	\$1.70	105.7%	2.0%	Raised	\$1.70	\$1.54	2022 Q1
NiSource Inc.	NI	R	\$0.94	60.1%	3.4%	Raised	\$0.94	\$0.88	2022 Q1
NorthWestern Corporation	NWE	R	\$2.52	81.3%	4.2%	Raised	\$2.52	\$2.48	2022 Q1
OGE Energy Corp.	OGE	R	\$1.66	103.7%	4.2%	Raised	\$1.66	\$1.64	2022 Q3
Otter Tail Corporation	OTTR	R	\$1.65	23.1%	2.8%	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	\$3.46	68.2%	4.6%	Raised	\$3.46	\$3.40	2022 Q4
PNM Resources, Inc.	PNM	R	\$1.47	62.8%	3.0%	Raised	\$1.47	\$1.39	2022 Q4
Portland General Electric Company	POR	R	\$1.81	62.5%	3.7%	Raised	\$1.81	\$1.72	2022 Q2
PPL Corporation	PPL	R	\$0.90	132.5%	3.1%	Raised	\$0.90	\$0.80	2022 Q2
Public Service Enterprise Group Inc.	PEG	MR	\$2.16	97.3%	3.5%	Raised	\$2.16	\$2.04	2022 Q1
Sempra Energy	SRE	R	\$4.58	50.1%	3.0%	Raised	\$4.58	\$4.40	2022 Q1
Southern Company	SO	R	\$2.72	69.4%	3.8%	Raised	\$2.72	\$2.64	2022 Q2
Unitil Corporation	UTL	R	\$1.56	60.4%	3.0%	Raised	\$1.56	\$1.52	2022 Q1
WEC Energy Group, Inc.	WEC	R	\$2.91	63.6%	3.1%	Raised	\$2.91	\$2.71	2022 Q1
Xcel Energy Inc.	XEL	R	\$1.95	59.3%	2.8%	Raised	\$1.95	\$1.83	2022 Q1
<b>Industry Average</b>				<b>69.1%</b>	<b>3.4%</b>				

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 12/31/2022.

Dividend Payout Ratio – Dividends paid for 12 months ended 9/30/2022 divided by net income before nonrecurring and extraordinary items for 12 months ended 9/30/2022.

Dividend Yield – Annualized Dividends Per Share at 12/31/2022 divided by stock price at market close on 12/31/2022.

NM applies to companies with negative earnings or payout ratios greater than 200%. / N/A = Not Applicable

consistent with the company's target to pay out 55% of annual ongoing earnings.

CenterPoint Energy, based in Houston, Texas, increased its quarterly dividend from \$0.17 to \$0.18 and then to \$0.19 per share. The increases align the company for an annual dividend growth rate of 9% in 2023 when compared to dividends paid in 2022.

NextEra Energy, based 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

## 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.

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).

The industry's average and median increases have been relatively consistent in recent years. The average was 4.8% in 2021 and ranged between 5.1% and 5.7% from 2016 through 2020. The median increase was 5.4% in 2021 and ranged between 4.9% and 5.5% from 2017 through 2020.

PPL reduced its quarterly dividend from \$0.415 to \$0.20 in Q1 as part of a strategic repositioning and dividend reset. The company 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 completed the sale of its U.K. business (Western Power Distribution) and purchased Narragansett Electric Company, which is 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 69.4% for the twelve months ended September 30, 2022, higher than all other U.S. business sectors (see Table 1). The industry's payout ratio was 69.1% when measured as an un-weighted average of individual company ratios; 69.4% 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 3.4% on December 31, 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 and consistent dividend activity. The market cap-weighted EEI Index had a total return of 17.1% in 2021 and 1.2% in 2022. The industry's year-end dividend yield was 3.3% in 2021, 3.6% in 2020, 3.0% in 2019 and 3.4% in each of the three previous years.

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 66.6% for the 12 months ended September 30, 2022, compared to 79.6% 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 average dividend yields were 3.4% and 3.3% on December 31, 2022, compared to 3.3% and 3.0% at year-end 2021, 3.6% and 3.4% at year-end 2020, 3.0 and 3.1% at year-end 2019. The dividend yields for both categories at year-end 2018 and 2017 were 3.4%.

### 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 4-5% earnings growth and 3-4% dividend yield, which added create 7-9% annual total return potential.

### **IRA Brings No Change to Dividend Tax Rate**

An increase in dividend tax rates for the highest individual tax bracket was considered a potential revenue source for the Biden Administration's Build Back Better Act (BBBA) legislation until BBBA evolved into the passage of the Inflation Reduction Act of 2022 (IRA) in August. Due to the need to significantly reduce the size of this legislation in order to have a chance at success, the IRA passed as a slimmed down version of BBBA, retaining its robust clean energy tax package (that EEI strongly supported) while maintaining current capital gains and dividend tax parity.

The top tax rate for dividends and capital gains is currently 20%, applying to 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 Tax Cuts and Jobs Act, which was signed into law in December of 2017, also maintained pre-existing tax rates for dividends and capital gains. ■