ALLIANT ENERGY
Q1 2020 EARNINGS CONFERENCE CALL
MAY 8, 2020
FINAL

CONFERENCE CALL OPERATOR:

Good morning, ladies and gentlemen, and welcome to Alliant Energy's conference call for first quarter 2020 results. This call is being recorded for rebroadcast. At this time, all lines are in listen-only mode. I would now like to turn the call over to your host, Susan Gille, Investor Relations Manager at Alliant Energy.

SUSAN GILLE:

Good morning. I would like to thank all of you on the call and on the web cast for joining us today. We appreciate your participation.

Joining me on this call are John Larsen, Chairman, President and Chief Executive Officer, and Robert Durian, Executive Vice President and CFO, as well as other members of the senior management team. Following prepared remarks by John and Robert, we will have time to take questions from the investment community.

We issued a news release last night announcing Alliant Energy's first quarter financial results and reaffirmed the consolidated 2020 earnings guidance issued in November 2019. This release, as well as supplemental slides that will be referenced during today's call, are available on the investor's page of our website at www.alliantenergy.com.

Before we begin, I need to remind you that the remarks we make on this call and our answers to your questions include forward-looking statements.

These forward-looking statements are subject to risks that could cause actual results to be materially different.

Those risks include, among others, matters discussed in Alliant Energy's press release issued last night and in our filings with the Securities and Exchange Commission. We disclaim any obligation to update these forward-looking statements.

In addition, this presentation contains references to non-GAAP financial measures. The reconciliation between non-GAAP and GAAP measures are provided in the earnings release and our 10Q which will be available on our website at www.alliantenergy.com.

At this point, I'll turn the call over to John.

JOHN LARSEN:

Thank you, Sue. Good morning everyone - - and thank you for joining us.

I'll start with a review of several actions we have taken to continue our critical service to our customers and communities during the current pandemic. I'll draw your attention to slide 2.

These are indeed unprecedented times and brings to life the values that guide our every decision.

One of those values is caring for others.

We understand the responsibility that comes with the essential service we provide and the Alliant Energy Team has taken steps to continue safe and reliable service to our customers and communities.

We are focused now more than ever to ensure uninterrupted energy delivery - so those on the front lines can help those in need businesses can operate and provide critical products and services, charitable organizations can support those most vulnerable, and our customers can focus on their health and well-being.

Like many of you we've adjusted the way we work and many of our employees now work from home. We've made changes to our operations to ensure we can safely keep the lights on and the gas flowing.

We are following the important guidance from the CDC, maintaining physical distancing and adding additional precautions like wearing face coverings and gloves when the situation requires. And we are rotating shifts for certain functions to limit exposure and business disruption.

Another one of our core values is to "do the right thing". Temporarily suspending disconnections and waiving late fees for our customers was the right thing to do.

In addition, we knew that now was the time for a creative way to keep rates low and predictable for our customers. We filed a proposal in Wisconsin to keep customer rates steady through the end of 2021.

This filing is a continuation of our ongoing efforts to maintain among the lowest rates in the state. And in Iowa, with our continued focus on cost reductions and the new renewable energy rider, we do not anticipate filing an electric rate review for the next couple of years.

When the health crisis first started, we reached out to our nonprofit partners to understand the unmet needs in the communities we are so privileged to serve.

Over the past several weeks, we have made donations to several local charities such as food banks, the American Red Cross and the United Way.

We also provided a two-million-dollar contribution to the Hometown Care Energy Fund, to support families who need assistance in paying their bills. And through a partnership with Iowa State University, we have been providing 3D printed face shields to local medical facilities and healthcare workers. I think we can all agree that times like these are when the "Social" part of E-S-G matters the most.

Despite the disruption - and many personal impacts - this pandemic has had our employee's commitment to our customers and communities has been remarkable.

I'm proud to work for Alliant Energy and am thankful for all our teams are doing for our customers. They are living our values - - and delivering on our Purpose to "Serve customers and Build Strong Communities".

In times like these, accurate, real-time, monitoring of energy use allows us to make better decisions. The important investments we made in smart meter technology have been a critical part of our planning efforts.

Since the crisis began, we have spent time to understand the impacts on our customers, and demand for our services. Robert will address the trends we are seeing across our residential, commercial, and industrial customer basis.

However, I will mention three important factors to keep in mind as he outlines the financial impacts. One, we have a diverse customer base and operate in two constructive regulatory jurisdictions. Two, we have summer pricing in place for our Iowa business. And Three - our larger commercial and industrial electric margins include both an energy and demand component.

We have managed through many economic cycles over our over 100-year history. And drawing upon that experience we are keeping a strong focus on operational and financial.

Therefore, I am reaffirming our 2020 earnings guidance of two-dollars and 34 cents to two-dollars and 48 cents. We remain committed to our 5 to 7% growth target, and our 60-70% dividend payout ratio.

The first quarter of 2020 was a solid start to the year, both financially and operationally. This was a direct result of the planning and execution of our long-term strategy designed to focus on customers costs, smart investments, and advancing a clean energy future.

Despite operating in a time of great uncertainty, we continue to make great progress advancing our transition to a more efficient, modern, and balanced energy portfolio. In the first quarter, we achieved another major milestone when we placed 400 MW of new wind into service for our Iowa customers.

These two new wind farms, Whispering Willow North and Golden Plains, were completed on-schedule and below budget, continuing our long track record of meeting or exceeding expectations established when we request construction authority from our regulators.

And we are on track to install an additional 280 megawatts of new wind for Iowa and Wisconsin customers by the end of this year.

This will complete the full 1,000 megawatts of renewable investment approved by the Iowa Utilities Board and, also, the 150 megawatts of renewable investment approved by the Public Service Commission of Wisconsin.

Our experience in planning, developing and constructing renewable energy resources gives us the knowledge we need to begin the next chapter of our story. We now are entering the regulatory approval phase of our 1-gigawatt solar build-out in Wisconsin.

We anticipate filing a certificate of authority at the end of this quarter, for approximately two-thirds of the 1,000 megawatts of new solar generation.

We are actively negotiating projects with four developers and have a high degree of confidence in getting agreements in place. Our Wisconsin solar investments will be enough to power more than 260,000 homes with clean and affordable energy from the sun.

The expansion of the Wisconsin renewable resource portfolio was the result of our year-long voluntary resource planning process we called the Wisconsin Clean Energy Blueprint.

We have started the Iowa Clean Energy Blueprint process, and plan to share our proposed resource plan for Iowa toward the end of this year.

These plans balance many important goals including reliability, affordability, building stronger communities and the impacts the transitions may have on our talented and dedicated employees.

I am pleased to report that we are making great strides toward achieving another major milestone in our generation transformation strategy.

West Riverside Energy Center – located near Beloit, Wisconsin, has met several key testing criteria. We anticipate this 730-megawatt highly-efficient natural gas resource to be completed below budget and in time to meet the upcoming customer demand.

This resource will bring significant benefits to our customers, through lower fuel costs and continued reliability as a complement to the renewable resources in the Midwest.

Alliant Energy is committed to providing reliable, economical energy in a sustainable manner. I am very pleased to report that the Institute for Sustainable Infrastructure has awarded our West Riverside Energy Center with its highest certification, which is Platinum.

This certification recognizes our commitment to construct sustainable projects and reinforces our commitment to environmental stewardship and collaboration with local communities and land owners.

Congratulations to the West Riverside Team for accomplishing this important and distinguished achievement.

In closing, let me summarize the key messages. We are

- Continuing to provide safe, reliable and affordable energy to our customers,
- Advancing our clean energy strategy, on schedule, and on budget

- Ensuring our investments are efficient and customer focused,
- Delivering solid returns for our investors, and
- Continuing to focus on the health, safety, and well-being of our employees, customers and communities

Thank you for your interest in Alliant Energy - I will now turn the call over to Robert.

ROBERT DURIAN:

Thanks John. Good morning everyone.

Yesterday, we announced first quarter 2020 GAAP earnings of 70 cents per share, compared to 53 cents per share in the first quarter of 2019.

Our utilities had higher earnings year over year driven by higher electric and gas margins from increasing rate base and timing of income tax expense.

These increases in earnings were partially offset by lower sales due to the warmer winter temperatures in the first quarter and higher depreciation expense. We have provided additional details on the earnings variance drivers for the quarter on slides 3 and 4.

The solid start to the year accounts for approximately 30% of our 2020 earnings target and allows us to reaffirm our 2020 earnings guidance of 2 dollars and 34 cents per share to 2 dollars and 48 cents per share.

The key drivers of the growth in 2020 EPS are related to investments in our core utility business including WPL's West Riverside generating facility and IPL's wind expansion program. These investments were reflected in IPL's and WPL's approved electric rates for 2020.

As John indicated, like many of our utility peers we are expecting lower retail sales in 2020 due to the impacts of the pandemic. As noted on slide 5, we experienced a 4% increase in residential sales in April – driven largely by more people working from home.

Our residential customers represent nearly 50% of our retail electric margins—and every one percent change in residential sales equates to approximately two cents of earnings per share. On the commercial and industrial side, the story is different, C&I sales decreased by 13% in April and every one percent change in annual C&I sales equates to approximately two cents of earnings per share.

Under an assumption that the more significant pandemic-related sales declines extend through the end of Q2, and a slow recovery through the end of the year, we are forecasting approximately 5% lower overall retail sales this year.

We are positioned to continue our long track record of delivering our earnings growth targets by mitigating the COVID-19 impacts as noted on slide 6. We will accelerate transformation activities and reduce discretionary spending to lower costs offsetting a large portion of the COVID-19 impact.

In addition, both the Public Service Commission of Wisconsin and the Iowa Utilities Board have issued orders authorizing use of regulatory accounts to defer incremental costs related to COVID-19.

Lastly, during times of low energy prices, we have an opportunity to capture and keep a portion of fuel cost savings through WPL's fuel sharing mechanism which is also expected to help offset a portion of the COVID-19 impacts in 2020.

To assist you in modeling our quarterly earnings this year, it is important to note that the projected increase in earnings for 2020 will not be recognized ratably throughout the year, for example IPL's interim rate increase went into effect April 1, 2019 thus skewing more of the full year increase in earnings to the first quarter of 2020.

Also, the timing of when production tax credits and excess deferred income tax amortizations are recognized will cause quarter-over-quarter fluctuations in earnings.

We expect favorable earnings variances from the timing of tax expense to continue through the first half of the year and then reverse in the second half of 2020.

Slide 7 has been provided to assist you in modeling the effective tax rates for our two utilities and our consolidated group. We estimate a consolidated effective tax rate of negative 12% for 2020.

The primary drivers of the lower tax rate are the additional tax credits from new wind projects being placed in service and the return of excess deferred taxes from federal tax reform to our customers.

The production tax credits and excess deferred tax benefits will flow back to customers resulting in lower electric margins. Thus, the decrease in the effective tax rate is largely earnings neutral.

Our strategy includes continued focus on providing affordable energy to our customers. In Wisconsin, we are holding electric and gas base rates flat through 2020 by using federal tax reform benefits and lower fuel costs to offset the cost of utility investments.

Earlier this month, we proposed an extension of current Wisconsin electric and gas rates through 2021. As summarized on slide 8, we are proposing to use additional fuel cost reductions and tax benefits to offset the increased revenue requirements in 2021 associated with rate base additions, which include the 150-megawatt Kossuth Wind project and the Western Wisconsin gas pipeline expansion.

And since the duration of the impacts from COVID-19 is unclear, we are seeking escrow treatment for bad debt and retirement plan expenses, and the flexibility to adjust regulatory liability and escrow mechanisms to address the possible impacts on 2021 sales demand.

Finally, the 2021 rate filing requests continuation of our current authorized ROE of 10%, our current authorized common equity component of our regulatory capital structure of 52.5% and our current ROE sharing mechanism.

Turning to Iowa, we plan to reduce our electric customer's bills with $35 million of credits related to federal tax reform benefits and interim rate refunds.

We also expect increased production tax credits and significant fuel cost reductions to flow back to Iowa electric customers in 2020 as a result of further expansion of wind generation and low natural gas prices.

Our Iowa gas customers are also expected to see benefits in 2020 due to lower energy efficiency charges as a result of 2018 Iowa legislation.

As we look to the future in Iowa, we have taken further action to reduce costs for our electric customers with the addition of new low-cost wind PPAs and the termination of the Duane Arnold PPA later this year, both of which will begin saving our Iowa electric customers money in 2021.

Moving to our 2020 financing plans which are shown on slide 9. During the first quarter, we took steps to improve our already solid liquidity position. These included two debt offerings.

First was the refinancing of a $300 million term loan for our non-regulated businesses and second was the issuance of $350 million of 30-year debentures by our Wisconsin utility.

Both debt deals were well received by the market with favorable interest rates allowing us to lower our overall average cost of debt.

In addition, in March, we also issued the common equity planned in 2020 from our equity forward agreements generating proceeds of $222 million. With these actions, we increased our current liquidity to approximately $1.2 billion including cash and borrowing capacity under our credit facility and our sale of accounts receivable program.

Our remaining financings planned for 2020 include issuing up to $300 million of long-term debt by our Iowa utility. And with the recent execution of our equity forward agreements, we have no further material equity issuances planned for the foreseeable future.

With a large portion of our 2020 financing plan already complete and only $350 million of debt maturities over the next two years, we believe we are well positioned to respond to any potential disruptions in cash flows that may result from the pandemic.

We may adjust the financing plan if market conditions warrant, and as our external financing needs are reassessed.

Lastly, we have included our regulatory initiatives of note on slide 10 with four notable developments so far this year.

First, IPL received approval from the Iowa Utilities Board to implement final retail electric rates and the new renewable energy rider in February.

Second, the Public Service Commission of Wisconsin granted construction authority for the Western Wisconsin Pipeline expansion in March. Third, we filed WPL's 2021 rate stabilization plan for electric and gas customers which I outlined earlier.

And finally, both state commissions have approved accounting deferral orders related COVID-19 incremental costs. These regulatory initiatives are important components of our overall operational and financial goals for 2020 and 2021.

We appreciate your continued interest in our company and look forward to connecting with you virtually over the coming months.

At this time, I will turn the call back over to the operator to facilitate the question and answer session.

CONFERENCE CALL OPERATOR:

Thank you, Mr. Durian. At this time, the company will open the call to questions from members of the investment community. Alliant Energy's management will take as many questions as they can within the one-hour time frame for this morning's call.

(OPERATOR PROVIDES INSTRUCTIONS ON HOW TO ASK A QUESTION)

(Q&A SESSION)

SUSAN GILLE:

With no more questions, this concludes our call. A replay will be available through May 17, 2020 at 888-203-1112, for US and Canada, or 719-457-0820 for international. Callers should reference conference ID 4175543 and pin 9578.

In addition, an archive of the conference call and a script of the prepared remarks made on the call will be available on the investor's section of the company's website later today.

Thank you for your continued support of Alliant Energy and feel free to contact me with any follow-up questions.

The accompanying conference call script includes forward-looking statements. These forward-looking statements can be identified as such because the statements include words such as "anticipate," "will," "plan," "planned," "expecting," "expect," "forecasting," "estimate," or other words of similar import. Similarly, statements that describe future financial performance, including earnings guidance, earnings growth, dividend target, and plans or strategies, including our investment plans, construction plans, financing plans and regulatory plans, are forward-looking statements. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those currently anticipated. Actual results could be affected by the following factors, among others:

- IPL's and WPL's ability to obtain adequate and timely rate relief to allow for, among other things, the recovery of and/or the return on costs, including fuel costs, operating costs, transmission costs, deferred expenditures, deferred tax assets, tax expense, capital expenditures, and remaining costs related to electric generating units (EGUs) that may be permanently closed and certain other retired assets, decreases in sales volumes, earning their authorized rates of return, and the payments to their parent of expected levels of dividends;

- federal and state regulatory or governmental actions, including the impact of legislation, and regulatory agency orders;
- the direct or indirect effects resulting from the COVID-19 pandemic on sales volumes, margins, operations, employees, contractors, vendors, the ability to complete construction projects, supply chains, customers' inability to pay bills, suspension of disconnects and waiving of late fees applied to past due accounts, the market value of the assets that fund pension plans and the potential for additional funding requirements, the ability of counterparties to meet their obligations, compliance with regulatory requirements, the ability to implement regulatory plans, economic conditions and access to capital markets;
- the impact of customer- and third party-owned generation, including alternative electric suppliers, in IPL's and WPL's service territories on system reliability, operating expenses and customers' demand for electricity;
- the impact of energy efficiency, franchise retention and customer disconnects on sales volumes and margins;
- the impact that price changes may have on IPL's and WPL's customers' demand for electric, gas and steam services and their ability to pay their bills;
- the ability to utilize tax credits and net operating losses generated to date, and those that may be generated in the future, before they expire;
- the direct or indirect effects resulting from terrorist incidents, including physical attacks and cyber attacks, or responses to such incidents;
- the impact of penalties or third-party claims related to, or in connection with, a failure to maintain the security of personally identifiable information, including associated costs to notify affected persons and to mitigate their information security concerns;
- any material post-closing payments related to any past asset divestitures, including the sale of Whiting Petroleum, which could result from, among other things, indemnification agreements, warranties, parental guarantees or litigation;
- employee workforce factors, including changes in key executives, ability to hire and retain employees with specialized skills, ability to create desired corporate culture, collective bargaining agreements and negotiations, work stoppages or restructurings;
- weather effects on results of utility operations;
- issues associated with environmental remediation and environmental compliance, including compliance with all environmental and emissions permits, the Coal Combustion Residuals Rule, future changes in environmental laws and regulations, including federal, state or local regulations for carbon dioxide emissions reductions from new and existing fossil-fueled EGUs, and litigation associated with environmental requirements;
- increased pressure from customers, investors and other stakeholders to more rapidly reduce carbon dioxide emissions;
- the ability to defend against environmental claims brought by state and federal agencies, such as the U.S. Environmental Protection Agency, state natural resources agencies or third parties, such as the Sierra Club, and the impact on operating expenses of defending and resolving such claims;
- continued access to the capital markets on competitive terms and rates, and the actions of credit rating agencies;
- inflation and interest rates;
- the ability to complete construction of wind and solar projects within the cost caps set by regulators and to meet all requirements to qualify for the full level of production tax credits and investment tax credits, respectively;
- changes in the price of delivered natural gas, purchased electricity and coal due to shifts in supply and demand caused by market conditions and regulations;
- disruptions in the supply and delivery of natural gas, purchased electricity and coal;
- the direct or indirect effects resulting from breakdown or failure of equipment in the operation of electric and gas distribution systems, such as mechanical problems and explosions or fires, and compliance with electric and gas transmission and distribution safety regulations, including regulations promulgated by the Pipeline and Hazardous Materials Safety Administration;
- issues related to the availability and operations of EGUs, including start-up risks, breakdown or failure of equipment, performance below expected or contracted levels of output or efficiency, operator error, employee safety, transmission constraints, compliance with

mandatory reliability standards and risks related to recovery of resulting incremental costs through rates;

- impacts that excessive heat, storms or natural disasters may have on Alliant Energy's, IPL's and WPL's operations and recovery of costs associated with restoration activities, or on the operations of Alliant Energy's investments;
- Alliant Energy's ability to sustain its dividend payout ratio goal;
- changes to costs of providing benefits and related funding requirements of pension and other postretirement benefits plans due to the market value of the assets that fund the plans, economic conditions, financial market performance, interest rates, life expectancies and demographics;
- material changes in employee-related benefit and compensation costs;
- risks associated with operation and ownership of non-utility holdings;
- changes in technology that alter the channels through which customers buy or utilize Alliant Energy's, IPL's or WPL's products and services;
- impacts on equity income from unconsolidated investments from valuations and potential changes to ATC LLC's authorized return on equity;
- impacts of IPL's future tax benefits from Iowa rate-making practices, including deductions for repairs expenditures, allocation of mixed service costs and state depreciation, and recoverability of the associated regulatory assets from customers, when the differences reverse in future periods;
- the impacts of adjustments made to deferred tax assets and liabilities from changes in the tax rates;
- changes to the creditworthiness of counterparties with which Alliant Energy, IPL and WPL have contractual arrangements, including participants in the energy markets and fuel suppliers and transporters;
- current or future litigation, regulatory investigations, proceedings or inquiries;
- reputational damage from negative publicity, protests, fines, penalties and other negative consequences resulting in regulatory and/or legal actions;
- the effect of accounting standards issued periodically by standard-setting bodies; and
- the ability to successfully complete tax audits and changes in tax accounting methods with no material impact on earnings and cash flows.

Without limitation, the expectations with respect to 2020 projected earnings, long-term earnings growth objective and dividend target in this script are forward-looking statements and are based in part on certain assumptions made by Alliant Energy, some of which are referred to in the forward-looking statements. Alliant Energy cannot provide any assurance that the assumptions referred to in the forward-looking statements or otherwise are accurate or will prove to be correct. Any assumptions that are inaccurate or do not prove to be correct could have a material adverse effect on Alliant Energy's ability to achieve the estimates or other targets included in the forward-looking statements. The forward-looking statements included herein are made as of the date hereof and Alliant Energy undertakes no obligation to update publicly such statements to reflect subsequent events or circumstances.