ALLIANT ENERGY
Q4 2019 and YEAR-END EARNINGS CONFERENCE CALL
FEBRUARY 21, 2020
FINAL

CONFERENCE CALL OPERATOR:

Thank you for holding, ladies and gentlemen, and welcome to Alliant Energy's year-end 2019 earnings conference call. At this time, all lines are in a listen-only mode.

Today's conference call is being recorded. 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.

With me here today are John Larsen, Chairman, President, and CEO 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 year-end and fourth quarter financial results and affirmed our 2020 earnings guidance range 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 will be in the 10K, both of 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, Susan. Good morning everyone and thank you for joining us.

2019 was another excellent year for our company, both financially and operationally, made possible by the dedicated men and women of Alliant Energy.

I want to thank our employees for their continued commitment to safety and serving our customers and recognize our talented engineers in recognition of National Engineers Week.

Our employees work tirelessly delivering on our purpose to "Serve Customers - and Build Strong Communities". And we are delivering a strong return to our shareowners, with a total shareholder return of more than 33% in 2019.

In 2019, we raised our annual dividend by $0.08 per share, which was the 16th straight year we increased our dividend. Our non-GAAP temperature normalized earnings of $2.26 per share grew by 7% over 2018's comparable number. This was the 9th year in a row we have achieved at least 5 percent earnings per share growth.

We continue to make great progress as we execute our customer focused strategy. I'll highlight a few of our many strategic and operational achievements, and Robert will provide more details on our solid financial and regulatory outcomes.

First, as it relates to our transition to a cleaner and more efficient generation fleet, we are proud to report we have met our 2020 SOX, NOX, and mercury emission reduction goals one year early.

In addition, we are well on our way to achieving our 2030 carbon reduction goal of 40% and as of the end of 2019, we have achieved a 35% reduction in CO2 from 2005 levels. Our progress on these goals are highlighted in the posted supplemental materials.

Our strategy and investments are tightly linked to our commitments to the environment, as well as the social and governance standards we have set for ourselves.

We look forward to highlighting our strong ESG performance from the past year and share the vision for our future goals when we update our Corporate Sustainability Report later this year.

We are continuing our track record of solid execution on renewable investments – putting additional clean energy to work for our customers and communities. One example of that progress is the recent completion of our 200 megawatt Whispering Willow North wind project.

We now have nearly 70% of our planned 1,000 MW of new wind placed in-service for our Iowa customers producing clean, efficient, renewable energy. We are on track to complete the balance of this plan by the end of this year.

An important complement to our renewable resources will be the addition of the West Riverside Energy Center. This highly efficient natural gas facility, located in southern Wisconsin, is over 98% complete and expected to be in-service producing low-cost energy for our Wisconsin customers in the coming weeks.

The expansion of renewables and efficient natural gas generation will benefit our customers for decades. Our fuel costs in 2019 were lower than 2018 by nearly $80 million dollars, though a combination of expanded wind investments, solid operational performance, and lower commodity prices. Another example of our strategy in action.

An efficient and resilient energy grid remains an important focus of our strategy. In 2019 we completed our AMI meter installation in Iowa, providing us with the ability for early detection of outages and information that our customers can use to make smart energy choices.

We also plan to use these investments to improve how we operate the energy grid, reducing the number of substations, and help driving lower operating costs.

Making investments that better serve customers and communities is core to our strategy. An example is the upcoming launch of a new web application and matching mobile application we call "My Account".

Once fully launched, customers will be able to get more detailed information to help them understand - and adjust - their energy usage.

This refreshed customer portal is another example of how we are investing to enable our customers with more choice, convenience and control over their energy use.

I'll highlight one last area before I turn it over to Robert. Last fall we announced the results of our year-long voluntary resource planning process we call the Wisconsin Clean Energy Blueprint.

This plan balances many important goals including reliability, affordability, building stronger communities, and the impacts transitions have on our talented and dedicated employees.

The blueprint highlights the opportunity to capture customer benefits by expanding our renewable resource portfolio by building up to 1,000 megawatts of solar.

In the coming months we will be sharing more details of how we will take the next step in our fleet transition and the changes to our Wisconsin coal facilities.

I am excited about our accomplishments in 2019. Our team is committed to again deliver on our financial and operational goals for 2020.

I'll summarize the key areas of our 2020 focus:

- Continuing as an industry leader in advancing renewable energy.
- Customer focused investments completed on-time and on-budget.
- Delivering solid returns for our investors.
- Balancing capital investments and cost impact to customers.
- And Living our Values.

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

ROBERT DURIAN:

Good morning everyone.

I am pleased to report that 2019 GAAP earnings were 2 dollars and 33 cents per share compared to 2 dollars and 19 cents per share in 2018.

Excluding non-GAAP adjustments and temperature impacts, earnings were up 7% year-over-year driven by higher revenue requirements due to increasing rate base, partially offset by higher depreciation and financing expenses.

We provided additional details on the earnings variance drivers on slides 5 and 6 of our supplemental slides.

The non-GAAP adjustment in 2019 is related to an ATC equity earnings adjustment as a result of the November FERC decision regarding MISO transmission owners' return on equity complaints.

The 2 cents per share of non-recurring earnings were largely due to a reversal of reserves previously recorded for the second complaint period.

Our temperature normalized retail electric sales declined 1 percent in 2019 when compared to 2018, primarily driven by lower sales to our industrial customers.

A few of our largest customers in Iowa experienced temporary operational issues in 2019, and economic conditions resulting from additional tariffs last year impacted certain manufacturing customers' production resulting in the lower industrial demand.

Since industrial sales generate our lowest margins, these sales declines did not have a material impact on our 2019 results.

Turning to this year's earnings guidance. We are affirming our 2020 earnings guidance of 2 dollars and 34 cents per share to 2 dollars and 48 cents per share. Based on our current forecast we are trending to the upper half of the range.

We are also reaffirming our long-term annual earnings growth guidance of 5 to 7 percent. We have rebased our long-term earnings growth guidance off 2019 non-GAAP temperature normalized EPS of 2 dollars and 26 cents per share.

Our long-term growth guidance is through 2023, and is supported by our capital expenditure plans, modest sales growth and earning our allowed rates of return.

The key drivers of the 7% 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 WPL's approved electric rates for 2020 and IPL's retail electric rate review order received last month.

A walk from our 2019 non-GAAP temperature normalized earnings to the mid-point of our 2020 earnings per share guidance is provided on slide 7.

The 2020 guidance range assumes a one percent growth in retail electric sales, which includes the impact of leap year.

We are forecasting most of this sales growth from commercial and industrial customers as they resume normal operations in 2020.

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.

These investments include the highly efficient, West Riverside Energy Center which will be in-service in the coming months.

In Iowa, we are forecasting average residential electric bills for Iowa customers will also remain fairly flat in 2020 as the impact of final base rates implemented in early 2020 will be offset by $35 million of billing credits we will provide to Iowa electric customers related to federal tax reform benefits and interim rate refunds from 2019.

Also, more production tax credits and significant fuel cost reductions are expected to flow back to customers as a result of further expansion of wind generation in 2020.

As we look to the future, we have also added new low-cost wind PPAs and will be ending the Duane Arnold PPA later this year, which will begin saving our Iowa electric customers money in 2021.

Slide 8 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 11% 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 decreases in the effective tax rate is largely earnings neutral.

Our 2020 financing plan, summarized on slide 9, remains unchanged from the plan we shared last November, including issuing up to 250 million dollars of new common equity. 225 million dollars of this equity was priced through the equity forward agreements executed in November 2019.

We expect to settle those equity forward agreements over the next 10 months to fund capital expenditures for our utilities. We expect the remaining 25 million dollars to be issued ratably during 2020 through our shareowner direct program.

Lastly, we have included our key regulatory initiatives on slide 10. We have the privilege of serving customers in states that have proven track records of constructive regulation.

In December and January, we received decisions regarding the first forward looking test year rate filings in the state of Iowa.

In the electric rate review decision, the IUB approved a new renewable energy rider which allows us to earn a return of and a return on the 1,000 megawatts of wind, after it is placed in-service.

With the approval of the renewable energy rider, and continued cost controls, our plan is to stay out of rate reviews in Iowa for at least the next few years.

In Wisconsin, we filed a certificate of authority request last year to expand natural gas capacity by 20 percent in western Wisconsin.

This request is another tool we are using to support economic development in the communities we serve. We expect a decision on that filing by the second quarter of 2020.

In the second quarter, WPL also expects to file a retail electric and gas rate review for test years 2021 and 2022. Key drivers of the rate review will be our increased investment in the distribution grid and the Kossuth wind farm we expect to place into service later this year.

We will be utilizing excess deferred taxes benefits and regulatory liabilities to offset a portion of the revenue requirement for these utility investments.

Lastly in Wisconsin, we anticipate filing a certificate of authority in the first half of 2020 for a portion of the 1,000 MWs of new solar generation we announced last fall.

We continue to make good progress with advancing these solar projects including acquiring safe harbor equipment in 2019 and securing favorable sites in our service territory to provide additional cost-effective clean energy for our customers in Wisconsin.

We very much appreciate your continued support of our company and look forward to meeting with many of you in the coming weeks at upcoming conferences. As always, we will make our investor relations materials used at the conferences available on our website.

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)

CONFERENCE CALL COORDINATOR/OPERATOR:

Ms. Gille, there are no further questions at this time.

SUSAN GILLE:

With no more questions, this concludes our call. A replay will be available through February 28, 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 "expect," "expected," "plan," "forecast," "assumes," "estimate," "will," "anticipate," "forecasting," or other words of similar import. Similarly, statements that describe future financial performance, including earnings guidance, earnings growth, 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, 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 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 EPA, 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 impact of the economy in IPL's and WPL's service territories and the resulting impacts on sales volumes, margins and the ability to collect unpaid bills;
- 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;
- 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 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 due to further potential changes to ATC LLC's authorized ROE;
- 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 laws;

- 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 and long-term earnings growth objective 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.