ALLIANT ENERGY
Q3 2019 Earnings Conference Call
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FINAL

CONFERENCE CALL OPERATOR:

Thank you for holding, ladies and gentlemen, and welcome to Alliant Energy's third quarter 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, Senior 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 third quarter and year-to-date financial results, updated our 2019 earnings guidance range, and announced the 2020 earnings guidance and common stock dividend target. The earnings release also provided our annual capital expenditure plan through 2023.

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 Quarterly Report on Form 10-Q which is 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 look forward to sharing highlights of our strong year-to-date Financial and Operational performance, along with sharing key elements of our plan to "Power What's Next" for our customers and communities.

Robert will provide more details on our financial results, our financing plans, and our capital expenditure plan.

Last night in our earnings release, we increased our earnings guidance for 2019 based on the sales performance experienced so far this year, which has been largely driven by weather.

Our updated guidance reflects a 6 cent per share increase from the previous midpoint. We are forecasting another year of 5 to 7 percent growth, our 9th year in a row and a track record we intend to keep up.

For 2020, we expect earnings between 2 dollars and 34 cents and 2 dollars and 48 cents per share. The midpoint of this range, 2 dollars and 41 cents, is a 7 percent increase from our forecasted 2019 temperature-normalized earnings per share of 2 dollars and 25 cents.

Keeping with our plan to grow dividends commensurate with earnings growth, our board of directors has approved a 7 percent increase in our targeted annual common stock dividend to 1 dollar and 52 cents per share.

Later in this call, Robert will share more details about our financial results and guidance targets.

Last night we also shared our 5-year investment forecast, which totals 6.8 billion. Our investment plan reflects our continued journey to accelerate renewable energy, a path we have been on for more than a decade.

Over the last year we have been developing a Clean Energy Blueprint. The first phase of this blueprint outlines several areas of investment, with a focus on putting renewable energy to work for our Wisconsin customers and communities.

Improving economics, sustainability goals, and delivering on customer expectations are key drivers for our transition to renewable energy.

Last week we announced a key element of our Clean Energy Blueprint, the expansion of our Wisconsin solar generation by up to 1,000 megawatts by the end of 2023.

We are taking advantage of the continued cost reductions for solar generation, along with the near-term opportunity to capture investment tax credits which make solar a cost-effective renewable energy choice for our customers. When looking to transform our generation fleet we thoughtfully balance many factors that include: reliability, customer rates, strengthening the communities we serve, and our talented employees who have served our customers with tremendous care and service for decades.

These factors will guide us as we evaluate the path to future retirement of our Wisconsin coal facilities. More information will be shared over the course of the coming months as we further outline these elements in our Wisconsin Clean Energy Blue Print.

Our capital investment plan also reflects the planned investments in our electric and gas distribution systems, designed to ensure our customers continue to benefit from safe, reliable, and affordable energy.

We are planning for the future needs of our customers and making investments in our communities to help drive economic development opportunities. Our plans include developing a strong distribution network that enables additional local energy resources.

And we plan to move more of our electric lines from overhead to underground, further strengthening the grid, and helping to reduce impacts from severe weather events.

And our plans are mindful of customer cost impacts. We expect to reduce the number of substations and add devices that use smart sensors to detect problems and improve our response resulting in more efficient and safe operations.

Now let me update you on our progress with some of our current strategic projects.

In Iowa, we continue to see great progress on the significant wind investment we are making for our Iowa customers. Earlier this year, we placed 470 MW of wind into service and we are making great progress with the remaining 530 MW of new wind.

This will complete our planned 1,000 MW of new wind for our Iowa customers by the end of 2020. We are also nearing completion of our AMI meter deployment in Iowa, with all meters expected to be installed and operating by the end of this year.

For our Wisconsin customers, we are making progress constructing the 150 MW Kossuth Wind Farm. We expect to place this project in-service by the end of 2020.

And we are nearing completion of our West Riverside Energy Center, a 730 MW highly efficient natural gas facility that will be an important complement to our renewable generation resources.

We expect to continue our long track record of delivering projects on time and on budget.

The third quarter also saw strong operating performance from our existing gas generation with year-to-date capacity factors exceeding 70 percent. Low natural gas prices and strong wind resources resulted in lower fuel costs for our customers.

The financial and operational results we are communicating today would not be possible without the dedication of our employees and the strong community partnerships we have developed.

We are delivering on our purpose to "Serve Customers - and Build Strong Communities".

Recently, the new Commerce Park in Beaver Dam, Wisconsin was certified by the state for economic development. Later this month - the Ames Iowa - Economic Development Commission will recognize Alliant Energy at the Economic Impact Awards for our commitment to the Prairie View Industrial Center and, also, the Alliant Energy Digital Manufacturing Lab, both located near Iowa State University.

These achievements would not have been possible without the countless employees and community officials who contributed their time, energy, and talents.

I am excited about our accomplishments and look forward to achieving our goals for 2020.

I'll summarize the key areas of our focus:

- Continuing our solid track record of project execution, completing projects on time, on budget, and in a very sustainable and safe manner
- Advancing affordable and clean energy through smart investments in renewables, high-efficiency natural gas, and distribution networks
- Consistently delivering on 5 to 7 percent earnings growth guidance and a 60 to 70 percent common dividend payout target
- And we will continue to manage the company to strike a balance between capital investment, operational and financial discipline, and cost impact to customers.

With Veterans Day only a few days away, I would like to take a moment and pay tribute to all veterans and the many proud veterans that work at Alliant Energy.

I also want to extend my thanks and appreciation to all the military families for everything they do while their loved ones are away from home.

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 third quarter earnings of 94 cents per share, compared to non-GAAP earnings of 85 cents per share in the third quarter of 2018. Our higher earnings year over year were driven by higher revenue requirements due to increasing rate base and the timing of income tax expense. These higher earnings were partially offset by higher depreciation and financing expenses.

We provided additional details on the earnings variance drivers for the quarter on slides 2 and 3.

Through the first nine months of this year, temperatures in our service territory have increased retail electric and gas margins by approximately 5 cents per share.

In 2018, the year-to-date temperature impacts, net of reserves for WPL's earnings sharing mechanism and additional performance pay expense, were also a 5 cent per share increase in earnings.

As John mentioned, last night we issued our consolidated 2020 earnings guidance range of 2 dollars and 34 cents to 2 dollars and 48 cents per share.

The key drivers of the 7% growth in 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 settlement, which is subject to the Iowa Utility Board's final decision.

Our guidance assumes IPL's new 2020 electric base rates will go into effect in the first quarter of next year.

The 2020 guidance range assumes a one-half percent growth in electric sales when compared to temperature normalized sales for 2019.

We are forecasting most of this sales growth from commercial and industrial customers.

The details of our capital expenditure plan are shown on slide 4. For your convenience, we provided a walk from the previous capital plan to our current plan on slide 5.

You will see on the capital plan walk, we have increased our forecasted investments in renewables, and decreased electric and gas distribution investments when comparing last year's plan to this year's plan.

This is consistent with our objective to make the best investment decisions on behalf of our customers, with a constant focus on customer affordability.

Slide 6 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 positive 10% for 2019 and negative 11% for 2020.

The additional production tax credits from the new wind projects being placed in service and the excess deferred taxes being returned to customers in 2020 are the primary drivers for the decrease in the effective tax rate.

The production tax credits and excess deferred tax benefits will flow back to customers resulting in lower electric margins next year. Thus, the decreases in the effective tax rate related to PTCs and excess deferred tax benefits are largely earnings neutral.

We remain very focused on controlling costs for our customers. We continue delivering the benefits from federal tax reform and lower fuel costs to our customers in both Wisconsin and Iowa.

In Wisconsin, we will hold electric and gas base rates flat through 2020 by using fuel savings and excess deferred taxes from federal tax reform to offset the cost of utility investments, including the highly efficient West Riverside Energy Center which will be in-service in the coming months.

In Iowa, we will be flowing tax benefits back to customers as part of the 2020 test year retail rate review settlements. And, as we bring 530 megawatts of new wind projects into service next year for our Iowa customers, we expect production tax credits and lower fuel expenses to largely offset the impact of increases in renewables rate base.

In addition, we have added new wind PPAs and amended the Duane Arnold PPA, which will begin saving our customers money in 2021.

Moving to our financing plans which have been summarized on slide 7. We have completed our 2019 long-term debt financings with the issuance of a 300 million-dollar green bond at IPL in September to finance wind generation projects in Iowa.

We plan to issue the remaining approximately 200 million dollars of new common equity under the 2019 equity forward agreements by year-end.

As we look to next year, our 2020 financing plan includes issuing up to 250 million dollars of new common equity and up to 950 million dollars of new long-term debt across our two utilities and Alliant Energy Finance. 650 million dollars of long-term debt will be maturing next year, so a majority of the proceeds from the 2020 financing plan will be used to refinance existing debt.

The 2020 financing plan is driven by the robust capital expenditure plans for the utilities, the September 2020 DAEC PPA termination payment, regulatory decisions on delivering tax reform benefits to our customers, and the settled IPL rate review, which would increase IPL's allowed common equity component of its capital structure by 200 basis points.

Lastly, we have included our regulatory initiatives of note on slide 8. Since last quarter, we filed settlement agreements in both the IPL retail electric and gas test year 2020 rate reviews. We expect the Iowa Utilities Board's decision on these settlements by year-end.

We also filed a construction authority request with the Public Service Commission of Wisconsin to expand natural gas capacity by 20 percent in western Wisconsin. We expect a decision on that filing by the second quarter of 2020.

Next year, in Wisconsin, we anticipate filing a certificate of public convenience and necessity for additional solar generation and a retail electric and gas rate review for test years 2021 and 2022.

These regulatory initiatives are important components of our operational and financial results.

We very much appreciate your continued support of our company and look forward to meeting with many of you at the EEI Finance conference next week.

Later today, we expect to post on our website the EEI investor presentation and the November 2019 fact book which detail the separate IPL and WPL updated capital expenditures through 2023, as well as provide updated rate base and construction work in progress forecasts. 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 November 14, 2019 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 "forecasting," "expect," "targeted," "plan," "assumes," "estimate," "anticipate," "will," "believe," "forecasting," or other words of similar import.

Similarly, statements that describe future financial performance, including earnings and 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, environmental compliance and remediation 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;
- 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 the Environmental Protection Agency's regulations for carbon dioxide emissions reductions from new and existing fossil-fueled EGUs, and litigation associated with environmental requirements;
- 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 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;
- changes in the price of transmission services and the ability to recover the cost of transmission services in a timely manner;
- 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 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;
- any material post-closing adjustments related to any past asset divestitures, including the sales of IPL's Minnesota electric and natural gas assets, and Whiting Petroleum Corporation, which could result from, among other things, indemnification agreements, warranties, parental guarantees or litigation;
- 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 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 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; and
- the effect of accounting standards issued periodically by standard-setting bodies;
- 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 2019 and 2020 earnings guidance, 2020 targeted annual common stock dividend and the investment plan 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.