ALLIANT ENERGY
Q2 2018 EARNINGS CONFERENCE CALL
AUGUST 3, 2018
FINAL

CONFERENCE CALL OPERATOR:

Thank you for holding, ladies and gentlemen, and welcome to Alliant Energy's second quarter 2018 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, Manager of Investor Relations 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 Pat Kampling, Chairman and Chief Executive Officer, John Larsen, President, and Robert Durian, Senior Vice President, CFO and Treasurer, as well as other members of the senior management team. Following prepared remarks by Pat, 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 second quarter financial results and reaffirmed the consolidated 2018 earnings guidance issued in November 2017. 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 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 Pat.

PAT KAMPLING:

Thanks Sue and good morning and thank you for joining us.

I'm first going to give you the headlines of the quarter and then discuss a few recent events.

After my remarks, John will provide updates on several of our key strategic priorities, and then Robert will provide details on our financial results and highlights of our regulatory schedule.

So for the headlines

- First – we achieved another solid quarter of performance including benefits from weather.
- Second – we are reaffirming our earnings guidance range, and based on year-to-date results we are trending toward the top half of the range
- Third – we announced our financing plans for 2019 , which includes issuing up to $400 million of new common equity, and
- Fourth, things are really busy here – but everything is going well

Let me now speak to some recent events. On Thursday, July 19, an EF3 tornado tore through Marshalltown, Iowa, causing catastrophic damage to the downtown business district and the many homes and businesses around it.

Needless to say, it left most of this town's 27,000 residents with damaged homes and businesses, and without electric and gas service. It was a true miracle that no one was killed or seriously injured.

We are so thankful that our Marshalltown Generating Station, operations center and training center were not damaged so our employees were able to immediately begin their restoration efforts.

With the sheer dedication and determination of our talented teams, they replaced 200 poles, strung many miles of cable, restored power to over 10,000 electric customers, and relit 5,000 homes in under a week.

The local support for our crews has been tremendous and we greatly appreciate the patience of our customers, especially as they are dealing with their own damage.

We are working closely with our customers and the various agencies in Marshalltown to help the area recover as soon as possible. The total cost of our restoration efforts will not have a material impact on our 3rd quarter results.

And, last week we announced our agreement with Nextera Energy to shorten the term of the purchase power agreement for the Duane Arnold Energy Center by five years, with a new expiration date at the end of 2020. Details of this agreement can be found on slide 2.

The savings will flow back to customers, and they are significant. Starting in 2021, customers will save approximately $40 million annually, which translates to a $42 per year reduction on a typical residential customer's bill.

This agreement not only allows us to pass these savings on to our Iowa customers, it also includes four new PPAs from Next Era increasing our wind energy in Iowa.

It was important to us that we replace one emissions free resource with another. Including this additional wind, we estimate renewables will make up over 40% of our Iowa energy mix in 2021.

Alliant Energy did initiate a docket with the Iowa Utilities Board requesting recovery of the one-time $110 million buyout payment to NextEra. The request includes earning a return on the payment at our weighted average cost of capital. We expect approval before year end. And, based on our resource planning forecast this agreement does not increase our generation resource needs.

And the last item I wanted to mention is that yesterday, we launched the 2018 Corporate Sustainability Report on our website.

This report reaffirms our commitment to provide economical energy in a sustainable manner, and also shows our alignment with the United Nations Sustainable Developmental Goals.

A few key items to note include:

- Our plan includes retiring our remaining coal facilities by 2050,
- a reduction in our carbon emissions from our 2005 levels of 40% by 2030 and 80% by 2050, and
- renewables will be nearly a third of our total energy mix by 2030.

I encourage you to review the report and see the progress we have already made towards creating a better tomorrow for our customers, communities and investors.

I am excited about our achievements so far this year. Our team will continue to focus on the following goals for our company in 2018:

- Complete our large construction projects on time and at or below budget, and in a very sustainable and safe manner.
- Advancing cleaner energy through additional fossil plant retirements, completion of the West Riverside Energy Center, and substantial investments in wind energy.
- Deliver 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 that, I will turn the call over to John to provide updates on several of our key strategic priorities.

JOHN LARSEN:

Thanks Pat. Good morning everyone.

Our results this quarter reflect increased earnings due to warmer than normal temperatures. I am pleased to report that our generating fleet operated very well responding to the increased demand for energy.

In the month of June, our Riverside and Marshalltown natural gas plants experienced capacity factors above 70%, and for the quarter our generated energy was 45% higher than second quarter 2017. Higher margins, due to increased generation, lowers customer fuel costs. Controlling customer costs is always top of mind.

As we shared with you last quarter, the Iowa Utilities Board approved our request to construct 1,000 MW of wind generation for our Iowa customers. Not only are we partnering with the customers and communities to site this wind, but we are also sourcing materials locally as well.

We are progressing well towards our plan to have 470 MW of wind generation placed in service in 2019. At our first site, Upland Prairie Wind farm in Clay and Dickinson counties, towers have been delivered and construction is underway. The turbine blades are being fabricated in Newton Iowa.

At our second site, English Farms in Poweshiek County, we anticipate tower deliveries and start of construction in the fourth quarter of this year. The towers for these two sites will be constructed in Newton, Iowa and Clinton, Illinois. Also, we have finalized and announced the sites selected for the remaining 530 MW of the approved wind, which are expected to be placed in service in 2020.

We intend to provide additional renewable energy for our Wisconsin customers as well. In May we filed a plan with the Public Service Commission of Wisconsin to build a 150 MW wind farm in Kossuth County, Iowa – an area with consistently strong wind resources.

We anticipate a decision from the Wisconsin Commission in the first quarter of 2019. This will allow us to put the wind farm in service by 2020; qualifying for 100% Production Tax Credits which will provide cost benefits for our Wisconsin customers.

We are making solid progress on the construction of our West Riverside Energy Center in Beloit, Wisconsin. This 730 MW combined-cycle natural gas facility is over 40 percent complete. It's on time, on budget, and expected to be placed into service by the end of 2019. All major pieces of equipment are on site and we have over 500 skilled workers safely constructing this highly efficient generating facility.

The West Riverside facility is the main rate base addition in the WPL retail rate review settlement for 2019 and 2020 which was approved by the PSCW yesterday. Settlement details are provided on slide 3.

The settlement holds electric and gas customer rates flat through 2020. Our ability to hold customer base rates flat, while bringing the West Riverside facility into service, is a result of our success at controlling operational and fuel costs, along with returning benefits from federal tax reform to our customers.

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 second quarter 2018 earnings of 43 cents per share, compared to 41 cents per share in the second quarter of 2017. The key driver for the 2 cent increase was higher electric sales to residential and commercial customers caused by warmer than normal temperatures and May and June in the upper Midwest.

Additionally we are pleased by the strength of our industrial sales in the second quarter, which grew 2% year over year. These sales increases were partially offset by the timing of income tax expenses and timing of costs incurred at our generating facilities in the second quarter. We provided additional details on our earnings variance drivers for the quarter on slides 4 and 5.

Through the first half of 2018, temperatures in our service territory have increased Alliant Energy's retail electric and gas margins by approximately $0.07 per share. Due to WPL's earnings sharing mechanism, we currently expect a majority of the higher margins resulting from temperature impacts at WPL will be given back to our Wisconsin customers.

As a result, the year-to-date temperature impacts, net of a reserve for WPL's earnings sharing mechanism, are estimated to be a $0.05 per share increase in margins.

With another quarter of solid earnings, we have reaffirmed our full year 2018 earnings guidance range of $2.04 per share to $2.18 per share. Due to the increased margins from temperatures in the first half of the year and assuming normal temperatures in our service territory for the remainder of the year, our full year earnings forecast is trending toward the top half of our earnings guidance range.

Slide 6 has been provided to assist you in modeling this year's effective tax rates for Alliant Energy and our two utilities, including the impacts of Federal and Iowa State Tax Reform and the tax benefit riders. We estimate a consolidated effective tax rate of 12% for 2018.

Moving to our financing plans which have been summarized on slide 7. Our 2018 financings are progressing according to plan. During the second quarter, we completed the issuance of one billion dollars of debt at Alliant Energy Finance and used the proceeds to retire 595 million dollars of term loans maturing in 2018 and to reduce commercial paper borrowings.

Through July, we have completed approximately two-thirds of the 200 million dollars of new common equity issuances planned for 2018. Lastly, we still plan to issue up to 600 million dollars of long term debt at IPL later this year, with 350 million dollars being used to refinance maturing debt and the remainder to fund IPL's wind expansion program.

As we look to 2019, our plan includes issuing up to 400 million dollars of new common equity, up to 500 million dollars of long-term debt at IPL and up to 400 million dollars of long term debt at WPL.

This 2019 financing plan is driven by the robust capital expenditure plans for the utilities, regulatory decisions on delivering tax reform benefits to our customers, and the recently approved increase in WPL's common equity percentage by the PSCW.

These 2018 and 2019 financing plans support our objective of maintaining capital structures at our two utilities consistent with their most recent regulatory decisions. We will adjust the financing plans if market conditions warrant, and as our external financing needs are reassessed.

Lastly, we have included our regulatory dockets of note for 2018 on slide 8. Our regulators have issued several constructive decisions so far this year that support our wind expansion program and authorized us to provide our customers 2018 tax reform benefits with billing credits.

These recent regulatory decisions and regulatory filings are important components of our near-term operational and financial results.

We very much appreciate your continued support of our company and look forward to meeting with many of you over the next several 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 up 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 August 10, 2018 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," "plan," "goals," "anticipate," "intend," "estimate," or other words of similar import. Similarly, statements that describe future financial performance, including earnings and earnings guidance, earnings growth, capital expenditure estimates, and plans or strategies, including our 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, earning a return on rate base additions and the recovery of costs, including fuel costs, operating costs, transmission costs, environmental compliance and remediation costs, deferred expenditures, deferred tax assets, capital expenditures, and remaining costs related to electric generating units (EGUs) that may be permanently closed, 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 energy, tax, financial and health care 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 the Consent Decree between WPL, the U.S. Environmental Protection Agency (EPA) and the Sierra Club, the Consent Decree between IPL, the EPA, the Sierra Club, the State of Iowa and Linn County in Iowa, the Coal Combustion Residuals Rule, the Clean Power Plan, future changes in environmental laws and regulations, including the EPA'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;
- 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;
- developments that adversely impact the ability to implement the strategic plan;
- ability to obtain regulatory approval for wind projects with acceptable conditions, to complete construction within the cost caps set by regulators and to meet all requirements to qualify for the full level of production tax credits;
- 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;
- 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 in IPL's and WPL's service territories may have on their operations and recovery of costs associated with restoration activities;
- 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 OPEB 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.

These factors should be considered when evaluating the forward-looking statements and undue reliance should not be placed on such statements. Without limitation, the expectations with respect to 2018 projected earnings and long-term growth objective are forward-looking statements and are based in part on certain assumptions made by Alliant Energy, some of which are referred to in the script, and some of which are referred to in the forward-looking statements. Alliant Energy cannot provide any assurance that the assumptions referred to in the script or 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.