ALLIANT ENERGY
Q3 2020 EARNINGS CONFERENCE CALL
NOVEMBER 3, 2020
FINAL

CONFERENCE CALL OPERATOR:

Good morning, and welcome to Alliant Energy's conference call for third 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. 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 financial results, updated our consolidated 2020 earnings guidance range, and announced our 2021 earnings guidance and common stock dividend target. 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 this point, I'll turn the call over to John.

JOHN LARSEN:

Thanks Sue.

Good morning everyone and thank you for joining us today as we highlight our solid results for the third quarter of 2020.

I want to start by saying how proud I am to be part of the Alliant Energy team. Our Purpose – to serve customers and build strong communities - has guided us throughout the year and the events of this quarter.

2020 has highlighted the importance of resiliency as we face the challenges of the pandemic and the derecho windstorm in Iowa.

But resiliency is not new for us. Our customer-focused strategy is designed with both resiliency and flexibility in mind. On August 10, just a few days after our 2nd quarter call, our teams were the picture of resiliency as they responded to an unprecedented storm that impacted 341 of the nearly 700 communities we serve in Iowa.

The windstorm, known as a derecho, hit with little warning leaving more than half of our Iowa customers without power. This was the biggest storm in our company's 100-plus-year history.

Our dedicated employees, many of whom were without power, were assisted by crews from across the country and Canada, working day-in and day-out, for more than two weeks, until every customer had power available to them.

I also want to recognize the kindness and resiliency of our Iowa customers during this time. Our employees were overwhelmed with the kindness and patience expressed to them throughout the restoration process.

Our resiliency extended to our social commitments to our customers. In partnership with our employees, we started Project ReConnect, a program to help homeowners make costly repairs to their residences after the storm. To date, Alliant Energy, along with our employees, have donated more than $300,000 to Project ReConnect.

It's one more way that our Values - to Do the Right Thing and to Care for Others make a difference in the communities we call home.
We remain flexible to assist those in need beyond the borders of our service territory as well.

Over the weekend, nearly 200 Alliant Energy line workers left home to help restore power following Hurricane Zeta in Gulfport, Mississippi, where they'll join mutual aid crews from several other states to help get the lights back on.
In a few moments I will turn the call over to Robert who will address the sales trends we are seeing as a result of the ongoing COVID pandemic.

I'm proud of the efforts our employees have made in driving cost reductions and advancing our broader transformation efforts, helping us offset expenses from the storm as well as the pandemic, and resulting in lower costs for our customers in 2020 compared to 2019.

Turning to the execution of our strategy. We recently announced the on-time and on-budget completion of our $2 billion wind expansion in Iowa.

Our generation transformation started over a decade ago and required thoughtful planning, flexibility, and solid execution. And that's just what we did, making us now the third largest regulated wind owner-operator in the country.

And we take pride in our sustainable construction practices, delivering a range of environmental, social, and economic benefits to the communities we serve.

Continuing our Purpose driven strategy and building on our strong track record of project execution, last week we announced the next phase of our Clean Energy expansion in Iowa as a part of our Clean Energy Blueprint.

The Blueprint offers clarity about our generation plans in Iowa through our 2020 to 2024 planning horizon.
The Blueprint aligns with consumer preferences for more renewable energy and includes adding up to 400 megawatts of solar by 2023.

Our near-term investment in renewables creates long-term savings for customers. When the 400 MW of solar is combined with the nearly 1,300 MW of owned and operated wind, plus power generated by our existing solar farms in Dubuque, Marshalltown and Cedar Rapids, nearly 50 percent of Alliant Energy's Iowa generation portfolio will be from renewables.

We also announced our intent to retire our Lansing Generating Station by the end of 2022 and the coal-to-natural gas conversion of our Burlington Generating Station. These plans will allow us to avoid significant investments and helps to advance toward our goal of eliminating all coal from our generation fleet by 2040.

These retirements also bring the end of an era for our employees at these facilities. For decades, our employees have done an outstanding job, safely maintaining and efficiently operating these plants, providing affordable and reliable energy for our customers.

We will continue to live our values, caring for our employees and assisting the impacted communities throughout the transition.

The Iowa Blueprint builds upon our clean energy strategy, including plans to add up to 100 MW of distributed energy, such as community solar and energy storage systems.

Our Clean Energy vision is more than renewables, it's a comprehensive view of the energy eco-system, recognizing the changing needs of our customers, and advancing investments in our connected energy network which prioritizes reliability, resiliency, and customer affordability.

These investments include transitioning our grid from overhead to underground, deploying technology such as ADMS, maximizing the use of our AMI system, and advancing high speed fiber communications.

And of course, we will continue our efforts to retain and attract customers. Driving economic development through a variety of projects and partnerships. In the face of this unprecedented year, our teams have embodied resiliency and flexibility as they have delivered results.

For the second year in a row, we have been recognized as a Top Utility for economic development by Site Selector magazine. Our teams have also secured 19 new projects across our service territory and helping to create more than 1,700 new jobs.

These developments are good news for our customers and communities and another example of our Purpose in motion.

In closing – I'm pleased to share –
Our forecast for our 10th year in a row of 5 to 7 percent earnings growth
Our increased and narrowed 2020 earnings guidance range between \$2.40 per share and \$2.46 per share
Our 2021 earnings guidance range between \$2.50 per share and \$2.64 cents per share.

And, in keeping with our plan to grow dividends commensurate with earnings growth, our board of directors has approved a 6% increase in our targeted annual common stock dividend of \$1.61 per share.

We remain committed to our Purpose driven strategy:

- The health, safety, and well-being of our employees, customers, and communities.

- Advancing our clean energy vision.

- And delivering consistent returns for our investors.

I'll now turn the call over to Robert.

ROBERT DURIAN:

Thanks John. Good morning everyone.

Yesterday, we announced third quarter 2020 GAAP earnings of \$0.98 per share, compared to \$0.94 per share in the third quarter last year. Our higher earnings year over year were driven by higher revenue requirements due to increasing rate base, the timing of income tax expense, and a favorable 4 cent adjustment to the credit loss liability related to legacy guarantees in our non-utility business.

These higher earnings were partially offset by higher depreciation and equity dilution. We provided additional details on the earnings variance drivers for the quarter on slides 3 and 4.

Through the first nine months of this year, temperatures in our service territory have increased retail electric and gas margins by approximately 1 cent per share. By comparison in 2019, the year-to-date temperature impacts through the first three quarters increased retail electric and gas margins by approximately 5 cents per share.

Turning to temperature-normalized sales. We have been very encouraged by the improvement we've seen in our sales when comparing the second quarter to the third quarter this year.

I would characterize our current sales levels as being roughly flat versus the same period in 2019, with the increase in residential sales offsetting the decreases seen in commercial and industrial sales.

It's important to note that our third quarter results also reflected the impacts of the August 10th Derecho storm in Iowa, which caused a temporary reduction in sales as we worked for a couple weeks to restore power to our customers in central Iowa.

As John mentioned, last night we issued our consolidated 2021 earnings guidance range of $2.50 to $2.64 per share. The key drivers of the 6% mid-point growth in temperature normalized EPS are related to investments in our core utility business including WPL's Kossuth wind farm and Western Wisconsin gas pipeline and IPL's wind expansion program.

These investments were reflected in WPL's approved electric rates for 2021 as part of our rate stabilization program, and IPL's approved electric rates that were implemented in February of this year.

Our 2021 guidance also reflects additional earnings at IPL related to the wind generation that went into service in September, which will be captured in IPL's renewable energy rider and the DAEC PPA buyout payment in the third quarter which will be captured in IPL's fuel rider.

The details of our updated capital expenditure plan are shown on slide 5. Included in this plan are a total of 1.4 gigawatts of solar generation up to 100 megawatts of distributed energy such as community solar and battery storage, and nearly 3 billion dollars of investment into our electric distribution system.

As noted on the slide, we plan to finance our solar investments with tax equity funding, so we anticipate approximately 700 million dollars in contributions for our solar projects from tax equity partners.

On slide 6, we have provided a walk from last year's capital expenditures plan to this year's plan. We have accelerated renewables expenditures into the next two years which were originally forecasted in 2023 and also increased renewables expenditures in total over the 5-year period.

These changes reflect the better than expected development progress for the solar sites we have acquired for our Wisconsin customers and the addition of 400 megawatts of Iowa solar, John mentioned earlier.

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 9 percent for 2020 and negative 14 percent for 2021.

The additional production tax credits from the new wind projects being placed into service in 2020 and the excess deferred taxes being returned to customers in 2021 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.

Next, I'd like to highlight our continued commitment and focus on controlling costs for our customers. In September of this year, our Iowa utility paid $110 million to terminate the Duane Arnold PPA five years early. This strategic decision will lead to immediate and substantial fuel cost savings for our customers.

Additionally, we have and will continue to make investments in technology that will further reduce costs for our customers. A great example of this is our AMI investment in our Iowa jurisdiction completed earlier this year that reduced O&M costs associated with meter reading.

We are also pursuing additional technology investments that will reduce O&M costs, such as our advanced distribution management system. I want to recognize the great efforts of our employees for the hard work they're putting into cost transformation efforts on behalf of our customers.

In Wisconsin, our rate stabilization proposal earlier this year was recently approved by the Public Service Commission of Wisconsin. This is a win-win for the utility and for our customers, as we're able to begin recovery of many previously approved projects such as our Kossuth Wind Farm and the Western Wisconsin pipeline, while leveraging fuel savings and excess deferred income taxes to keep base rates in 2021 flat for our customers.

Our utility customers in both states are benefitting from lower transmission costs, lower taxes from federal tax reform, lower fuel costs and tax credits associated with more renewable generation, and finally, lower O&M expenses.

Let's move next to our financing plans for the remainder of 2020 and 2021. Our plans include approximately $25 million of new common equity through our DRIP plan in 2021.

Our financing plans also include new long-term debt over the next 14 months including up to 300 million dollars at our Wisconsin utility and up to 300 million dollars at Alliant Energy Finance. And finally, there are no long-term debt maturities between now and the end of 2021.

Lastly, we have included our regulatory initiatives of note on slide 8. For this year, we expect to receive the written decision regarding our WPL rate stabilization plan yet this quarter including the final fuel cost recovery amounts for 2021.

Next year, in Iowa we plan to make an advance ratemaking principles filing for our planned 400 megawatts of new solar generation, as well as a filing for the subsequent proceeding required as part of our test year 20-20 retail electric and gas rate review. Both of these filings are anticipated in the first half of next year.

And in Wisconsin, we anticipate a decision from the PSCW regarding our first certificate of authority filing for solar generation by the second quarter, and we plan to make the second CA filing to round out our planned 1 gigawatt of Wisconsin solar in the first half of the year.

Additionally, in the second quarter of 2021 we plan to file a retail electric and gas rate review in Wisconsin. At this time, we are still evaluating whether that would be a single test year case or multiple test years. 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 during the Virtual EEI Finance conference next week.

Later today, we expect to post on our website the EEI investor presentation and the November 2020 fact book which detail the IPL and WPL updated capital expenditures, rate base and construction work in progress forecasts through 2024.

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.

(OPERATOR PROVIDES INSTRUCTIONS ON HOW TO ASK A QUESTION)

(Q&A SESSION)

SUSAN GILLE:

This concludes Alliant Energy's third quarter earnings call. A replay will be available through November 10, 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 "will," "intent," "plans," "forecast," "targeted," "guidance," "anticipate," "estimate," "expect," "next year," 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 Corporation (Whiting Petroleum), which could result from, among other things, indemnification agreements, warranties, 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 solar projects within the cost caps set by regulators and to meet all requirements to qualify for the full level of renewable 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 may have on Alliant Energy's, IPL's and WPL's operations and recovery of costs associated with restoration activities, including those related to the August 2020 derecho storm, 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, timing and form of benefits payments, 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 changes in tax rates, including adjustments made to deferred tax assets and liabilities;
- 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 2020 and 2021 earnings guidance, long-term earnings growth objective, 2021 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.