ALLIANT ENERGY
Q2 2020 EARNINGS CONFERENCE CALL
AUGUST 7, 2020
FINAL

CONFERENCE CALL OPERATOR:

Good morning, and welcome to Alliant Energy's conference call for second 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 second quarter financial results and reaffirmed the consolidated 2020 earnings guidance issued in November 2019.

This release, as well as supplemental slides that will be referenced during today's call, are available on the investor's page of our website at www.alliantenergy.com.

Before we begin, I need to remind you that the remarks we make on this call and our answers to your questions include forward-looking statements. These forward-looking statements are subject to risks that could cause actual results to be materially different.

Those risks include, among others, matters discussed in Alliant Energy's news 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 10-Q 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. I hope you are all staying safe and healthy.

Thank you for joining us today as we highlight our solid results for the second quarter of 2020.

I will share a few notable stories from the quarter, and then turn the call over to Robert as he recaps some of our regulatory, customer, and financial highlights.

I'll start my comments with a focus on our recently issued Corporate Responsibility Report. This year's update showcases many examples of our environmental stewardship, as well as our long-standing efforts to address the important social needs of the communities we proudly serve.

On the environmental front we were excited to announce that we achieved our 2030 goal of having 30% of our energy mix come from carbon-free renewable resources, 10 years ahead of schedule. And we're not stopping there.

Our customer-focused strategy continues to advance us toward a Clean Energy Future and our responsibility report has been updated, with new and even more aggressive clean energy goals - as shown on slide 2.

Our report also highlights the great work of our employees to support our customers and communities. This is not new for Alliant Energy. It's part of how we do business. We have continued to support our customers and communities as they respond to the ongoing demands of the COVID-19 health and economic crisis.

Our charitable foundation recently released a new wave of community grants - benefitting more than 230 nonprofit organizations across Iowa and Wisconsin.

Our stated Purpose, to serve customers and build stronger communities, is core to everything we do. And we are proud of the many ways we help to build stronger communities where we live, work, and raise our families.

Now, more than ever, the social part of our corporate responsibility is at the forefront. We are committed to partnering with our communities, working to understand, and help address their needs.

We act by providing financial support to agencies and non-profit organizations that help our communities bridge gaps of social inequities and through programs that support food insecurity and housing, workforce readiness, environmental stewardship, and diversity, safety and wellbeing**.**

Our employees and retirees are a driving force in our communities, and I'm very proud to be part of a company that lives our values in so many ways.

In a few moments, I will turn the call over to Robert, who will address the trends we are seeing across our residential, commercial, and industrial customer bases as a result of the ongoing COVID pandemic.

Our employees have made great progress in driving cost reduction efforts and advancing our broader transformation efforts during the first half of the year.

Turning to the execution of our strategy. I'll highlight progress we have made as we advance our Clean Energy Vision.

A key driver to achieving our goals - is the continued successful advancement of new renewable energy resources, like wind and solar.

In May, we filed a certificate of authority with the Public Service Commission of Wisconsin, for 675 megawatts of new solar generation. Collectively, these solar projects are expected to create more than 1,200 local construction jobs, and once operational, will provide an estimated 80 million dollars in local tax revenues over the next 30 years.

In conjunction with our solar filing, we also announced our plans to retire our Edgewater Generating Station. Our efforts to transition our generation to a cleaner and more efficient fleet are not new. In fact, we have been on this path for over a decade.

As we have in the past, we will live our values, to *Care for Others* and *Do the Right Thing*, as we support the transition of impacted employees in the Sheboygan community.

The expansion of our Wisconsin renewable resource portfolio as well as the decision to retire the Edgewater facility was the result of a year-long process - working with key stakeholders that ultimately formed what we call our Clean Energy Blueprint.

We have a similar process started in Iowa and expect to share the results of our Clean Energy Blueprint for our IPL business later this year. Speaking of Iowa, I'll also share that we recently announced an innovative partnership with the city of Decorah.

The new project features a 2.5-megawatt battery storage facility to support distributed solar. This battery system will help us better serve the community and allow us to efficiently integrate a growing desire for distributed energy resources.

And while a lot of great work is happening related to solar and storage, I also want to highlight American Wind Week, which kicks off next Monday. We are proud to be part of advancing wind energy and the many benefits it brings to our customers and rural communities.

We remain on track to install an additional 280 megawatts of wind for our Iowa and Wisconsin customers by the end of this year.

Our 130-megawatt Richland wind farm will be completed by the end of the third quarter and our 150-megawatt Kossuth wind farm is 80 percent complete and will be placed into service in the fourth quarter of this year, making us the third largest owner-operator of regulated wind in the US.

To summarize:

We remain committed to:

- Focusing on the health, safety, and well-being of our employees, customers, and communities
- Advancing our clean energy vision
- Ensuring our investments are well-executed, efficient, and customer focused
- And delivering consistent returns for our investors, with a 5 to 7% growth rate and our 60-70% dividend payout ratio

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 20-20 GAAP earnings of 54 cents per share, compared to 40 cents per share in the second quarter of 20-19. Our utilities had higher earnings year over year driven by increasing rate base and higher electric margins from warmer temperatures.

These increases in earnings were partially offset by higher depreciation expense. We have provided additional details on the earnings variance drivers for the quarter on Slides 3 and 4.

Our temperature normalized retail electric sales in the second quarter were down 6% versus last year, reflecting the impact of the Covid-19 pandemic. Residential temperature normalized sales increased 5% year over year, largely driven by our customers spending more time at home.

On the other hand, commercial and industrial temperature normalized sales declined 9%. Manufacturing sales, which make up approximately 50% of our commercial and industrial sales were down 15 to 25% during April and May. And, as expected, we saw material declines in electric sales in April and May to other sectors of our commercial and industrial customers including retail, lodging, and food service as a result of temporary business closures.

More recently, we have been encouraged to see electric sales to our commercial and industrial customers rebound in June and July to levels that were only modestly lower than the same months last year.

We are also fortunate to have a broad diversity of customers across our two state jurisdictions that even saw certain customers – such as our food processing, packaging, and warehousing customers – having flat-to-higher than normal sales through the initial months of the pandemic.

With the faster than expected rebound in electric sales, we have updated our current projections to reflect an approximate 2-3% reduction in temperature normalized electric sales for calendar year 20-20 compared to last year.

We have made significant progress mitigating these pandemic-related sales declines by accelerating planned cost transformation activities and reimagining how we do work.

This is a direct reflection of our employees' leadership and their dedication to reducing costs for our customers. I speak for the entire executive team in sharing my appreciation for the employees of Alliant Energy – especially for the men and women who are in the field, each day, ensuring the safe and reliable delivery of affordable energy to our customers throughout this pandemic.

The health crisis has reaffirmed how essential energy services are to the country – and are a reminder of just how critical our purpose is to the customers and communities we serve.

Slide 6 has been provided to assist you in modeling the effective tax rates for our two utilities and our consolidated group. We currently estimate a consolidated effective tax rate of negative 10% for 20-20.

The primary drivers of the lower tax rate are production tax credits
and excess deferred tax benefits which flow back to customers resulting in lower electric margins thereby resulting in no material impact on full year earnings.

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

This results in higher earnings in the first half of the year and lower earnings in the second half of the year when compared to the results of last year.

On Slide 7 we have provided the details of our financing plan for 20-20 which has now largely been completed. In June, we finalized a 400 million dollar 10-year bond issuance at our Iowa utility and used part of the proceeds to call early a maturity that was due later this year.

This deal was well received by the market and achieved the lowest bond interest rate in our Iowa utility's history.

We will also use a portion of the remaining proceeds from the new bond issuance to make a 110-million-dollar payment in September for the buyout of the Duane Arnold Purchase Power Agreement.

Our current liquidity is approximately 1.1 billion dollars including cash and borrowing capacity under our credit facility and our sale of accounts receivable program.

With no material debt maturities in 20-21, we are well positioned to respond to any potential changes in projected cash flows.

The key to achieving our updated carbon dioxide emission goals is expanding our use of clean energy resources. As John mentioned, we recently announced plans to retire one of our Wisconsin coal-fired generating facilities and to add 1,000 megawatts of solar in Wisconsin by the end of 2023.

We recently filed a certificate of authority request for the first phase of construction which includes 675 megawatts of new solar generation.

As a result of this filing, we are planning to shift 350 million dollars of capital expenditures into 20-21 and 20-22 that were originally forecasted in 20-23. The earlier timing of capital expenditures is based on our progress with development activities to date and the expected construction schedule.

Our forecast also assumes 35% of the construction costs will be financed through tax equity partners, with contributions from the tax equity partners occurring when the projects are placed in-service.

We expect to place 425 megawatts of solar into service in 20-22 and 575 megawatts into service in 20-23.

We plan to refresh our full future capital expenditure forecasts and disclose our 20-21 financing plans as part of our third quarter earnings release in November.

Lastly, we have included our regulatory initiatives of note on Slide 8. As shown on the slide, our regulatory calendar for 20-20 has many key milestones now behind us.

The one noteworthy development since our last quarterly earnings call was the Wisconsin certificate of authority filing in late May for 675 MWs of new solar generation.

The filing is progressing as expected and we are currently awaiting the procedural schedule. We are also encouraged by the progress on our 20-21 customer rate stabilization proposal in Wisconsin.

Comments recently filed by the intervening groups representing our retail customers included support for the proposal. We anticipate a decision from the Public Service Commission of Wisconsin on our proposal later this quarter.

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

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

CONFERENCE CALL OPERATOR:

Thank you, Mr. Durian. At this time, the company will open the call to questions from members of the investment community.

(OPERATOR PROVIDES INSTRUCTIONS ON HOW TO ASK A QUESTION)

(Q&A SESSION)

SUSAN GILLE:

This concludes Alliant Energy's second quarter earnings call. A replay will be available through August 14, 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," "anticipate," "will be," "plan," "planned," "planning," "forecast," "estimate," "approximately," "projection," 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 wind and solar projects within the cost caps set by regulators and to meet all requirements to qualify for the full level of production tax credits and investment tax credits, respectively;
- changes in the price of delivered natural gas, purchased electricity and coal due to shifts in supply and demand caused by market conditions and regulations;
- disruptions in the supply and delivery of natural gas, purchased electricity and coal;
- the direct or indirect effects resulting from breakdown or failure of equipment in the operation of electric and gas distribution systems, such as mechanical problems and explosions or fires, and compliance with electric and gas transmission and distribution safety regulations, including regulations promulgated by the Pipeline and Hazardous Materials Safety Administration;
- issues related to the availability and operations of EGUs, including start-up risks, breakdown or failure of equipment, performance below expected or contracted levels of output or efficiency, operator

error, employee safety, transmission constraints, compliance with mandatory reliability standards and risks related to recovery of resulting incremental costs through rates;
- impacts that excessive heat, storms or natural disasters may have on Alliant Energy's, IPL's and WPL's operations and recovery of costs associated with restoration activities, or on the operations of Alliant Energy's investments;
- Alliant Energy's ability to sustain its dividend payout ratio goal;
- changes to costs of providing benefits and related funding requirements of pension and other postretirement benefits plans due to the market value of the assets that fund the plans, economic conditions, financial market performance, interest rates, life expectancies and demographics;
- material changes in employee-related benefit and compensation costs;
- risks associated with operation and ownership of non-utility holdings;
- changes in technology that alter the channels through which customers buy or utilize Alliant Energy's, IPL's or WPL's products and services;
- impacts on equity income from unconsolidated investments from valuations and potential changes to ATC LLC's authorized return on equity;
- impacts of IPL's future tax benefits from Iowa rate-making practices, including deductions for repairs expenditures, allocation of mixed service costs and state depreciation, and recoverability of the associated regulatory assets from customers, when the differences reverse in future periods;
- the impacts of 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;
- the effect of accounting standards issued periodically by standard-setting bodies; and
- the ability to successfully complete tax audits and changes in tax accounting methods with no material impact on earnings and cash flows.

Without limitation, the expectations with respect to 2020 projected earnings, long-term earnings growth objective and dividend target in this script are forward-looking statements and are based in part on certain assumptions made by Alliant Energy, some of which are referred to in the forward-looking statements. Alliant Energy cannot provide any assurance that the assumptions referred to in the forward-looking statements or otherwise are accurate or will prove to be correct.

Any assumptions that are inaccurate or do not prove to be correct could have a material adverse effect on Alliant Energy's ability to achieve the estimates or other targets included in the forward-looking statements. The forward-looking statements included herein are made as of the date hereof and Alliant Energy undertakes no obligation to update publicly such statements to reflect subsequent events or circumstances.