Q3 2023 Earnings Call

Company Participants

- Abby Motsinger, Vice President and Investor Relations
- Brian Savoy, Chief Financial Officer
- Lynn Good, Chair, President and Chief Executive Officer

Other Participants

- Carly Davenport, Analyst, Goldman Sachs
- Durgesh Chopra, Analyst, Evercore
- Julien Dumoulin-Smith, Analyst, Bank of America
- Nick Campanella, Analyst, Barclays
- Shar Pourreza, Analyst, Guggenheim
- Steve Fleishman, Analyst, Wolfe Research

Presentation

Operator

Good morning, thank you for attending the Duke Energy Third Quarter Earnings Review and Business Update. My name is Matt, and I'll be your moderator for today's call. All lines will be muted during the presentation portion of the call, and opportunity for questions and answers at the end. (Operator Instructions).

I will now turn the call over to our host, Abby Motsinger, Vice-President of Investor Relations. Abby, please go ahead.

Abby Motsinger {BIO 23109787 <GO>}

Thank you, Matt, and good morning, everyone. Welcome to Duke Energy's third quarter 2023 earnings review and business update. Leading our call today is Lynn Good, Chair, President and CEO, along with Brian Savoy, Executive Vice President and CFO.

Today's discussion will include the use of non-GAAP financial measures and forward-looking information. Actual results may differ from forward-looking statements due to factors disclosed in today's materials and in Duke Energy's SEC filings. The appendix of today's presentation includes supplemental information along with the reconciliation of non-GAAP financial measures.

With that let me turn the call over to Lynn.

Lynn Good {BIO 5982187 <GO>}

Abby, thank you, and good morning, everyone. Today we announced strong results for the third quarter, adjusted earnings per share of $1.94 compared to $1.78 for last year. During the quarter, we also made great progress on regulatory outcomes and simplification of the business. This momentum is underpinned by our strong fundamentals. We have a track record of operational excellence and serve growing jurisdictions with a long runway of investment opportunities. This positions us well for the future and gives us confidence in reaffirming our long-term earnings growth rate of 5% to 7%.

For 2023, we continue to work on our cost structure to offset mild weather and weaker industrial volumes. Brian will talk more about load and cost agility efforts, but I am going to take a moment to recognize the incredible work across the organization to mitigate pressures in 2023. Across the company agility measures, savings opportunities, and efficiency improvements are well underway, while never compromising on our commitment to safety and customers. We expect to finish the year within our guidance range trending to the lower half of the range.

Moving to slide 5, let me spend a moment on the meaningful progress we've made in North Carolina. In August, the North Carolina Utilities Commission approved our Duke Energy Progress rate case application and related settlements. This order is the culmination of years of work with stakeholders and represents a significant milestone, the first implementation of performance-based regulations including multi-year rate plans authorized by HB 951. The order approved a retail rate base of $12.2 billion, a $1.6 billion increase from our last case. Along with roughly $3.5 billion in future capital investments in the multi-year rate plan.

Importantly, the order also recognizes the rising cost of capital, increasing the allowed ROE to 9.8% and the equity component of the capital structure to 53%. This outcome positions us well to continue delivering value to customers while supporting the cash flows of the company. New rates and residential decoupling were implemented on October 1st.

Turning to the Duke Energy Carolina's rate case in late August, we reached a partial settlement with the public staff on many aspects of the case. The settlement provides clarity on retail rate base of approximately $19.5 billion, a $2.6 billion increase from our last case and includes nearly $4.6 billion of capital investments in the multi-year rate plan. A second settlement with the public staff further narrowed the open items in the case and also addressed Nuclear PTCs, which Brian will provide more detail on in a moment. We expect the NCUC to issue its decision by the end of the year and expect permanent rates to be intact by January 2024.

We're pleased with the constructive outcome at DEP and look forward to finalizing the DEC rate case in the coming weeks. North Carolina is our largest jurisdiction. So, constructive outcomes are critical to supporting a strong balance sheet and de-risking our five-year plan.

Turning to slide 6, I'd like to highlight our updated Carolinas Resource Plan which is driving material growth and capital investment opportunities as we lead the nation's largest energy transition. In mid-August, we filed our updated resource plan with the Public Service Commission of South Carolina and the North Carolina Utilities Commission. The single unified resource plan for the Carolinas is designed to meet the needs of this growing region spurred by rapid population growth and significant economic development activity. The plan maintains an all-of-the-above strategy with a diverse deployment of additional resources, including renewables, battery storage, and natural gas as well as energy efficiency and demand-side management.

It also provides the opportunity to evaluate emerging technologies, pursue early site permit for advanced nuclear and early development activities for expanded Pumped Storage Hydro at Bad Creek. The filing included details about our annual solar procurement, which targets over a gigawatt of new solar each year beginning in 2027. It also outlines plans to build additional natural gas generation to maintain reliability and affordability as coal plants are retired. Since the resource plan filing, we've filed pre-CPCNs with ENCSP [ph] for a combined-cycle plant on September 1st and combustion turbines on November 1st. We will make our full CPCN filings in the first quarter of 2024.

Similar to previous filings, the Carolinas resource plan is based on significant stakeholder engagement and outline multiple portfolios, each of which preserves report ability and reliability while transitioning to cleaner energy resources. Next steps will include hearings in both states. In the spring of 2024, we expect an order in South Carolina in mid-24 and an order in North Carolina by the end of '24.

Turning to Slide 7. With the closing of the commercial renewables sale last month, our portfolio repositioning is complete. We are now a fully regulated company operating in some of the fastest-growing and most attractive jurisdictions across the US. I just mentioned, some of our progress in North Carolina, and our other utilities continue to deliver as well. At Piedmont, we recently received South Carolina Commission approval of our settlement in our RSA proceeding. We also received approval of our settlement in our ARM proceeding in Tennessee.

These annual rate updates allow for efficient recovery of investments as we continue to modernize our natural gas system and at DEC, South Carolina, we've made significant investments since our last rate case in 2019 and are evaluating the timing of our next rate case application. These investments have strengthened the grid against storms, reduced outage times and maintained the high-level of reliable service our customers expect.

In Florida, we're seeing some of the fastest customer growth in the state and have efficient recovery mechanisms for our grid and solar investments. Our response to Hurricane Idalia in September, yet again demonstrated the value of our grid-hardening investments. The storm caused over 200,000 outages and we restored power to 95% of customers within 36 hours. Further, our investment in self-healing grid technologies saved more than $7 million outage minutes for customers.

Shifting to the Midwest and October, the Kentucky Public Service Commission approved the new rates in our electric rate case, which utilized forecasted tax year and the Commission approved a 9.75% ROE. A 50 basis-point increase from the previous case as well as increasing the equity component of the capital structure to 52%. Across our footprint, we've built considerable momentum over the last year and our long-term organic growth strategy has never been more clear. This past year has made our company stronger and more agile as we've responded to macroeconomic headwinds. I'm confident we're well-positioned to deliver sustainable value and 5% to 7% earnings growth over the next five years.

And with that, let me turn the call to Brian.

Brian Savoy {BIO 18279960 <GO>}

Thanks, Lynn and good morning everyone. I'll start with a brief discussion on quarterly results. As shown on Slide eight, our third-quarter reported earnings per share were $1.59 and our adjusted earnings per share were $1.94. This compares to reported and adjusted earnings per share of $1.81 and $1.78 last year. Please see the non-GAAP reconciliation in today's materials for additional details. Within-- within the operating segments Electric Utilities and Infrastructure results were down a penny per share compared to last year. We experienced earnings growth from rate cases and riders, favorable weather, and lower O&M from our cost mitigation initiatives which I will discuss further in a moment.

These positive items were offset by lower weather-normalized volumes, higher storm costs and higher interest expense. Shifting to Gas Utilities and Infrastructure results were up a penny, due to riders and customer growth and within the other segment, we were up $0.16 over the prior year, primarily due to a lower effective tax rate, which reflects the ongoing tax efficiency efforts in the company. We expect our full-year 2023 effective tax rate to be at the low end of our 11% to 13% guidance range.

As Lynn mentioned, we are tightening our full-year 2023 guidance range to $5.55 to $5.65. We entered the year with one of the mildest winters on record. And although weather improved in the third quarter, we remain $0.20 below normal. We also continued to see weakness in volumes estimated approximately $0.20 year-to-date some of which may be attributable to weather, but also to a softening of industrial load and return to work for residential customers.

To mitigate the impact, we've increased our 2023 agility target to $0.30, which includes tactical O&M savings, a lower effective tax rate and other levers. As we look to the fourth-quarter, we expect a strong finish to the year, targeting $1.50 to $1.60 per share. Our original plan was back-end loaded due to growth from rate cases and riders. We will also see the benefit of our ongoing cost management efforts. We are closely monitoring volume trends and have included fourth-quarter drivers in the appendix.

Turning to Slide 9, let me discuss more specifics on volume trends, volumes are down 1.2% on a rolling 12 month basis. Many of our industrial customers are acknowledging near-term pullback, managing inventory levels and costs in a disciplined way due to uncertainty in the broader economy. Most are describing the pullback as temporary and there is optimism amounted about a turnaround in mid to late 2024 and into 2025. We continue to see strong customer growth from population migration and robust economic development, giving us confidence in growth over the long term.

Based on recent success in economic development efforts in key sectors such as battery, EVs, semiconductors and datacenters, we see meaningful low growth over the next several years as outlined on slide nine. For example, in 2024, we expect economic development projects coming online. We will add between 1,000-2,000 gigawatt-hours. As we look further out, we have line-of-sight to 7,000 gigawatt-hours to 9,000 gigawatt-hours by the end of 2027, giving us confidence in our 0.5% to 1% growth rate.

Turning to Slide 10, let me spend a few minutes on 2024. Consistent with historical practice we will provide 2024 earnings guidance and our detailed capital and financing plans in our February update. Today, we have provided growth drivers for 2024. We've executed an active regulatory calendar this year that has yielded constructive outcomes as we head into next year. The multi-year rate plan and DEP will be in effect for a full-year and we expect a permanent rate under the DEC multi-year rate plan to be effective in January.

In Florida, we will see the impact of the third year of our multi-year rate plan and growth from storm protection plan investments. In Midwest, we'll see the impact of our Kentucky rate case and grid riders in Indiana and Ohio. In the gas segment, we will see robust growth from rate cases integrity management investments in customer additions. From a load perspective we projected, we project a pickup in 2024 from a return to normal weather.

Additionally, while we continue to closely monitor customer usage trends. We expect higher weather-normalized volumes driven by economic development activity and residential customer growth. Recalled residential decoupling, would be in place in 2024 in North Carolina. So, both DEC and DEP revenue growth will be base will be based on customer increases which have been robust. We expect interest rates to be higher for longer, resulting in increased financing costs in 2024.

For O&M, we have aggressive efforts underway to sustain all cost-savings identified in 2022 for 2023 as well as about half of the agility efforts we identified during the course of 2023 to mitigate weather and volumes. As we continue to pursue a technology-enabled best-in-class cost structure. We expect our culture of continuous improvement to drive 2020 for O&M to be lower than 2023 and significantly below our spending level in 2022.

Moving to Slide 11. Let me highlight some of the credit-supportive actions we've taken to maintain balance sheet strength. We continue to collect deferred fuel balances and have filed for recovery of all remaining uncollected 2022 fuel costs with about 90% approved and in rates. We're on pace to recover $1.7 billion of deferred fuel costs in 2023 and expect our deferred fuel balance to be back in line with our historical average by the end of 2024.

As Lynn mentioned, we completed the sale of our commercial renewables business in October. With that, about $1.5 billion of commercial renewables debt will come off the balance sheet further supporting our credit metrics. In August, as part of our ongoing DEC North Carolina rate case we reached a settlement with public staff on the treatment of nuclear PTCs, related to the Inflation Reduction Act. The settlement provides for the flowback of annual to PTCs to customers over a four-year amortization period. If approved by the commission, this settlement will provide savings for customers and be supported to our credit metrics. We intend to utilize the transferability provisions of the IRA and have engaged an external advisor to run a formal auction-style process, providing access to a broad range of qualified buyers. With these positive developments we are targeting FFO-to-debt between 13% and 14% in 2023 and 14% in 2024 to 2027.

Finally, as I mentioned, we will provide an update in February on our financing plan, along with a comprehensive refresh and roll-forward of our five-year capital plan, we expect our capital plan to increase as we move further into the energy transition. We will take a balanced approach to funding the incremental capital supporting our growth rate and balance sheet strength. As part of this balanced approach, we will evaluate modest funding through our dividend reinvestment plan and at the active market programs.

The growth potential in our business is at a level we haven't seen in decades. For customers, we will achieve the right balance of affordability, reliability and increase in clean-energy and for investors, we will achieve growth while maintaining balance sheet strength.

Moving to slide 12. We're executing on our priorities and are excited about the path ahead as a fully regulated company. We operate in constructive growing jurisdictions, which combined with our $65 billion five-year capital plan, strong operations and cost-efficiency capabilities, give us confidence in our 5% to 7% growth rate through 2027. Our attractive dividend yield, coupled with long-term earnings growth from investments in our regulated utilities, provide a compelling risk-adjusted return for shareholders.

With that, we'll open the line for your questions.

Questions And Answers

Operator

(Operator Instructions) The first question is from the line of Shar Pourreza with Guggenheim. Your line is now open.

Q - Shar Pourreza

Thank you. Good morning, guys.

A - Lynn Good {BIO 5982187 <GO>}

Hi Shar.

A - Brian Savoy {BIO 18279960 <GO>}

Morning Shar.

Q - Shar Pourreza

Good Morning, morning. Well, I think you mentioned in your prepared remarks that you'll be obviously updating the capital plan in February as you always do, and directionally, you're talking about some upside buyers with CapEx, but maybe you can help at least frame the potential magnitude. So is it kind of supportive of the five to seven or more potentially better and where you see the increase is coming from, so sort of the various buckets in which states as we think about CapEx upside? Thanks.

A - Lynn Good {BIO 5982187 <GO>}

Sure, you know, Shar, the capital is really underpinned by the integrated resource plans that we have filed and so if you look at the Carolinas alone, the filing that we made in August compared to where we were in 2022, we see load growth. And we also see the need to raise the reserve margin is a result of all the growth going on in this region and the winter-peaking nature and so if you look across all of the types of MW from solar to battery, natural gas, et cetera, you see an increase there and that will become reflected more fully in our capital plan of course, working through that process with the Commission in '24. But we see a need for additional MW in the Carolinas, really driven in large measure by population growth, economic development, and reserve margins.

We're also moving deeper into generation transition in Indiana so as we have filed Integrated resource plans and we've accelerated our thinking around the timing of coal retirements, we see natural gas coming into the picture in Indiana, as well as renewables and so CPCNs will be filed in the next several months, really setting the cadence for Indiana. And then, I think you know on our regular schedule in Florida, we will be updating the multi-year rate plan effective 01-01-25 and so expectations for capital spending there will be updated.

And then the gas business continues to see not only extraordinary growth for a number of customers but integrity management continues as capital. So we are in an extraordinary period of growth in all of our jurisdictions. It's transparent, it's filed with our commissions in the form of integrated resource plans on the electric side and clear on the--on the gas side as well. So we're anxious to provide that update to you in February, and have a chance to talk further about them at that point.

Q - Shar Pourreza

Got it, Lynn obviously, you highlighted that the current base plan assumes no equity through '27, which is consistent but you're obviously leaving it open for potential equity to fund spending above the current base plan. As we think about sort of your balance sheet capacity, should we be assuming that every dollar of incremental CapEx is funded with a balanced cap structure of 50-50 debt-equity or is that too simplistic and we should be also factoring in other sources of equity funding above straight equity. So just I guess help us bridge quote-unquote balanced approach with quote-unquote, balance sheet strength? Thanks.

A - Lynn Good {BIO 5982187 <GO>}

Sure. I would think about balanced approach, kind of in the 30% to 50% range and when I think about equity we've talked about shareholder-friendly equity. You have seen us accomplish that with our transaction in Indiana. I don't know how much potential exists for that given present cost of capital, but we would of course explore that and then evaluate the role of dividend reinvestment and aftermarket programs as well. I would also say that the other couple of things that we're watching we have yet to finalize the DEC case. So we'll have more visibility on that in December and then waiting for treasury guidance on these Nuclear PTCs and the transferability market, those are also very consequential cashless standpoints. So I feel like we have just a number of levers available to us and we will exercise them in a way that maintains our growth rate. But also underpins the strength of the balance sheet.

Q - Shar Pourreza

Got it. Perfect, thank you guys. We'll see you in about a week. Appreciate it.

A - Lynn Good {BIO 5982187 <GO>}

Thank you.

Operator

Thank you,, for your question. Next question is from the line of Julien Dumoulin-Smith with Bank of America. Your line is now open.

Q - Julien Dumoulin-Smith {BIO 15955666 <GO>}

Hey, good morning, team. Thank you guys very much. Really appreciate. Hey, Lynn. Pleasure. Just coming back. At the same direction as Shar here. Just in terms of the balance sheet, obviously it's been a source of continued conversation is illustrated by the first couple of questions here. How do you think about maybe shoring up the balance sheet incrementally? In addition to funding these incremental upside here. I just want to make sure that we're clear about how you think about that piece of it, right, obviously coming into a position of strength here with the rate case resolution that you already resolutions that you alluded to by 4Q here, but how do you think about kind of getting to that next step, where perhaps conversations on less focused area, but...Thank you.

A - Lynn Good {BIO 5982187 <GO>}

Yes, Julien, thanks for that. And I-- you know as we lay out what we laid out today. I think you're watching us strengthen the balance sheet of one billion seven of deferred fuel to be collected in '23, another one billion dollars, seven of deferred fuel to be collected in '24 and the multi-year rate plans, which have not only given us an opportunity to reset rate base from historic spending, but also prepare and put into effect rates for future, I think those will be credit-positive.

The transfer ability that I mentioned on IRA will be credit-positive. And so as we bring to you a financing plan and think about the future and the continued growth that we see from capital investment, we will be targeting a minimum of 14% as we go forward and feel like we have the tools to accomplish that.

Operator

Thank you for your question. Next question is from the line of Steve Fleishman with Wolfe Research. Your line is now open.

Q - Steve Fleishman {BIO 1512318 <GO>}

Yes, hi, good morning, Lynn and Brian. Just-- Hi, so the-- you mentioned a couple of times, the monitoring the sales trends and. I know you gave a little bit of color on the return to work and--and could you just talk a little bit more in more depth on what's going on with sales in new territories and-- and some of the recent weakness?

A - Lynn Good {BIO 5982187 <GO>}

Sure, and Steve I'll give it a start, and then I know Brian will have something to add to it. So we've seen some weakness in '23 and I think you saw us early in the year, trying to figure out, do we have volume weakness or is it weather, because we had such extraordinarily weak weather in the first and second quarter. But the weakness has continued into the third-quarter. I would mention textiles. I would mention paper, it's two industries that have been impacted and then outside of those industries, we're hearing from our customers, supply-chain labor, interest rates being an impact to them that they are adjusting to they also many of them have inventory they working through. So they dial back production and production of course hits us in terms of lower-- lower volumes, but. I would say there is optimism in that same Industrial Group about a rebound later in '24 and into '25. And what I would further say as we have evaluated this.

Residential, of course, return to work, but we think we're probably where that return to work trend is situated meeting no more impact from return to work. I think we've pretty well worked out through that ourselves through that transition. And then for our largest jurisdiction, we go to a decoupled environment in 2024 and customer growth continues to be very strong, and its customer growth that will drive revenue and then on the industrial side, the rebound is positive on existing customers, but this economic development has been extraordinary.

And we've given you a sense of what that can look like it starts to layer in as early as '24 and so that gives us some confidence around our longer-term growth rate that we've got customers sort of working through the macro trends here in the short-term, but over the long-term, we continue to see this economic development being incredibly strong and I'm sure you saw yesterday in the journal, the Toyota battery plant is expanding further. Also, sitting here in the North Carolina territory. So that's what I'd share. And Brian, what would you add?

A - Brian Savoy {BIO 18279960 <GO>}

Now I would add, Steve. North Carolina Residential has contributed a significant amount of the weakness this year over half. So go into decoupling is something we need to really emphasize, it's going to mitigate risk and volatility going forward. And our Florida jurisdiction has seen strong growth in the residential space. It's been a hot year in Florida, but we've also had strong population migration strongest in the State of Florida. So we see positive shoots coming out and we do see this industrial load in the Carolinas turning as we talk to customers, kind of mid to late next year.

Q - Steve Fleishman {BIO 1512318 <GO>}

Great, that's helpful. One other separate question, just on when you're doing your plan and your growth rate from the standpoint of interest rates, are you generally just kind of using the whatever the forward curve is of rates for whatever-- for financings and refinancings and the like--

A - Lynn Good {BIO 5982187 <GO>}

It seem we are generating--

Q - Steve Fleishman {BIO 1512318 <GO>}

And how do you want to purchase you know--

A - Lynn Good {BIO 5982187 <GO>}

Yes, absolutely, absolutely. And as you know, that's a dynamic area. So we look at a range, a range of outcomes we did that in '23 we'll do it again in '24. And as we talked about all of the sport, we're doing on cost structure, our objective is to offset the impact of interest rates in 2024.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay, that's very helpful. Thank you. See you soon.

A - Lynn Good {BIO 5982187 <GO>}

Thank you. Thanks.

Operator

Thank you for your question. Next question is from the line of Nick Campanella with Barclays. Your line is now open.

Q - Nick Campanella {BIO 20250003 <GO>}

Hey, everyone. Thanks for taking my question. Good morning.

A - Lynn Good {BIO 5982187 <GO>}

Hi Nick, sure. Good morning.

Q - Nick Campanella {BIO 20250003 <GO>}

Hey I just wanted to ask, you know, there has been some pretty significant changes in the Carolinas in terms of just rate structure with these MYRPs and I know that you're a little lower in the range for fiscal '23, but could you just help frame EPS volatility? '23 versus '24 and the residential to come decoupling just stands out to us, if you could just frame how that informs your confidence to hit the five to seven implied EPS growth for '24 specifically? Thanks.

A - Lynn Good {BIO 5982187 <GO>}

Nick. I would confirm that it does underpin our confidence in 5% to 7% growth. This modernized construct in the Carolinas is consequential. It's kind of a first in history of the utility that we will have multi-year rate plans, the ability to set prices as we go forward. Of course, delivering value to customers every step of the way, but also more closely matching the expenditure of capital with return. And I would add to that our confidence in the capital underpinning that 5% to 7% growth, very transparent integrated resource plans that outline what it's going to be necessary to serve this growing stake.

So, you know, the Carolinas, we're very well-positioned for the future. And as Brian mentioned a moment ago, continue to see extraordinary growth in Florida. And we have strong capital and Florida grid and solar will be updating our mufti-year rate plan and our investment in the Midwest continues well-- along both generation and grid in Ohio, for example. So I feel like we've got all of the elements to underpin our confidence in the growth. And the jurisdictions are constructive jurisdictions that find the right balance between benefits to customers and investors and we're-- confident in the future.

Q - Nick Campanella {BIO 20250003 <GO>}

Okay, great and what about just on O&M, I know in slides where you kind of talked about 50% sustainable after '23, but just looking back to prior calls. I think we've kind of talked about 75%, so just maybe that's just different buckets and I am mi characterizing it, but could you help reconcile that view and then how to just think about '24? Thank you.

A - Lynn Good {BIO 5982187 <GO>}

Yes, Nick. I really appreciate that question because we have two different $300 million so I think, as I look at some of the commentary has been confusing to you also. Let me step through it for you-- may recall that we entered '23 with a cost initiative identified a driving out $300 million of cost, primarily in the corporate center. And we said to you at that time we thought 75% of about $300 million would be sustainable.

We have executed on that throughout 2023 and have gained confidence that the 75% is going to $100 million that we'll be able to sustain all of it into 2024. And then further we have developed mitigation plans based on weak weather and volume in 2023, which is included not only O&M but other levers including tax ideas that totaled $300 million as well and we think 50% of those are sustainable into 2024. And we also highlighted on our drivers' schedule that we will continue to look for cost-saving ideas.

Part of the continuous improvement structure, that's what we're talking about. On slide 10. So we believe we have various elements in-place to continue to drive O&M lower we think '24 will be lower than '23 and that's just part of our conviction to continue to drive productivity and efficiency in our operations.

Q - Nick Campanella {BIO 20250003 <GO>}

Many thanks, will see you soon, thank you.

A - Lynn Good {BIO 5982187 <GO>}

Thank you.

A - Brian Savoy {BIO 18279960 <GO>}

Thank you.

Operator

Thank you for your question. The next question is from the line of Durgesh Chopra with Evercore. Your line is now open.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Hey, good morning, team. Thanks for giving me time. All my questions have been answered. I just sort of-- Good morning, Lynn. Good Morning, Brian. All my questions have been answered, just a quick clarification Lynn. I think in response to the first question, you mentioned 30% to 50%. I believe you were referring to the equity content of any incremental CapEx, could you just clarify that. If my understanding is correct there?

A - Lynn Good {BIO 5982187 <GO>}

That's correct, Durgesh. It was in response to what is balanced mean and so that's the range I would think about and of course will bring a concrete financing plan and capital plan in February that we'll lay this out more clearly. But as we think about all of the tools and levers and cash-flow opportunities that we have across all of our business, that is the range I would consider for incremental equity matched with incremental capital for growth.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Perfect, thanks so much for clarifying that. I appreciate it.

A - Lynn Good {BIO 5982187 <GO>}

Thank you.

Operator

Thank you for your question. Next question is from the line of Carly Davenport, Goldman Sachs. Your line is now open.

Q - Carly Davenport {BIO 21913922 <GO>}

Hi, good morning. This is Jon Miller on for Carly. Thanks for taking my question. Maybe just to start with the North Carolina resource plan. Just curious if there's any areas where you expect if any to get some pushback. Obviously, a healthy chunk of renewables in there with the wind and solar and also a share of natural gas as well security, if you're expecting the focus on reliability with that, outweigh any concerns with the natural gas?

A - Lynn Good {BIO 5982187 <GO>}

John. I appreciate that question. I'd start by saying, these integrated resource plans are informed by a very robust stakeholder process, and as you imagine pulling stakeholders together they are different points of view across the spectrum from renewables two batteries to natural gas to nuclear some pro some con but we believe we've put forward is a very balanced all-of-the-above strategy that provides. The right balance between reliability, affordability, and increasingly clean, which is our commitment to the state so we think all of those elements will be closely reviewed and evaluated as part of the process in front of the Commission and we believe we'll work through this in a very constructive way, consistent with the way we've moved forward in the previous plans. And we'll keep you posed every step of the way.

Q - Carly Davenport {BIO 21913922 <GO>}

Got it, that's helpful. Thank you. And then maybe just one follow-up to the O&M discussion. I know this a bit of the business agility savings will come in 4Q. But as we are now in the year in November, just curious if you have any indications of where you're trending towards that target of 50% being sustainable?

A - Lynn Good {BIO 5982187 <GO>}

We're going to make 50% sustainable.

A - Brian Savoy {BIO 18279960 <GO>}

Were there, John. We have line-of-sight to the Q4 efforts because a lot of it was tied to the-- to the fall outage season as well as just a culmination of work it takes-- it takes a couple of months to implement and we've evaluated the ability to keep those going on for 2024 and beyond and we've confirmed that.

Q - Carly Davenport {BIO 21913922 <GO>}

Okay, got it. Great, thank you so much.

A - Lynn Good {BIO 5982187 <GO>}

Thank you.

Operator

Thank you for your question. There are no additional questions waiting at this time. So, I'll pass the call back to Lynn Good for any closing remarks.

A - Lynn Good {BIO 5982187 <GO>}

Well, thank you all appreciate your engagements today and investment in Duke and we're looking forward to seeing all of you at EEI. So we'll continue the conversation then and of course, IR and Brian and I are always available. So thanks so much.

Operator

That concludes the conference call. Thank you for your participation, you may now disconnect your lines

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