

## Q1 2021 Earnings Call

### Company Participants

- Jack Sullivan, Vice president, Investor Relations
- Lynn J. Good, Chair, President & Chief Executive Officer
- Steven K. Young, Executive Vice President & Chief Financial Officer

### Other Participants

- Jeremy Tonet, Analyst, JPMorgan Chase & Co.
- Jonathan Arnold, Analyst, Vertical Research Partners, LLC
- Julien Dumoulin-Smith, Analyst, Bank of America Merrill Lynch
- Michael Lapidès, Analyst, Goldman Sachs Group, Inc.
- Michael Weinstein, Analyst, Credit Suisse AG
- Shar Pourreza, Analyst, Guggenheim Securities, LLC
- Stephen Byrd, Analyst, Morgan Stanley
- Steven Fleishman, Analyst, Wolfe Research, LLC

### Presentation

#### Operator

Good day, everyone, and welcome to the Duke Energy First Quarter Earnings Call. Today's call is being recorded.

And now at this time, I'd like to turn the call over to Jack Sullivan. Please go ahead.

#### Jack Sullivan {BIO 21652795 <GO>}

Thank you, April. Good morning, everyone, and welcome to Duke Energy's First Quarter 2021 Earnings Review and Business Update. Leading our call today is Lynn Good, Chair, President, and Chief Executive Officer; along with Steve Young, Executive Vice President and CFO. Today's discussion will include the use of non-GAAP financial measures and forward-looking information within the meaning of the securities laws. Actual results could differ materially from such forward-looking statements and those factors are outlined herein and disclosed in Duke Energy's SEC filings. A reconciliation of non-GAAP financial measures can be found in today's materials and on dukeenergy.com. Please note the appendix for today's presentation includes supplemental information and additional disclosures.

So with that, let's turn the call over to Lynn.

## Lynn J. Good {BIO 5982187 <GO>}

Jack, thank you and good morning, everyone. We're pleased to be with you to share our results and the excellent progress we're making on our strategic initiatives. Today, we announced adjusted earnings per share of \$1.26 for the quarter delivering strong results to start the year driven by growth at our electric utilities. Our first quarter results demonstrate the power of our clean energy strategy and our ability to execute that strategy. We also continue to tightly manage cost and engage stakeholders throughout our business as we develop and implement smart policy solutions. With the first quarter behind us and a clear path forward, we are reaffirming our 2021 adjusted EPS guidance range of \$5.00 to \$5.30 with a midpoint of \$5.15 and a long-term EPS growth rate of 5% to 7% through 2025 based off the \$5.15 midpoint. Turning to Slide 5. Just over a year ago, we launched a comprehensive response to COVID-19.

And although the pandemic is not behind us, I'm very proud of our response demonstrating our commitment to health, safety, and customer service in the face of very difficult circumstances. But as I reflect on the past year, we accomplished so much more. We made the difficult, but appropriate decision to step away from the Atlantic Coast Pipeline. We hosted a successful ESG Day clearly articulating our clean energy vision and how we are pursuing the largest fleet transition in the US. We actively participated in stakeholder meetings in the Carolinas focused on our clean energy transition and regulatory reforms necessary to recover those investments laying the groundwork for comprehensive energy legislation. We announced a market leading transaction with GIC delivering \$2 billion of accretive investment into our Company and eliminating the need for equity over the five-year period.

We maintained a sharp focus on our cost structure, operational excellence, and customer service delivering industry leading safety results and surpassing our internal customer satisfaction target by nearly 15%. We outlined an updated five-year \$59 billion capital plan and raised our growth rate to 5% to 7%. Further, we achieved numerous regulatory outcomes, including the successful completion of our first rate case in Indiana in 16 years resulting in multiyear rate increases, accelerated depreciation of coal plants, and recovery of coal ash costs. We reached comprehensive settlements in our North Carolina rate cases with a broad range of stakeholders, which have been approved by the NCUC. We reached a comprehensive settlement on coal ash recovery providing customers with near-term benefits while establishing recovery with a return in the years to come, which was also approved.

And finally in Florida, we received approval of a new multiyear rate plan as well as the Clean Energy Connection program and the first three years of our Storm Protection Plan. In light of these accomplishments, which included eliminating uncertainties and creating a clear vision for growth, the stock has performed well and we're poised to deliver even more in 2021. Turning to Slide 6. We're leading the way to cleaner energy and continue to make progress toward our 2030 goals and our target of net zero emissions by 2050. Across our jurisdictions, we're engaging with policymakers and stakeholders to accelerate the transition while keeping a sharp focus on reliability and affordability. I wanted to provide an update on the legislative session in North Carolina. As we discussed in February, ongoing work continues to build alignment on the shared objectives that came out of the clean energy plan process.

These shared objectives include North Carolina's clean energy transition as well as the regulatory reforms that provide for timely recovery of these investments. We are now entering

the middle phase of the legislative long session and the legislative process including opportunities to introduce new legislation is expected to continue into the summer months. We continue to see momentum from a broad range of stakeholders to make progress on these objectives in 2021 and we remain optimistic for comprehensive energy legislation this year aligned with our shared goals of generation transition and regulatory reforms needed to enable that change. Moving to Florida. Our DEF utility continues to enjoy robust growth, deliver strong returns, and support important energy infrastructure for the benefit of customers. Our constructive relationship with customer and consumer groups has resulted in the advancement of critical infrastructure investments that accelerate our shared clean energy vision.

This was clearly demonstrated with the Public Service Commission's approval of our multiyear base rate settlement on May 4. As the commission noted in the ruling, the settlement was the culmination of extensive engagement with many interested parties including the Office of Public Counsel. We appreciate the commissioner's complementary remarks on our robust process to reach settlement keeping the interest of all stakeholders in mind and arriving at a fair and equitable rate design. The settlement approval provides clarity through 2024 and includes recovery of significant investments in the grid, solar generation, and electric vehicle infrastructure. This settlement builds on our Clean Energy Connection solar program and Storm Protection Plan grid program as we continue to advance for transition to net zero emissions. Our Florida operation positioned well for the economic rebound continues to build momentum with investments aligned to our clean energy transition.

Shifting to Indiana, we're making progress as we move through the state's integrated resource plan process. We've hosted multiple stakeholder sessions receiving input from various interested parties as we collaborate on the path forward, all while ensuring our system remains reliable as we transition to new energy sources. Stakeholders have always been a part of the IRP process in Indiana and their feedback is valuable as we evaluate a number of possible scenarios for future generation. Our filing will be submitted in November of this year continuing our progress toward the energy transition in the state. At the federal level, we are actively engaged with policymakers on climate, infrastructure, and tax policy. We support policies that pave the way to net zero emissions while ensuring customer affordability and reliability. We also support investments in research and development for new clean technologies, which will be critical to achieving net zero.

To that end, we see permitting reform as a solution to help streamline the process to build infrastructure without compromising community involvement and environmental protections. Electrification has also entered the climate discussions and represents an exciting opportunity to address transportation sector emissions. In the months ahead, we expect more clarity on the form and content of these policies, potentially an infrastructure bill, tax incentive extensions, and regulatory proposals among others. We will continue to advocate for policies that support and accelerate our clean energy transition emphasizing the importance of maintaining affordability and reliability for our customers. We will keep you informed along the way. It's important at this early stage, however, to recognize that we see great alignment between our vision of a net zero clean energy future and the policies that are being discussed.

Shifting to Slide 7. It's clear our industry is transforming and the pace of change is increasing. Duke Energy is not only keeping pace with this change, but we are at the forefront. Our transition to net zero is enabled by our growing capital plan, which in the back half of the

decade ranges from \$65 billion to \$75 billion. This range of investment is consistent with our integrated resource plan filings and includes up to 15 gigawatts to 20 gigawatts of additional renewable investment tripling the amount of renewables on our system by 2030. We are also planning for retirements of 7 gigawatts of coal-only capacity, an amount that could increase as policies and regulations continue to unfold in this decade. The ultimate pace of our clean energy transition will be shaped by a variety of factors, including state and federal clean energy regulations and policies. We are actively engaged with policymakers and regulators on this important topic and are prepared to move as quickly as state and federal regulation and policy allow.

We remain confident in achieving our carbon reduction and earnings growth goals as we continue the execution of our clean energy vision creating value for our customers and growth for our investors. Shifting to Slide 8. We carried our momentum forward in our environmental, social, and governance commitments following our ESG Day and fourth quarter call in February. In April we released our 15th consecutive Sustainability Report outlining our tremendous progress during 2020 and we've reached additional milestones in just the last few months. In March we retired a 270 megawatt coal unit in DEC ahead of schedule marking the 52nd coal unit closed across the enterprise. We also announced the accelerated closure of our Gallagher station in Indiana bringing the retirement forward a year-and-a-half to June of 2021. These decisions place us another step closer to our goal of removing all coal-only units from our portfolio in the Carolinas by 2030 and advances the targets for our Midwest utilities as well.

As we retire coal, we are also adding renewables and other clean energy infrastructure across our system. In our Commercial Renewables business, we placed the 350 megawatt Frontier II wind farm in service in Oklahoma during the quarter. And in the regulated business, we placed 220 megawatts of solar in service in the Carolinas and Florida. Our electric vehicle strategy remains front and center as we continue to position Duke Energy as a key enabler of mass electric vehicle adoption. With commission approvals in the Carolinas and Florida, we're investing \$100 million to implement pilot programs to support decarbonization of the electric sector across the Southeast. And we have joined the Electric Highway Coalition to help expand charging infrastructure across the nation's highways aligned with many of our peer utilities. I'm also pleased to share that we're one of the first in the industry to release EEO diversity data as part of our Sustainability Report demonstrating not only our commitment to transparency, but also to moving the needle on our diversity and inclusion metrics across the enterprise.

Beyond that, we are one of the first in the industry to issue a report detailing our trade association memberships and their positions on climate change. It's these types of disclosures and transparent reporting that have earned us top rankings for investor transparency. And finally, last week we announced three new Directors to join our Board maintaining a strong focus on diversity as well as bringing a wide range of backgrounds and skills to the table. Each of these steps highlights our keen focus on ESG priorities and we look forward to sharing additional updates throughout the year as we make progress on our strategy. With the first quarter behind us and a clearly defined strategy ahead of us, I'm confident in Duke Energy's strong growth trajectory and believe our investment plan will deliver sustainable value and 5% to 7% growth over the next five years.

And with that, let me turn it over to Steve.

---

**Steven K. Young** {BIO 7307044 <GO>}

Thanks, Lynn, and good morning, everyone. I'll start with a brief discussion on our quarterly results highlighting a few of the key variances to the prior year. For a more detailed information on the variance drivers and a reconciliation of reported to adjusted results, please refer to the supporting materials that accompany today's press release and presentation. As shown on Slide 9, our first quarter reported earnings per share of \$1.25 and our adjusted earnings per share of \$1.26. This is compared to reported and adjusted earnings per share of \$1.24 and \$1.14 last year. Please see our non-GAAP reconciliation, including in the earnings release, for more details. Within the segments, Electric Utilities & Infrastructure was up \$0.15 compared to the prior year. Results were favorable due to benefits from base rate increases in North Carolina, Florida, Indiana, and Kentucky; weather year-over-year; and timing of O&M expenses.

Partially offsetting these items were lower retail and wholesale volumes and higher depreciation cost on our growing investment base. Shifting to Gas Utilities & Infrastructure, results were flat year-over-year. Results were primarily driven by continued margin growth at the LDCs and new retail rates in Tennessee offset by the cancellation of ACP last year. In our Commercial Renewables segment, results were down \$0.04 for the quarter largely driven by the impact of the Texas weather event. Other was favorable \$0.06 for the quarter principally due to higher market returns and certain benefit plans as well as lower holding company financing costs. Finally, segment results are impacted by the allocation of dilution related to the \$2.5 billion equity forward that settled in December 2020, which totaled \$0.05 for the quarter. Overall, we were pleased with the strong results compared to last year further illustrating how we continue to execute on our business and regulatory strategies.

It's these excellent results and our strong start to the year that ensure we are well positioned to meet the 2021 guidance we shared in February. We remain confident in our ability to consistently grow our adjusted earnings per share at 5% to 7% throughout the five-year period off of the 2021 base year. Turning to Slide 10, let me provide an overview of electric volumes and economic trends. Results for the first quarter were down approximately 1% year-over-year. Keep in mind that we are comparing sales data to a quarter last year that had little impact from COVID-19. Residential volumes were up 2.6% over last year driven by continued strong customer growth in our service territories and ongoing remote learning and work from home policies. The winter surge and COVID-19 cases impacted our commercial class, which was down 5% for the quarter. As vaccination rates continue to climb and restrictions ease, we expect a strong improvement in the commercial class through the rest of the year.

While industrial volumes were down 2% for the quarter, nearly all of our large commercial and industrial customers have resumed operations and the sector is showing signs of optimism. The ISM Manufacturing index, a key indicator of economic activity, was 64.7 in March, its highest reading since 1983. As we look back, we continue to expect 1% to 2% load growth in 2021. This is supported by our early look at April volumes, which showed strong sales across all customer classes. Our service territories are well positioned for sustained growth over the long term. We operate in four of the Top 8 states for population migration, a testament to the attractive business environments of our service territories and electricity rates well below the national average. In fact Apple recently announced a \$1 billion investment in North Carolina that will bring 3,000 jobs to the Research Triangle area highlighting the governor's commitment to economic development in the state.

Turning to Slide 11. We remain active in the regulatory arena engaging stakeholders as we see constructive outcomes and smart solutions for our customers. In North Carolina we received orders in our DEC and DEP rate cases, which approved key settlements we reached with interveners. These settlements incorporate significant infrastructure investment providing benefits to our customers. The orders include approval of a 9.6% ROE and 52% equity capital structure, deferral treatment for approximately \$1.2 billion in grid improvement plan projects, and resolution of coal ash recovery through early 2030. We have also mitigated customer rate increases with EDIT flowback from the 2018 tax rate change and storm cost securitization. Overall, we are very pleased with the outcomes in these rate cases. As Lynn noted, our settlement in Florida was approved last week. The settlement includes investments in renewables in the grid, the approval of an ROE band of 8.85% to 10.85%, and a 53% equity capital structure.

Importantly, the ROE band also includes a trigger mechanism that protects against rising interest rates. Additionally, it approves accelerated depreciation for coal plants and the Vision Florida program, which funds \$100 million in emerging technologies. Turning to our LDC business. Our Tennessee Gas rate case settlement was approved. Looking forward, we expect to complete two rate filings this year. Piedmont filed a North Carolina rate case in March, which includes investments in our Robinson LNG facility, pipeline integrity management, and system infrastructure growth to support our rapidly growing customer base. We expect an evidentiary hearing in September and new rates to be effective later this year. And in Kentucky, we submitted our pre-filing notice on April 30 indicating our intention to file a natural gas rate case in June. Our ability to execute on our robust capital plan and grow our investment base is underpinned by a healthy balance sheet and solid credit ratings.

So far this year, we have raised approximately \$1.4 billion in long-term debt for DEC and Piedmont with both transactions pricing at very attractive rates. We expect to close the first tranche of the minority sale of Duke Energy Indiana to GIC by the middle of this year and are on track to complete the North Carolina storm securitization in 2021. The proceeds from the GIC transaction along with our overall financing plan allow us to maintain a strong credit profile without the need for common equity issuances throughout the five year plan. Looking ahead to second quarter and beyond, I want to provide some perspective on timing considerations for the balance of the year. Our expectations are that volumes will recover over the balance of the year with a 1% to 2% increase over 2020. Having said that, our second quarter will reflect the cancellation of ACP. And as we've discussed in the year-end call, we expect O&M to be unfavorable in the second and third quarters due to the significant COVID mitigation actions we took in the spring and summer of 2020.

Before we open it up for questions, let me close with Slide 13. We remain confident in our 2021 adjusted earnings per share guidance of \$5 to \$5.30 with a midpoint of \$5.15. Our first quarter results position us well to achieve full-year results within this range as we continue to invest in important energy infrastructure that our communities value. Our attractive dividend yield coupled with our long term earnings growth from investments in our regulated utilities provide a compelling risk adjusted return for shareholders. As Lynn discussed in her opening remarks, we continue to advance our clean energy strategy with a keen focus on affordability and reliability keeping customers at the center of all we do. Duke Energy is well positioned to lead as the pace of change in our industry accelerates delivering sustainable value to our customers and investors.

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

## Questions And Answers

### Operator

Thank you. (Operator Instructions) And we'll first hear from Shar Pourreza of Guggenheim Partners.

### Q - Shar Pourreza

Good morning, Lynn and Steve.

### A - Lynn J. Good {BIO 5982187 <GO>}

Good morning, Shar.

### A - Steven K. Young {BIO 7307044 <GO>}

Good morning.

### Q - Shar Pourreza

So, just touching on the North Carolina legislative process and maybe just following up a little bit on your prepared remarks, Lynn. I mean obviously recognizing you guys are in the middle of a lengthy and comprehensive legislative process and we know you can't get into too many details here. But you seem obviously you're optimistic which is good, but where we are coming up on the house filing deadline of the crossover dates and everyone is hyper focused on sort of these timelines. Can you maybe just elaborate why you're still optimistic given a very tight window? What's sort of giving you this sense of optimism?

### A - Lynn J. Good {BIO 5982187 <GO>}

Sure. And Shar, thanks for the question. Our optimism is really centered on the broad support for comprehensive energy legislation that exists within the state. We've been talking for some time about the robust process that occurred in 2020 under the governor's Clean Energy Plan. So the administration, the environmental community, solar developers, industrial customers, Duke Energy, others have been at the table and there is broad support to move forward in 2021. I think the other thing that's important to note, which I tried to emphasize in the remarks, is we're in the middle of the session. But that legislative process, which includes the opportunity to introduce bills, will continue and is expected to continue well into the summer. So, one thing I would just point out is if we think back to 2017 when House Bill 589 was moving, it was actually introduced in June which was well past crossover date and then became law at the end of July. So, the timing and approach to advance the bill is in the hands of legislative leadership and we remain -- we'll remain patient as they work through their process. But as I said, we have optimism based on the broad support for this legislation.

## Q - Shar Pourreza

Got it. Just so basically sometime in this summer is when you expect an Introduction.

## A - Lynn J. Good {BIO 5982187 <GO>}

I don't want to point to a specific time frame, Shar, but I do think we'll have data points to talk about this summer including we'll be back in front of all of you in early August. The timing is really in the hands of legislative leadership, which is where it belongs to advance the bill and so we'll continue to keep you updated. But the optimism, as I said before, really centers on the broad support.

## Q - Shar Pourreza

Got it. And then just lastly from me. Remind us what some of the key priorities there are around the legislation and maybe potential treatment we could see come about. So if we're thinking about performance based rate making, ROE bands, formula rates, rate basing renewables; is everything on the table right now or some facets not palatable? So, just a bit of a sense on some of the pushes and takes that you're seeing.

## A - Lynn J. Good {BIO 5982187 <GO>}

Sure. Shar, I think all of the things you mentioned kind of fit under the broad objectives where there is alignment. So transition away from coal, advancing renewables, regulatory and rate making reforms. And so when I -- when we use the word comprehensive and you list all of those things underneath, you can see that there are a number of key issues that will be addressed. And so, we'll have more to say as this progresses. The other point I would emphasize is the five year plan, the 5% to 7% the 2021 guidance that we've put in front of you is not predicated on a specific outcome of this legislation. It has a more dramatic impact on the back part of the decade as we accelerate the transition into 2030. So, we think good progress is being made and we'll continue to update you.

## Q - Shar Pourreza

Terrific. Congrats on the results. Thank you, guys.

## A - Lynn J. Good {BIO 5982187 <GO>}

Thank you, Shar.

## A - Steven K. Young {BIO 7307044 <GO>}

Thank you.

## Operator

And next we'll hear from Julien Dumoulin Smith of Bank of America.



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

Hey, good morning team. Congratulations.

**A - Lynn J. Good** {BIO 5982187 <GO>}

Hi Julien.

**A - Steven K. Young** {BIO 7307044 <GO>}

Good morning.

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

Hey. Thank you. Perhaps just to pick up where that last one was left off. Can you provide a little bit more color on how you and the legislatures are thinking about customer bill implications here? How do you make the legislators comfortable with the rate increases or how do you think about compromise therein? You mentioned a number of different specific pieces that constitute this. Just can you elaborate a little bit more?

**A - Lynn J. Good** {BIO 5982187 <GO>}

Sure. And Julien, reliability and affordability have been front and center really dating back into 2020 and the stakeholder process. So, all of the things that we're talking about here around transition, around renewables, around regulatory reforms will be looked at within the construct of reliability and affordability and that's appropriate if you think about the growing economy here in the Carolinas. So, that -- those topics are being discussed and should be discussed.

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

Okay. And just to clarify, I think I saw this in your remarks, but the introduction of verbiage into any bill here, the crossover date seemingly doesn't necessarily matter here. It's really as you said earlier and emphasized the summer timeline matters most as you think about a '22 rate case timing, right?

**A - Lynn J. Good** {BIO 5982187 <GO>}

'22 rate case, I don't know about that, Julien. We don't have specific plans around a rate case in '22. But I would -- your point around the summer, the legislative process continues into the summer and as the calendar lays out in the Carolinas, the long session doesn't have a required end date. So, we'll continue to keep you apprised of the developments in the summer and again remain optimistic.

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

Right, fair enough. The point was there was a broad latitude. Quickly Steve, just if I can ask you to elaborate your comments were intriguing here with respect to load trend. How are you

thinking about the 1% or 2% increase as you've contemplated formerly versus you're seeming acceleration commentary into April here? Can you reconcile this view just a tad?

**A - Steven K. Young** {BIO 7307044 <GO>}

Well, we've got a good bit more to learn as we move through the second quarter, but the April results look solid for us. That's one month. I think as vaccinations roll out and stimulus funding comes into play and so forth, we are seeing the economy pick up and we're seeing activities at our customer base pick up as well. So whether the 1% to 2% growth is light or in the ballpark correct, we feel confident with and we'll update that as we move forward into the next quarter and have a bit more data. But we are encouraged by what we're seeing across our footprint and we are encouraged by the customer growth, which continues to be high, and that underpins it.

**A - Lynn J. Good** {BIO 5982187 <GO>}

Julien, you might have seen on the front page of the Journal today they were highlighting communities that have been benefiting from migration. Greenville, South Carolina is on the list. So, we've continued to see good customer growth and hope to be surprised to the upside. But the 1% to 2% I think is a good planning assumption. We've sized our cost structure to be consistent with that. So, we're continuing to manage the business really tightly.

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

Excellent. Congratulations. Thank you.

**A - Lynn J. Good** {BIO 5982187 <GO>}

Thank you, Julian.

**Operator**

Steven Fleishman of Wolfe Research has our next question.

**Q - Steven Fleishman** {BIO 1512318 <GO>}

Yes. Hey good morning, Lynn and Steve.

**A - Lynn J. Good** {BIO 5982187 <GO>}

Hi, Steve.

**A - Steven K. Young** {BIO 7307044 <GO>}

Good morning.

**Q - Steven Fleishman** {BIO 1512318 <GO>}

Hi. So, just apologies for beating a dead horse here. But just the legislative process, is there anything to read into the fact that these utility related bills or clean energy related bills were not addressed early in the session? Were there certain other priorities that kind of came ahead or just anything to read in kind of why that happened?

**A - Lynn J. Good** {BIO 5982187 <GO>}

Yes. I wouldn't read anything into it. It's comprehensive energy legislation with a broad group of stakeholders. And one of the reasons I pointed to HB589 being introduced in June of '17 is because you may not remember that bill specifically, but it included proper reform and also included a pathway for renewables over a multiyear period. So the timeline, how to advance the bill timeframe always within the hands of the legislative leadership and we continue to work with a broad range of stakeholders. But I don't think there's anything specific that I would point to on the timing. We remain optimistic that it will move forward.

**Q - Steven Fleishman** {BIO 1512318 <GO>}

Great. Okay, great. And then how about an update on the approvals of the Indiana transaction? Just I know you said mid-year. Has there been any intervention, any process to kind of monitor there?

**A - Lynn J. Good** {BIO 5982187 <GO>}

Sure, So two things remain, Steve. CFIUS approval and FERC approval. There have been some filings in the FERC docket back and forth; Sierra Club, CAC, others. In our view, the issues that are being raised are not really relevant to what FERC is evaluating and further there has been strong support from our wholesale customers. And so, we still believe kind of middle of the year is appropriate timing for that. CFIUS has recently notified that they're moving to another phase, which is quite common. With the case load that they have to reach agreement within 45 days or approval is increasingly uncommon. So, again we think mid-year is the right timeline for both of those approvals and we'll continue to keep you updated.

**Q - Steven Fleishman** {BIO 1512318 <GO>}

Okay. I guess the last question. Just could you give us a sense of the IRP schedule just since it kind of could interact with legislation?

**A - Lynn J. Good** {BIO 5982187 <GO>}

Sure.

**Q - Steven Fleishman** {BIO 1512318 <GO>}

What is the latest on the IRP schedule?

**A - Lynn J. Good** {BIO 5982187 <GO>}

So, the IRP is moving in two ways, Steve. In North Carolina, there have been public hearings underway. The North Carolina Commission does not approve the IRP, but rather provides feedback. And so we are on pace to hear from them we believe likely in the fall in North Carolina. And then in South Carolina, there was a hearing that began on April 26, it has wrapped up. South Carolina does approve, this is a part of Act 62 that you may remember from a couple of years ago. We expect an order from them by June 28. And I think what's important in South Carolina is the Office of Regulatory Staff is supportive, in fact is complementary of the work that we accomplished with the IRP. And so, we believe we'll get good feedback from the South Carolina Commission as well June -- end of June for that time frame.

**Q - Steven Fleishman** {BIO 1512318 <GO>}

Okay, great. Okay. Thank you.

**A - Lynn J. Good** {BIO 5982187 <GO>}

Thank you, Steve.

**Operator**

And we'll hear from Stephen Byrd of Morgan Stanley.

**Q - Stephen Byrd** {BIO 15172739 <GO>}

Hi, good morning.

**A - Lynn J. Good** {BIO 5982187 <GO>}

Hi Stephen.

**A - Steven K. Young** {BIO 7307044 <GO>}

Good morning.

**Q - Stephen Byrd** {BIO 15172739 <GO>}

I wanted to just discuss the Indiana IRP I guess a little bit more broadly and I was interested in trying to compare the dynamics in Indiana versus say in the Carolinas thinking about things like different renewables costs, different generation cost structures, feedback you've received so far in terms of priorities in Indiana. How would at a high level sort of characterize some of the maybe differences and similarities as you compare sort of the resource mix and where you may head in Indiana versus say in the Carolinas?

**A - Lynn J. Good** {BIO 5982187 <GO>}

So Steve, a heavier coal mix in Indiana as you know. Some wind availability in terms of resource capability in Indiana more so than in the Carolinas. Solar is available, but would have a slightly

different capacity profile than in the Southeast as you can imagine. And so we have been in active conversations in Indiana on the appropriate transition for some time. You may recall that in the rate case that was approved in July, we actually accelerated depreciation shortening the lives of the assets. And the legislature in Indiana has also undertaken a review and a clean energy task force of how the state can keep making progress. And so we see this IRP filing as a way for us to continue discussions with all the parties. How can we accelerate, how can Indiana maintain control of their destiny, how can we bring in renewables in a cost effective way, is there a role for natural gas as we move away from coal? And good conversations are underway and I expect to have more to say as we get closer to that filing, Stephen. But I would share with you that we're building on conversations that have been underway in the state for some time.

**Q - Stephen Byrd** {BIO 15172739 <GO>}

That's really helpful. And maybe just focusing on renewables and I'm just curious what data points you're seeing in terms of cost of equipment, availability of equipment, a common theme among investor discussions as just sort of availability of renewable equipment sort of supply chains or stresses along the way. Are you'll seeing any sort of data points along those lines or is it broadly that equipment is available, cost continues to be fairly low?

**A - Steven K. Young** {BIO 7307044 <GO>}

Yes. I'll take that, Stephen. We have in our Commercial Renewables business pretty extensive input to the supply chain and so we have a good diverse set of vendors that we utilize for the various services there. We haven't seen any anomalies or stresses at this point that interfere with our projects and moving them online. We saw some challenges in 2020 related to COVID and worker availability along the supply chain. But as that has been relieved, that has helped move along. We're keeping an eye on increasing price pressures as we are across our entire footprint not just the renewables standpoint. At this point, we haven't seen anything what I would call dramatic.

**A - Lynn J. Good** {BIO 5982187 <GO>}

Stephen, the one thing I would add to that I think is we monitor the acceleration of policy discussions at the federal level and we also see how our states and customers are moving. We continue to keep our eye on what size of supply chain are we going to need in order to accomplish all of these objectives and I think that is going to be something that every utility is looking at. In the near term there could be some pricing pressures as we all try to figure out how to get on our front foot. But I suspect if there is a lot of support for this growth, that supply chains will continue to expand and we'll look for ways we can find the lowest cost for customers. So it is a front of mind issue for us broadly not only for the coming year and projects on the docket, but over the long term as we look at the size of these capital spending plans that we have in front of us.

**Q - Stephen Byrd** {BIO 15172739 <GO>}

That's extremely helpful. And maybe just one last one at a high level at the federal legislative level. I'm just curious of your take on the prospects for clean energy support as sort of broader legislation that may pass. What is your sense as to the prospects for getting further support for clean energy and perhaps for transmission and other asset classes as well?

---

**A - Lynn J. Good** {BIO 5982187 <GO>}

Stephen. I think it's early and there are a lot of things being discussed as you know; Infrastructure, clean energy policies, tax policy. And so I do think we are encouraged by the conversations around clean tech R&D; electric vehicle; some discussion around permitting; reform; tax policy, we expect to have some incentives around clean energy investment which will be to the benefit of our customers. So, we remain engaged and we'll know more about how these things take shape over the course of the summer and continue to be encouraged that there might be a bipartisan way to approach Infrastructure. I think there is an upcoming bipartisan Infrastructure week in early June because I think that could be needed investment in the economy and certainly great for Duke if that were to move forward.

**Q - Stephen Byrd** {BIO 15172739 <GO>}

Very good. Thank you so much.

**A - Lynn J. Good** {BIO 5982187 <GO>}

Thank you.

**Operator**

Next we'll hear from Jonathan Arnold of Vertical Research Partners.

**Q - Jonathan Arnold** {BIO 1505843 <GO>}

Yes. Good morning, guys, and thank you for the extra color.

**A - Lynn J. Good** {BIO 5982187 <GO>}

Hi Jonathan.

**A - Steven K. Young** {BIO 7307044 <GO>}

Good morning.

**Q - Jonathan Arnold** {BIO 1505843 <GO>}

It was reported a while back then that the House was sort of the venue that was seen to be taking the lead on the legislation in North Carolina. Is that the case or is that sort of something that's moving around here?

**A - Lynn J. Good** {BIO 5982187 <GO>}

So the House is taking the lead, Jonathan. And all the comments I've made continue to remain. We're working our way through it.

---

**Q - Jonathan Arnold** {BIO 1505843 <GO>}

Okay. And then as we've talked about greater flexibility on dates, should we be looking for them to sort of formally move any of these dates or is that just -- it's just more the process is fluid in a long session?

**A - Lynn J. Good** {BIO 5982187 <GO>}

I wouldn't expect the dates that you're referencing like crossover and so on to move, Jonathan. I think the bigger point is that legislation and introduction of bills and amendment of bills and other things can move throughout the legislative session. So, it's not dependent on those specific dates.

**Q - Jonathan Arnold** {BIO 1505843 <GO>}

Thank you. Okay. Just a couple of other things. Steve, the 1% to 2% sales growth, am I correct about the full-year number or is rather then your sort of balance of year number?

**A - Steven K. Young** {BIO 7307044 <GO>}

That's a full year number, Jonathan, and that takes into account what we expected to see in the first quarter of 2021 knowing that there was still some carryforward in winter surge and so forth. But the 1% to 2% is the entire year.

**Q - Jonathan Arnold** {BIO 1505843 <GO>}

And how does what you did see in first quarter sort of marry up with what you were expecting to see?

**A - Steven K. Young** {BIO 7307044 <GO>}

Given the winter surge, it was not surprising to see the drop there and so we expected that to occur compared to 2020. So, I think it was fairly well in line. What we're encouraged by is the early signs from April and that's just one month quite strong and some of the other indices. So, again we would feel confident in the 1% to 2% and we'll see if there is upside to that as we move to the next quarter.

**Q - Jonathan Arnold** {BIO 1505843 <GO>}

Thank you. And then just finally, you said in the 10-K that you thought winter storm Uri was going to be a \$75 million to \$100 million pre-tax event for you and I think the slide showed it was a \$0.04 in the quarter. So, that seems to be quite a bit less than you originally thought. Could you just talk about what went on between sort of one state and the other?

**A - Lynn J. Good** {BIO 5982187 <GO>}

Jonathan, that filing was an early estimate and as we learned more and got more information on how the transactions actually settled and came through, the \$0.04 is what we experienced. Steve, would you add anything?

**A - Steven K. Young** {BIO 7307044 <GO>}

Yes, that's right, It was a quick and fast look. We needed to get some information out about that on that early estimate. But as we worked with the individual customers and offtakers and tax equity partners, there was different allocations of events and that resulted in less of a loss.

**Q - Jonathan Arnold** {BIO 1505843 <GO>}

Great. Thanks for that.

**A - Lynn J. Good** {BIO 5982187 <GO>}

Thank you, Jonathan.

**Operator**

And Michael Weinstein of Credit Suisse.

**Q - Michael Weinstein** {BIO 19894768 <GO>}

Hi, good morning.

**A - Lynn J. Good** {BIO 5982187 <GO>}

Hi, Michael.

**Q - Michael Weinstein** {BIO 19894768 <GO>}

Could you also comment, Lynn, on the recent headlines that the Biden administration has support for nuclear maybe talking about nuclear PTC. I'm just wondering how that affects the calculus in a regulated context in terms of as you apply for license renewals going forward. Do you see the plants -- do you see federal support as helping or maybe no change from before? Any -- I'm not sure.

**A - Lynn J. Good** {BIO 5982187 <GO>}

I think any support, federal support or other support for nuclear, is important, Michael. We are big proponents of nuclear power at Duke Energy. If you think about the Carolinas, 50% of the energy comes from carbon free nuclear. And so we are on path to seek second license renewal for all of our plants and we're also engaged on some new technologies from the standpoint of providing operating experience for the advance nuclear that we believe will be helpful to get to net zero. And so when I listen to incentives around nuclear that you were referencing. I think



they could be quite important for technology development and for encouraging further expansion of nuclear power as part of the net zero plan.

**Q - Michael Weinstein** {BIO 19894768 <GO>}

I mean do you think it changes the discussion around the IRP though going forward? How much nuclear will be in that in the future in 2030s and beyond?

**A - Lynn J. Good** {BIO 5982187 <GO>}

It could. I don't think at this early stage, it will, Michael. One of the things that we're in discussions with the commissions about on the IRPs, all of them are based on historic tax policy. So any incentives around extended renewables, nuclear, offshore wind, transmission; all of those would be updates and generally more cost effective for customers. So, we will continue to update these IRP plans as we go forward. And as I said a couple of times, the support for new technologies we think is really important because as we get kind of to that 70% to 80% carbon reduction working towards net zero, we need technologies we don't have today and that's where the advanced nuclear could show up; carbon capture, hydrogen, and other things. So, we're big advocates of keeping attention on that and funding in a way that will help those technologies get to commercial scale.

**Q - Michael Weinstein** {BIO 19894768 <GO>}

Along the same lines RNG, renewable natural gas, is there other plans to blend that into Piedmont system and where do you see -- how do you see that developing over the next 20 years?

**A - Lynn J. Good** {BIO 5982187 <GO>}

Sure. So we have made some investments, Michael, in sustained RNG which makes advanced methane -- uses advanced methane generation technology to produce renewable natural gas from dairy farms. And so we're really working with the technology today with the hope that we can introduce it in our Piedmont system or our system in the Midwest and Tennessee as we go forward. And that coupled with our commitment to net zero methane by 2030 makes a strong statement about our commitment to lowering carbon in our LDC business.

**Q - Michael Weinstein** {BIO 19894768 <GO>}

Great. Thank you very much.

**A - Lynn J. Good** {BIO 5982187 <GO>}

Thank you.

**Operator**

Next we hear from Jeremy Tonet of JPMorgan.

**Q - Jeremy Tonet** {BIO 15946844 <GO>}

Hi, good morning.

**A - Lynn J. Good** {BIO 5982187 <GO>}

Hi Jeremy.

**Q - Jeremy Tonet** {BIO 15946844 <GO>}

Just want to turn over to the Commercial Renewables segment If I could here and just want to see does the Duke Energy sustainable solutions rebranding signal kind of an interest to potentially expand this business or even if the Biden administration -- if the plans come through with kind of greater tax incentives on this side, would you look to ramp up growth in Commercial Renewables?

**A - Lynn J. Good** {BIO 5982187 <GO>}

The branding, Jeremy, I would characterize as us being responsive to the market. We have a lot of work going on with large industrial and commercial customers looking for customized solutions as they work to achieve their own sustainability goals. It could take the form of commercial renewables, it could take the form of micro grids, it could take the form of supporting electrification of industrial processes or transportation. And so we have been working with these large customers for some time and thought this would be a helpful way just to bring a comprehensive set of solutions to those customers as we go forward. And I believe that customization is going to be an important part of the decarbonization journey for large industrial commercial customers as we move forward.

**Q - Jeremy Tonet** {BIO 15946844 <GO>}

Got it. That makes sense. And maybe just touching a bit on Slide 16, advancing EV infrastructure here. Just wondering if you could talk us through how you think the complete opportunity set is here. Could this represent upside to CapEx as you see it over the next 10 years?

**A - Lynn J. Good** {BIO 5982187 <GO>}

We do see opportunities for more CapEx and frankly we see opportunities for more load growth as we -- as customers adopt the technology and we see increasing utilization on the part of our communities and municipalities, et cetera. So we have been very active in this, Jeremy, with conversations around all of our jurisdictions trying to get a base level of infrastructure in place to encourage adoption and then working directly with. Like the City of Charlotte, we're partnering with them on electrification in municipal buses, working with school districts. Anything that we can do to bring our expertise around electrification to this important transition I think represents an incredible opportunity for us. All of these -- all these individuals have sustainability goals. All these communities, many of them have sustainability goals. And then I think as you see auto manufacturers and others transitioning to electric, we want to have the infrastructure in place to serve those customers. So, I think it represents an incredible opportunity.

**Q - Jeremy Tonet** {BIO 15946844 <GO>}

Got it. Makes sense. I'll leave it there. Thank you.

**A - Lynn J. Good** {BIO 5982187 <GO>}

Thanks so much.

**Operator**

And we'll hear from Michael Lapides of Goldman Sachs.

**Q - Michael Lapides** {BIO 6317499 <GO>}

Hey guys. Thank you for taking my question.

**A - Lynn J. Good** {BIO 5982187 <GO>}

Hi Mike.

**Q - Michael Lapides** {BIO 6317499 <GO>}

Hi Lynn. Can you remind us what's in 2021 guidance for the change in O&M Company-wide relative to 2020 and then how you're thinking about kind of 2022 and beyond O&M growth?

**A - Steven K. Young** {BIO 7307044 <GO>}

Yes. Michael, for 2021 the O&M is going to go up compared to 2020. Now keep in mind in 2020 we reduced O&M by \$320 million roughly through various efforts; \$200 million of that is sustainable, but a chunk of that is not sustainable. So, you're going to see an absolute increase in '21 over '20 in O&M. But the broad trend line of O&M continues to decrease. We've taken it down 1% since roughly 2015, 2016 timeframe on a consistent basis and our goal is to certainly keep it flat to declining as we go forward and I have confidence in our ability to do that. We've learned a lot from COVID, an entirely new set of efficiencies that we've learned from that we're going to try to carry forward and broaden. But on an absolute basis, you'll see it go up in 2021 as we have to catch up a few things compared to 2020.

**Q - Michael Lapides** {BIO 6317499 <GO>}

Got it. And then longer term, do you still see opportunities for material cost synergy or savings or is the goal just to keep it flattish on 2021 levels?

**A - Lynn J. Good** {BIO 5982187 <GO>}

Michael, I think there continues to be opportunities. Steve talked about some of the learnings from COVID. We're aggressively moving on real estate. As we continue to invest in the grid with

new technologies, we're finding O&M savings. And as you think about this clean energy transition moving out of coal, there is a natural reduction in O&M that could come there as well. So we continue to find ideas, continue to find ways to really focus on this, and we also see it as a strategic priority for our Company to maintain affordable prices for customers as we put this capital to work. So, our focus on this is not going to lessen. We're not at the end of anything. We're just continuing to find ways we can drive efficiencies.

**Q - Michael Lapides** {BIO 6317499 <GO>}

Got it. Thank you, guys. Much appreciated.

**A - Lynn J. Good** {BIO 5982187 <GO>}

Thank you, Michael.

**Operator**

And that does conclude the question-and-answer session for today. At this time, I'd like to turn the call back over to Lynn Good for any additional or closing comments.

**A - Lynn J. Good** {BIO 5982187 <GO>}

Thank you, April. And thanks to all of you for joining today, for your interest in Duke, your investment in Duke. And the IR team is available as always for further questions following this call. So, thanks so much. Have a good afternoon.

**Operator**

That does conclude today's conference. Thank you all for your participation. You may now disconnect

*This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2024, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.*