Q1 2022 Earnings Call

Company Participants

- Jack Sullivan, Vice President of Investor Relations
- Lynn J. Good, Chairman, President and Chief Executive Officer
- Steven Keith Young, Executive Vice President and Chief Financial Officer

Other Participants

- Anthony Crowdell, Mizuho
- David Paz, Wolfe Research
- Jonathan Philip Arnold, Analyst, Vertical Research Partners
- Julien Patrick Dumoulin-Smith, Analyst, BofA Securities
- Michael Jay Lapides, Analyst, Goldman Sachs Group
- Ryan Carr, JP Morgan

Presentation

Operator

Good morning. Thank you for attending today's Duke Energy Quarter 1 2022 Conference Call. My name is Amber, and I will be your moderator for today's call. All lines will be muted during the presentation portion of the call with an opportunity for questions and answers at the end. (Operator Instructions). I now have the pleasure of handing the conference over to our host, Jack Sullivan, Vice President of Investor Relations for Duke Energy. Mr. Sullivan, please proceed.

Jack Sullivan {BIO 21652795 <GO>}

Thank you, Amber. Good morning, everyone, and welcome to Duke Energy's first quarter 2022 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 Securities Laws.

Actual results may be different than forward-looking statements and those factors are outlined herein and disclosed in Duke Energy's SEC filings. The appendix of today's presentation includes supplemental information and disclosures, along with a reconciliation of non-GAAP financial measures.

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

Lynn J. Good {BIO 5982187 <GO>}

Jack, thank you, and good morning, everyone. Today we announced adjusted earnings per share of $1.30 for the quarter, delivering strong results to start the year driven by continued growth and electric volumes. That growth was partially offset by $0.07 of higher expense from severe winter storms. I'd like to take a moment to thank approximately 19,000 restoration workers who work tirelessly to restore power to over 1 million customers across a series of winter storms, the most we've seen in eight years.

Despite the Q1 storms we remain on track to deliver within our original guidance range and are reaffirming our full year earnings guidance range of $5.30 to $5.60 with a midpoint of $5.45. We're also reaffirming our long-term EPS birth rate of 5% to 7% through 2026 of the midpoint of our original 2021 guidance range.

While monitoring economic trends and we'll take action, if necessary, as we continue to execute the important strategic work we have underway in the Carolinas, Indiana, and Florida. I will touch on this more in just a moment. Turning to slide 5. We published our first ESG report in late April that expands our historic sustainability themes and add more insight on social and governance topics.

We've included some highlights and key accomplishments on this slide. We've got a strong track record in each of these areas and have established ambitious targets for the future. But work has been recognized across the ESG community, including by MSCI which upgraded our ESG rating to AA in February. We're also laying the groundwork for even more progress with our proposed carbon plant in North Carolina, our IRP in Indiana, and our ongoing solar and grid investments in Florida.

We look forward to sharing additional updates throughout the year and during our ESG Day on October 4. Moving to slide 6. Let me spend a few minutes on North Carolina. There is a meaningful progress in the state implementing the framework set forth in House Bill 951. As a reminder, this landmark bipartisan legislation provides for a clean energy transition as all the modernized performance-based rate-making provisions, including multiyear rate plans, performance incentive measures, and residential decoupling.

We've been working closely with stakeholders on the development of our proposed carbon plan, which we will file with the Commission on May 16. The plan will outline multiple portfolios to achieve the 70% carbon reduction target including proposals around timing of coal plant retirements and resource additions.

We expect substantial solar and battery additions, demand-side managements, and energy efficiency opportunities in every pathway. Onshore and offshore wind will be presented for consideration as well as small modular nuclear reactors. Each portfolio has been rigorously tested for reliability and affordability for our customers. Following the May 16 filing of our proposed carbon plan, the Commission will gather additional stakeholder input, make adjustments, and approve a final plan by the end of the year.

The plan will be updated every two years thereafter. In February, the North Carolina Utilities Commission issued its order on rulemaking for performance-based regulation and in April the Commission issued its order on rulemaking for coal plant securitization. This allows our North

Carolina Utilities to securitize half of the remaining carrying value of certain coal plants upon their early retirement.

Those orders were constructive, establishing processes that are fair, balanced, and consistent with the policy objectives of HB 951. Another strategic priority for 2022 was to file a rate case, introducing the modernized rate-making tools approved an HB 951. The NCUC has established a process for these filings that includes technical conferences on the multi-year rate plans prior to filing.

We currently expect to file a DEP North Carolina rate case in the fourth quarter and likely a DEC North Carolina rate case early next year. Turning to slide 7. I'd like to touch on the key initiatives across our service territories. In South Carolina storm cost securitization legislation continues to move forward. The proposed legislation has passed in the Senate and is now being heard in the House. If enacted, this legislation would provide an additional tool to recover prior and future storm restoration costs creating significant savings for our customers as compared to traditional recovery mechanisms.

Moving to Florida. We're making investments to harden the grid under our Storm Protection Plan. We recently filed our updated plans, which includes $7 billion of capital investments over the next 10 years. In Indiana, we filed request for proposals for up to 2,400 megawatts of new generation through 2027, which includes both intermittent and dispatchable resources to support our transition from coal.

We're pleased with the response to our in remittance RFP having received dividends from 13 developers on more than 30 different projects totaling over 7,000 megawatts. On May 2, we received dividends for the dispatchable portion of the RFP and are reviewing of them now. We expect to file CPCNs with the Indiana Utility Regulatory Commission later this year.

In November, we filed our second TDISC plan in Indiana. The six-year, $2 billion plan includes investments to improve customer reliability, harden the grid, and prepare for distributed generation. A hearing was held in March and we expect to receive a decision from the Commission in July. If approved, the program would begin in 2023.

Shifting to the LDC. We continue to make investments to build meeting the infrastructure, improve reliability, and to comply with federal regulations. In South Carolina, we filed a general rate case in April. If approved, we anticipate revised customer rates will be effective by October. And in Tennessee, legislation was recently passed that will allow natural gas utilities to invest in load zero-emission capital projects. This legislation will help enable our decarbonization vision for our natural gas business units and conserve as a blueprint for legislation in other states across the country. In closing, we're making progress on all fronts across our jurisdictions meeting our commitments and executing our clean energy strategy. We have a clear path forward for 2022 and believe our investment plan will deliver sustainable value to shareholders, and 5% to 7% earnings growth over the next five years.

And with that, let me turn the call over to Steve.

Steven Keith Young {BIO 7307044 <GO>}

Thanks, Lynn, and good morning, everyone. I'll start with a brief discussion of our quarterly results highlighting a few of the key variances to the prior year. As shown on slide 8, our first quarter reported earnings per share was $1.08 and our adjusted earnings per share was a $1.30. This compared to reported and the adjusted earnings per share of $1.25 and $1.26 last year. Please see our non-GAAP reconciliation included in the earnings release for more details.

Within the segments, Electric Utilities and Infrastructure was up $0.10 compared to the prior year. Results were favorable due to higher volumes and base rate increases. Partially offsetting these items were higher O&M primarily attributed to severe winter storms and weaker weather than last year. In our gas LDC business, we were flat year-over-year, with contributions from rate cases and riders, offset by higher O&M due to timing and costs associated with new investments.

Results from commercial were $0.02 lower due to fewer growth investments compared to 2021, partially offset by favorability from fewer winter storms impacting our commercial fleet. And in the other segment, we were $0.04 lower, primarily due to lower-market returns on benefit trusts.

Turning to slide 9. Let me touch on electric volumes and economic terms. We soar up the year with continued low growth, improving our rolling 12 months retail growth rate to 3.8%. This figure has continued to steadily improve over the past four quarters as we've been replacing weaker quarters experienced in the first year of the pandemic with stronger quarters during the second year.

We believe Q1 '22 represents the high watermark for this lowering 12-month figure. And expect the growth rate will moderate as we move further into 2022, ultimately landing around 1.5% for the full year. This is consistent with the 2022 load forecast we shared on our fourth quarter earnings call in February.

The favorable first quarter results for the electric utilities are mainly driven by sustained residential customer growth of 1.8% and the loosening of COVID restrictions for commercial and industrial customers. We also benefited from residential customers who continue to work from home and from incremental load in the Carolinas and Midwest as customers rolled out several winter storms from home.

For commercial and industrial classes, we saw continued rebound of our existing customers, and looking ahead, we will start to see incremental growth for new customers due to the outstanding accomplishments of our economic development team. In 2021, we helped to attract nearly 12,500 new jobs and $6.2 billion in capital investment to our service territories creating vibrant economies and accelerating growth in our communities.

We have seen this momentum continue into 2022. While these results are a great start to the year, we are watching key economic indicators such as moderating GDP growth, rising inflation, and supply chain constraints. We will actively -- we will activate agility measures and leverage our size and scale to counteract rising costs and secure necessary materials through vendor relationships, advanced ordering, and other measures.

This work will continue for all aspects of our business to control O&M costs and secure the materials and services we need to execute our growth plan with ongoing constraints impacting the global supply of solar panels. Let me take a moment to address this matter. On our fourth quarter earnings call in February, we reduced our 2022 net income projection for the Commercial Renewables segment to approximately $150 million, down from our original range to $250 million.

This related to a strategic decision to prioritize our regulated solar projects with our existing panel supply. Having taken those steps in February, we are well-positioned on all solar projects slated for 2022 across our regulated and commercial operations. Looking to 2023 and beyond, we're closely monitoring the Department of Commerce investigations. We assess the timing of our solar projects.

On the regulated side, we expect no delays in 2023. For commercial renewables business, we are targeting approximately 800 megawatts of solar in 2023 and have line of sight on roughly half of first half. Panels have been secured and PPA negotiations are underway. The remaining solar projects are in various stages of development and largely dependent upon panel price clarity.

If delays persist, we may see a few projects shift from 2023 to 2024, resulting in the commercial business delivering more in line with 2022. We are planning for a range of outcomes and have a pipeline of capital and agility levers to maintain our 5% to 7% annual earnings growth trajectory.

As a reminder, our commercial solar capital for 2023 represents approximately 1% of our total CapEx for the five-year plan. Turning to our nuclear operations. Duke Energy owns and operates the largest regulated nuclear fleet in North America. As such, we have a significant inventory of enriched uranium product and have agreements with a diverse set of suppliers across several continents.

Regardless of any potential sanctions related to the Russia-Ukraine war, our existing uranium inventories contracts and supply flexibility are sufficient to fuel our nuclear fleet. Let me close with slide 11. We are off to a good start in 2022 and feel confident of our earnings guidance range of $5.30 to $5.60 with a midpoint of $5.45.

Let me discuss the earnings profile for the remainder of the year. Compared to 2021 second quarter, we will see higher O&M simply due to the different slotting of plant outages in a given calendar year. Additionally, the Florida rate settlement timing and wholesale contract recognition will pick up in the second half of 2022.

The growth in the Natural Gas business unit resulting from rate cases, riders, and customer growth will largely impact the fourth quarter. Turning to Commercial Renewables. The majority of the negative variance compared to 2021 occurs in the first half of the year. Again, we are on target for earnings in 2022 but these factors will impact the quarterly shaping of those earnings.

In conclusion, we continue to make meaningful strides in 2022 towards the advancement of our clean energy strategy with a keen focus on affordability and reliability for our customers. Our attractive dividend yield coupled with our long-term earnings growth from investments in our regulated utilities and robust service territories provides a compelling risk-adjusted return for our shareholders.

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

Questions And Answers

Operator

Thank you. (Operator Instructions). We will pause here briefly as questions are registered. Our first question comes from Julien Dumoulin Smith of Bank of America. Julien, your line is now open.

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

Hey, good morning, team. Thanks for the time and the opportunity to connect. I appreciate it and thanks for the details to the call.

A - Steven Keith Young {BIO 7307044 <GO>}

Good morning.

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

If I'm just going back -- good morning, indeed. If I can go back super quick to the -- the solar CapEx here in the conversation very quickly. I think the key point was your in-line from '22 to '23, so kind of at that 150-ish level for -- for '23. Again you said if delays persist. Can you elaborate a little bit more about what that would look like if delays persist? And also if you can -- can you recap for us a little bit on the earnings recognition? Just how should we think about that -- that the weighted sort of average of across your portfolio, how much of that ITC has been captured in that first year if we think about sort of the mechanics behind that -- that impact that you have?

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

Sure. And Julien, I'll take a shot and I'm sure Steve will have some things to add. I think the headline that I would like to leave with you is we are on track in 2022 for both commercial and regulated renewables. So, the -- the earnings that we have been talking about the adjustment that we made to 2022, we are tracking exactly to both of those.

For 2023, we continue to prioritize our regulated renewables and they are on track. As we look at '23 for commercial, there is some uncertainty that's been created by this investigation really around price and how that price is going to ultimately impact project economics. So, we are planning for a range of outcomes and what Steve shared with you is that range could include something comparable to 2022 if the delays persist or we have the potential to do better than that as clarity occur soon enough so that we can keep projects on track. I think it's important to recognize that this is a minor amount of capital in the construct of Duke Energy and so as we think about 2023, we are confident in our 5% to 7% growth rate. So, on income recognition, I'll turn to Steve to talk a little bit about that, Julien, and then we can circle back and see if we resolve these questions.

A - Steven Keith Young {BIO 7307044 <GO>}

Right. Julien, on the ITC recognition, the past couple of years the projects we've been looking at are three to five years in that range depending on the tax equity arrangement, but we've been in that range. The accelerated depreciation benefits have been overall perhaps five to seven type year spread. That's what we've been looking at, but again as projects move we look at what the needs are and what makes sense to the tax equity partner as well. But that's -- that's kind of where we've been.

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

Got it. Okay, fair enough. It just a disclaimer there. So, how much of that would be shifting if you can shift it, I don't know, half of your portfolio. How much of that impact that's '23? Just maybe clarify that? And then a second question, if I can. Go forward, Lynn, please.

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

Yeah. We were trying to share, Julien, is if we do end up shifting, our expectation is that '23 would be in the range of '22.

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

Yeah. Got it. Yeah. Forget the part of my question is focused on the plan for -- for this year.

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

Yeah. And then as we look out 2024, we believe that gives sufficient time hopefully if we need supply chain issues to resolve themselves more clarity on price. And we also see a ramp up in regulated renewables by the time 2024 rolls around. So, we're talking about moving a few projects in the Commercial from '22 to '23 if this uncertainty persists. The more of course be monitoring and updating along the way.

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

Right. Yeah. Clearly inevitably the timing-related issue, but I very much appreciate that. Just a super quick second question. Just treasuries, you guys have the sensitivity in the slides, et cetera. Could you comment about the impact to your business today from the move-in rates that we've seen? Again lots of different ways to take that. Lynn, where would you go with it? I know you get this -- this $0.12 (inaudible) really out there?

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

Yeah. And $0.12 is -- is not a high end, Julien, as you would expect because we're experiencing that interest rate really on short-term at this point and it's all are averaging in the long-term rates, but Steve can take you through specifics.

A - Steven Keith Young {BIO 7307044 <GO>}

That's right. We gave a sense of it -- sensitivity based on variable rate securities in the portfolio, but we -- some things that we've done to mitigate that very significantly have we've increased hedging over the past year-and-a-half on some of the securities that we knew we were going to be issuing in '22. We've got around 30% of the securities hedged for '22 and we've hedged even some in -- in '23 that we know we're going to occur.

So, utilization of that we've been opportunistically going into the market working with tenure and timing which given our scope and scale, we can do pretty well. So, we have significantly knockdown of the $0.12 impact to -- to the plan that you might see through those techniques.

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

Got it. Okay, guys. Thank you all very much. Really appreciate it. Good luck.

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

Thank you, Julien.

Operator

Thank you, Julien. Our next question comes from Jonathan Arnold with Vertical Research Partners. Jonathan, your line is now open.

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

Hi, good morning, guys.

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

Hi, Jonathan.

A - Steven Keith Young {BIO 7307044 <GO>}

Good morning.

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

Quick one on -- on the carbon plan. Obviously, appreciate you're going to tell us more about that and tells us more about that in a bit. But then you mentioned, there will be several different options and now encompass different technologies, but would you expect to make a definitives like preferred portfolio recommendation with your filing or -- or is it more a range of options and then the Commission is going to take that decision on which one to choose?

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

Jonathan, it's a latter. We're going to present a range of options on the 70% reduction and then that will be the subject of public hearings and reviewed by the commission and ultimately it would be the Commission's decision on pace technologies, price implications, et cetera. And those portfolios reflect the input from stakeholders, so we've had three robust stakeholder meetings, we've also had a series of technical conferences to dig more deeply in to topics that are relevant to the carbon plan.

So when we file this on Monday, Jonathan, we will come provide information to all of you on what's in there, and then, of course, it will be a centerpiece of our discussion over the balance of the year.

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

Okay. But there's no -- there is not going to be a rethink, this is about one -- one thing like that from the sound there?

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

No, no.

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

Okay. Great. Thank you for that. And then just on -- just in terms of what you're seeing on load and that your comments about second quarter probably being the peak and how is that what you've seen, sorry, first quarter. How is, what you've seen in terms of the last few weeks relevant to the trajectory you expected when you gave that year-end, 1.5%. Yeah, glide path, I guess. You -- has it tracked a little ahead or is it roughly on the line you would have thought, or any more color you can give us there?

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

Jonathan, I -- I would say we continue to experience very strong growth in the Carolinas and in Florida and that shows up with customers, it shows up with economic development, and our results reflect that strength. But we're also monitoring, what's going on in the broader economy with inflation and GDP growth expectations, and so that has kept us at our planned level of 1.5% for the full year.

And I don't know, Steve, if you would add to that?

A - Steven Keith Young {BIO 7307044 <GO>}

Yeah, I think we're going to have -- we gave strongly here, but as Lynn said we're not going to move off of 1.5% at this time because there are other factors we need to think about. We're early in the year but it's nice to continue to see the migration and -- and when -- when people move in, the commercials is going to follow that; hotels, restaurants, et cetera. And we're seeing robust industrial growth just in our service areas due to economic development efforts and just the general good business climate.

So, hopefully, that will carry through and continue on, but we're off to a good start, but we got to keep an eye on it, not time to change the forecast.

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

Great. If it has been good, but it's enabling it to be a little more conservative if you think about the rest of the year?

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

That's right.

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

Great. Thanks so much.

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

Thank you, Jonathan.

Operator

Thank you, Jonathan. Our next question comes from Jeremy Tonet with JP Morgan. Jeremy, your line is now open.

Q - Ryan Carr {BIO 22046308 <GO>}

Hi, good morning. It's actually, Ryan Carr on for Jeremy. Thanks for taking my questions. I just one and a follow-up on the carbon plan filing. And you just remind us how that ultimately will show up in your multi-year plan filing. I think you talked about DEP 4Q and DEC 1Q and just -- just going to remind us of the big milestones to watch ahead of those filings?

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

Sure. A couple of things I would note there. Well over 50% of the multi-year rate planning capital will be transmission and distribution investment. We will include some level of renewables and battery storage consistent with the carbon plan really targeted for the end of the three-year period to think about projects that would come into service '25-'26.

And the way the rate cases work here in the Carolinas as we do have an opportunity to continue to update capital beyond filing through the date of the hearing. So that will give us an opportunity to fully understand the approved carbon plan to the extent any adjustment needs to be made in capital, then we do so at that time.

So I would think about these things running in a bit in parallel, Ryan. But given that the majority of the capital is T&D, we don't expect a material impact on the multiyear rate plan from the carbon plan in this three-year cycle. A lot of impact in the next one.

Q - Ryan Carr {BIO 22046308 <GO>}

Got it. No, that makes us. Very helpful. And then just one on inflation maybe or supply chain impacts even outside of the solar. Just curious, you hit on a little bit in the script, but just going to general trends you're seeing across your cost structure, how you kind of see that intertwining with your ability to kind of continue taking out O&M?

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

We continue to see what you're hearing throughout the industry, whether it's raw materials, labor. Of course, fuel costs have been front and center. But as Steve indicated, we are addressing those risks with improved planning with our long-term contracts, our scale, inventory, substitution, additional suppliers, just a variety of considerations. And as we look at O&M in particular, we're confident in our trajectory that we had planned for 2022 and maybe a little background there, Ryan. We had originally been planning for a negative 1%. We raised that to flat, giving us some headroom and so the combination of all the things I mentioned give us confident that we're on track for O&M in 2022 and we have yet to see any impact to our overall capital plan as a result of these changes. We've been able to address even delays in supply chain make substitutions in our projects and keep executing for our customers.

Q - Ryan Carr {BIO 22046308 <GO>}

Got it. No, that's -- it's very helpful. Thank you. Always the best.

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

Thank you.

Operator

Thank you, Ryan. (Operator Instructions). Our next question comes from Michael Lapides with Goldman Sachs. Michael, your line is now open.

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

Hey, guys. Thank you for taking my questions.

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

Hi, Michael.

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

Congrats on a good -- Hey, Lynn, and congrats on a good start of the year. I actually have a couple. First of all, O&M. O&M, ex-storms was up year-over-year. And if I understood Steve's comments correctly, you will have some O&M pressure in the second quarter with outage schedules, I would assume. How should we think about what that means for the cadence and trajectory of O&M in 2022 ex-storms? Flat, up, down, and if it's down, is it more back-end loaded?

A - Steven Keith Young {BIO 7307044 <GO>}

We have targeted flat, Michael, and it will certainly be at least flat. Our agility efforts frankly that we are putting in place, I think could drive it downward. It will be back-half, and that's just the timing of when things are aligning. But absent storms, I feel good certainly about being flat to potentially declining.

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

And I know you've got the RFPs coming in Indiana and I'm just curious of the 2.4 gigawatts. Can you remind me, how much of that is renewable versus conventional and how do you think about what is potentially utility or cell phones versus kind of just on under a traditional BBA [ph]?

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

Yeah. So, Michael, it breaks down almost 50-50. So a 1,100 megawatts of renewable resources 1,300 megawatts are electric generation and we continue to believe that utility ownership is valuable to our customers and we'll be putting that forward in our expectation of -- of building renewables, buying renewables that there would be some degree of utility ownership.

And then, we'll know more about the dispatchable resources. The results came in May 2. We're still digesting that the third-party administrator has not shared a lot of specifics on that, but if it's renewables any indication will get robust responses to those -- those resources as well.

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

Got it. And then last one. You mentioned quickly in the remarks today that you -- you updated the Storm Protection Plan filings in Florida. Can you remind me how much of a material -- how material of change relative to the original filing? Does that make to your capital spend plan in the revenue requirement for this year in the next couple years and Florida?

A - Steven Keith Young {BIO 7307044 <GO>}

Overall, the impact was about a $1 billion increase as a result of updating the SPP filing in Florida, Michael.

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

About $1 billion over 10 years, $1 billion over two years? Just can you put some cadence and timing around that for me, please?

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

I would expect it to be back half of the decade. Michael, you may remember we're under a multiyear rate plan through early 2024. We will be updated capital in connection with that filing. So it's not going to be in the next couple of years, it would be later.

A - Steven Keith Young {BIO 7307044 <GO>}

That's right. It was a 10-year filing, so Lynn is right. It would probably be in the back part of the year. We'll get some of that in the latter part of our five-year plan, but the bulk of it's going to be after that.

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

Right. And I thought that was covered via tracker or rider the separate from the -- from the core GRC sort of forward-looking test [ph] years you have in Florida?

A - Steven Keith Young {BIO 7307044 <GO>}

That's correct. It is a rider, it started in late '21 and it's kicking in this year. That's correct. But most of that increase in spend will be -- will be updated filing will be in the latter part of the decade.

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

And, Michael, I would -- I would suggest that we look at all of these things. The multiyear rate plan, the Storm Protection Plan is a part of an integrated approach to serving customers in Florida and really thinking about how the impact of price and schedule and our construction activities in our capital.

So, we plan them in a coordinated way.

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

Got it. Thanks, Lynn. Thanks, Steve.

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

Thank you.

A - Steven Keith Young {BIO 7307044 <GO>}

Sure.

Operator

Thank you, Michael. Our next question comes from Anthony Crowdell with Mizuho. Anthony, your line is now open.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Good morning. Lynn. Good morning, Steve. Congrats on a good quarter.

A - Steven Keith Young {BIO 7307044 <GO>}

Thank you.

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

Thank you.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Hey, hopefully just an easy one. A lot of the focus on North Carolina. If I could pivot to South Carolina. Just wondering, I don't believe that state has a decarbonization target yet. I'm wondering when do you think we get more clarity from the state on the decarbonization target and I guess how would that impact Duke's CapEx plans?

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

Anthony, I would maybe pull out just a little bit to talk about the alignment between the two states, that has existed over decades whether you think about nuclear or even work around economic development to make sure that we've got investment going in both states. South Carolina has a strong interest in renewable generation. You may remember Act 62 set out some parameters around renewable construction and we will continue to work with the state on how the -- the clean energy transition should occur so that both states are able to meet their objectives.

And I would think about energy policy is being important to both states. The language may be slightly different, the approach, we believe will be aligned and coordinated in a way that makes sense for our customers and for our investors.

So, I'll leave it at that at this point, Anthony, but a lot of work going on to make sure South Carolina is completely up to date on all that is occurring and I should indicate that they have been very active stakeholders in the carbon plan in the stakeholder meetings here in North Carolina.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Great. And if I could just sneak in one more. Just I think you guys have great clarity on the pressure on renewables. Again, it's probably, I think 3% units overall earning. So a pretty small portion. But just I know if it's Steve or you Lynn, just what kind of toggle or what kind of leverage would you pull to navigate maybe the pressure on renewables that I think '23 is flat, '22 that we look for may lower O&M and in the utilities to maybe overcome that. Just wanted to clarify where the leverage would be to offset the pressure on renewables and I'll leave it there?

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

Yeah, Anthony, I would think about that. I would also think about acceleration of capital and other places in the business. So the types of agility levers we have pulled time and time again to maintain our trajectory. And Steve, over to you to see if you got anything.

A - Steven Keith Young {BIO 7307044 <GO>}

Yeah, I think that's right. We look at the rider mechanisms that we've got, the investments that we can make there and our O&M agility is a core muscle that we exercise in these times. And given our scope and scale, we can look across the footprint, we can look at supply chain and -- and various mechanisms within there as well. So, number of tools across the footprint in that vein, Anthony.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Great. Thanks for taking my questions.

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

Thank you.

Operator

Thank you, Anthony. Our next question comes from David Paz with Wolfe Research. David, your line is now open.

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

Good morning, David. Good morning.

Q - David Paz {BIO 16573191 <GO>}

Good morning, Lynn. How are you doing? Can hear me okay?

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

Yeah, we can. Thank you.

Q - David Paz {BIO 16573191 <GO>}

Great. So I appreciate the -- the comments you made on the solar CapEx relatively modest your current plan. Just curious, how should we think about solar post your current plan? So I think you've given us a range in the back half of the decade. Would you -- would you say it's going to be in a similar percentage points or was -- are we are touching seriously higher?

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

David, the thing I would point to as I look at '24, '25, '26, we will be ramping renewable construction in the regulated business in a much more significant way than the short term. The '22-'23 that you are accustomed to seeing. So think about the Carolinas. We have not had renewable build in our capital plan in the Carolinas. But that will begin to show up in '24, '25, and '26. We've talked about the fact that we will see an increasing amount of regulated renewables and that will impact the way we think about capital allocation between regulated and commercial, you'll begin to see that in '24-'25.

Q - David Paz {BIO 16573191 <GO>}

Okay. Just I would say that whatever projection you have for solar in the Carolinas, so at least North Carolinas your plan reflects the ownership level that you -- under the law, I think 45% or 50%?

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

Absolutely, 55-45. 55% utility ownership. Yes.

Q - David Paz {BIO 16573191 <GO>}

Great. And if I can ask a general question maybe specifically to but just can you talk, Lynn, about the efforts that you and Duke and maybe industry generally are conducting really informed administration about the DOC solar investigation and maybe just clean energy incentives generally?.

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

Yes, and you David, I would say, there has been an ongoing discussion around clean energy policy around renewable tax credits, around supply chain issues really dating back to the end of last year, continuing into this one. We share the goal with the administration of reaching a net zero future and so these elements, we're talking about are relevant to that conversation.

So we believe a timely and efficient resolution of the Department of Commerce inquiry is important. We also believe that the renewable tax credits are important for our customers, as you think about the level of investment that is plan to reach these goals. So we're very actively engaged in policies that impact our goals for net-zero and I don't see that changing.

Q - David Paz {BIO 16573191 <GO>}

Okay. Thank you.

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

Thank you.

Operator

Thank you, David. This concludes the Q&A portion of today's call. I will now pass the conference back over to Lynn Good for any closing remarks.

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

Well, thank you for participation today for questions for your investment in Duke Energy, and as always, we're available if there are questions or further follow-up on anything that we've covered today and look forward to talking to you soon. Thanks again.

Operator

That concludes today's Duke Energy quarter one 2022 conference call. Thank you for your participation. You may now disconnect your line.