

Q3 2021 Earnings Call

Company Participants

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

Other Participants

- Jonathan Arnold, Analyst, Vertical Research
- Julien Dumoulin-Smith, Analyst, Bank of America
- Michael Lapides, Analyst, Goldman Sachs
- Ryan, Analyst, JPMorgan
- Shar Pourreza, Analyst, Guggenheim Partners
- Stephen Byrd, Analyst, Morgan Stanley
- Steve Fleishman, Analyst, Wolfe Research

Presentation

Operator

Good day, everyone, and welcome to the Duke Energy Third 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, Vice President, Investor Relations. Please go ahead.

Jack Sullivan {BIO 21652795 <GO>}

Thank you, April. Good morning, everyone, and welcome to Duke Energy's Third 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 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.

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. It's great to be with you for our third quarter 2021 earnings call. Today, we announced strong results for the quarter with adjusted earnings per share of \$1.88, driven by growth at our electric utilities. We're well positioned for a solid finish to the year and are narrowing our full-year guidance range to \$5.15 to \$5.30, raising the midpoint into the upper half of our original range. We're also reaffirming our long-term EPS growth rate of 5% to 7% through 2025 based off our original 2021 guidance range.

Before I hand it over to Steve for a financial update, I'd like to discuss the important progress we've made on our climate goals and highlight recent and critical accomplishments that help advance our clean energy transformation.

Turning to Slide 5. We've been actively engaged with policymakers and stakeholders across the Carolinas for several years to chart path toward cleaner energy. Our 2020 IRPs filed in both states reflect our goal to pursue an orderly energy transition, achieving aggressive carbon reduction while maintaining affordability and reliability.

These filings and ongoing conversations in both states have been informed by robust stakeholder engagement and feedback. In October, North Carolina took an additional step, consisting with -- consistent with their long-standing history of proactively tackling complex energy issues when State leaders came together to pass a landmark bipartisan law, House Bill 951, that accelerates the clean energy transition. House Bill 951 provides a framework to achieve 70% carbon reduction by '23, while continuing to prioritize affordability and reliability for customers.

It also sets into law our corporate goal of net zero carbon emissions by 2050. The roadmap to achieve these goals will come in the form of a carbon reduction plan, which will be approved by the North Carolina Utilities Commission by the end of 2022.

We anticipate the active involvement of South Carolina in this process, as they have been over the decades, and developing and retiring assets that serve both states. The plan will also be informed by stakeholders, a continuation of the conversations that have been ongoing over the last several years.

Consistent with the vertically integrated utility model, House Bill 951 calls for utilities to earn new generation or other resources selected by the Commission, with the exception of solar generation, which contemplates 55% utility ownership, and the remaining procured through PPAs.

Throughout our history, we have offered rate protections for low-income customers and House Bill 951 takes further steps to prioritize affordability. The legislation calls for securitization of 50% of subcritical coal plants upon the early retirement, which will lower customer rates.

Additionally, we've initiated a low-income collaborative to propose new low-income programs to further help our customers. The legislation also adopts modern regulatory mechanisms in North Carolina, including multiyear rate plans, performance-based rate making and residential decoupling, all designed to better align utility investments with customer needs and improve rate certainty.

As we look ahead, our pace of change will accelerate as we work toward our carbon reduction goals and the broader clean energy transformation across all of our jurisdictions. With this in mind, we expect our enterprise capital plan for the next five years, through 2026, to increase to the \$60 billion to \$65 billion range.

And then moving into the back half of the decade. We estimate to be in the top half of our \$65 billion to \$75 billion range. And we will provide more details on our updated capital and financing plans on our fourth quarter call in February.

Turning to Slide 6. It's been one year since we hosted our first ESG Investor Day, where we laid out several targets in our path to net zero carbon and methane emissions.

We're making meaningful progress across these goals while also advancing social responsibility and corporate governance work. We exceeded 40% carbon reduction across the enterprise in 2020 and we continue to accelerate coal retirements and add significant amounts of renewables to our system.

Our path to net zero is underpinned by strong governance, collaboration with stakeholders and a culture rooted in diversity, equity and inclusion. Our long-term investment strategy also provides societal benefits, as demonstrated by our commitment to environmental justice.

Earlier this week, we launched a new sustainable financing framework to help fund investments in eligible green and social projects. This framework provides additional transparency around our investments and clearly defines projects aligned with our ESG priorities.

And as a testament to our strong culture of governance and accountability, we were recognized by Labrador's 2021 Transparency Awards as the number-one utility for overall transparency.

While there is more to do, we're proud of our progress and are poised for more in the years ahead. We look forward to holding another ESG Day with you in 2022, to dive deeper into our commitments and our accomplishments.

Turning to Slide 7. We continue to work with stakeholders at federal, state and local levels to make this Clean Energy Vision possible, while maintaining reliability and affordability for customers. In South Carolina, we filed a modified IRP at the end of August, incorporating feedback from the Public Service Commission and demonstrating further progress toward cleaner energy.

The plan includes a balanced resource mix, expanding renewable generation, storage, retiring coal and achieving significant carbon reductions.

We expect an order from the Commission later this year and believe this filing is an important foundational element to the continued conversation on the pace and approach to the clean energy transition in the Carolinas.

Strategic progress continues in Florida as well. We announced four new solar projects in the third quarter as part of our clean energy connection program, and we continue to harden the grid to our Storm Protection Plan rider.

As we prepare to submit our Indiana IRP later this month, we've gathered input from business customers, consumer advocates and environmental groups on transitioning to cleaner generation, while keeping a sharp focus on reliability and affordability.

The IRP will continue to advance efforts to shift away from coal, and we remain engaged with stakeholders and policymakers to find the best path forward for the state.

Finally, we're engaging with Congress and the administration on a wide range of issues including infrastructure, tax and climate policy. We support new federal policies that align with our clean energy transition by modernizing and investing in the nation's infrastructure and helping to fund the development of advanced clean-energy technologies.

From a regulatory point of view, we are pleased that FERC has accepted the application filed by Duke and the other members of the Southeast Energy Exchange Market, known as SEEM. This allows the members to proceed with the development of the trading platform.

SEEM is a low-cost, low-risk way to provide immediate customer benefits through a shared market structure, while advancing more renewables throughout the Southeast.

In closing, the fundamentals of our business are strong, and we're meeting our financial and strategic objectives while continuing to focus on operational excellence. We operate in constructive jurisdictions that continue to drive new customers sort of at growth rates above national averages.

Our climate goals are driving our investment strategy and long-term planning, and we continue to make progress on all fronts. We have a clear line of sight to achieving our 2030 goals.

Over this decade, we will deploy one of the largest capital investment plans in the country, focused on building clean energy infrastructure; investments that will benefit the environment, our customers and communities and our investors. With this positive momentum, we are highly confident in our 5% to 7% EPS growth range and see the potential over time to earn in the top half of this range.

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 of our quarterly results, highlighting a few of the key variances to the prior year. For more detailed information on 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 8, our third quarter reported earnings per share was \$1.79 and our adjusted earnings per share was \$1.88. The difference between third quarter reported and adjusted earnings per share is primarily due to a charge related to the 2018 South Carolina rate cases, partially offset by proceeds from the settlement with insurers on coal ash basin closure costs.

The adjusted earnings per share results in the quarter continue to be strong, led by Electric Utilities and Infrastructure, which was up \$0.10 compared to the prior year.

Results were driven by favorable volumes, benefits from base rate increases in riders. Partially offsetting these items were higher O&M cost when compared to 2020 levels, due to COVID-19 mitigation efforts in the prior year.

Shifting to Gas, Utilities and Infrastructure, results were flat to last year. In our Commercial Renewables segment, results were up \$0.02 for the quarter, driven by investments in the Marinal wind and Pflugerville solar projects. Other was unfavorable \$0.03 for the quarter, principally due to higher income tax expense. Recall, in 2020, that we executed tax optimization levers as part of our COVID mitigation strategy.

Finally, segment results were impacted by \$0.08 per share of diluted -- dilution related to the \$2.5 billion equity issuance that closed in December 2020. Overall, we are pleased with the results for the quarter, supported by our continued execution and the rebounding economy. 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 \$5.15 midpoint of our 2021 guidance range.

Turning to Slide 9. We are pleased to see our electric volumes continue to bounce back as the economic recovery progresses. Results for the third quarter were up approximately 3.4% year-over-year. And for the second consecutive quarter, results are near or above pre-pandemic levels with the third quarter up 1.3% versus 2019.

Looking more closely at the customer classes. Residential volumes were down 0.2% for the quarter as people began to return to the workplace. We continue to see strong customer growth of 1.7% year to date. When comparing this quarter's residential volumes to that of 2019, we see that volumes have risen almost 4%, highlighting the continued strength of the residential clients.

Robust labor market recovery in our service territories is driving the improvement in the commercial and industrial classes. Commercial volumes were up 5.3%, and industrial was up 7.2% in our four largest states, representing nearly 90% of our overall electric volumes. Job recovery is outpacing the national average. This is a testament to the attractive jurisdictions in which we operate.

We continue to monitor the impact that our largest customers may experience due to supply chain disruptions. And today, we have seen only minor impacts in certain sectors, such as suppliers of the automotive industry. We serve a diverse customer base spanning a variety of industries, mitigating sector-specific impacts. As we progressed towards the end of the year, we are encouraged by the sales trends we have seen, bolstered by strong customer growth across our service territories, which support load growth over the long term. With our rolling 12-month retail growing at 2.1%, we expect to finish at or above the top end of our original 1% to 2% load growth range for 2021.

On Slide 10, I'd like to discuss the primary growth drivers for the next year. Beginning with the Electric Utility segment. We see higher load in 2022 across our jurisdictions as the economic recovery progresses. In Florida, we will see the impact of the first base rate increase in our multiyear rate plan that was approved this year. We also expect growth from Storm Protection Plan rider and the final projects recovered under the solar base rate adjustment mechanism.

In the Carolinas, we expect to see growth through our grid improvement plan, allowing us to defer certain grid projects with the return between rate cases. Meanwhile, 2022 will be a key year to move through rule-making related to HB951 and the carbon reduction plan, setting the stage for 2023 and beyond. In the Midwest, we'll see the impact of our Ohio distribution rate case beginning in the summer, and we'll continue to invest in transmission and distribution upgrades that are recovered under our rider programs in both Indiana and Ohio.

We continue to make progress on our cost management efforts across our jurisdictions and expect lower year-over-year O&M in 2022.

Shifting to the gas segment. We will have a full-year benefit from the Piedmont North Carolina and Kentucky rate cases. We will also see growth from Integrity Management investments in customer additions. Consistent with this historical practice, we will provide 2022 earnings guidance, our detailed capital plan and our growth prospects for the future during our February financial update.

Before we open it up for questions, let me close with Slide 11. We are having an outstanding 2021 as evidenced by another strong quarter and we have narrowed our 2021 adjusted earnings per share guidance range to the top half of our range. Our attractive dividend yield coupled with our long-term earnings growth profile of 5% to 7% provide a compelling risk-adjusted return for our shareholders. As Lynn discussed, we have a long runway of capital investment opportunities as we advance our clean energy strategy over the next decade and beyond.

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

Hey, good morning, guys.

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

Hi, Shar.

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

Good morning.

Q - Shar Pourreza

So Lynn, just couple of questions on 951. And it's -- Obviously, it's good. It finally got done and the pipe part is in way. Obviously, '22 is going to be busy and you do have some good amount of what to chop, though it's a really good framework. Remind us on next steps, especially as we're thinking about the rule making, securitization and the carbon reduction plan.

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

Sure, Shar, thank you. And we're pleased that the leaders of the State came together in this bipartisan way to provide the framework that we're going to be talking about. And in many ways, it's the culmination of the process we've discussed with you over the last several years as we've worked toward this clean energy transition.

The next step, which is already underway, is rule making around the performance-based rate-making and securitization. The Commission has outlined a process that should culminate in February for PBR and in April for securitization, and then we would also expect the Commission to establish procedures around the shaping of the carbon reduction plan. That is not yet out, but we would expect it to occur, as you know, the timeline for that is December of 2022.

So, a lot of work will go on as this legislation transitions into the regulatory arena. We will be involved. Of course, stakeholders will be involved. And on the carbon reduction plan, South Carolina will be a very important stakeholder, at the table every step of the way. And so, we'll be anxious to provide updates along the way as we reach those milestones, but feel like this is a very good process to put us on a path to achieve not only our carbon reduction goals, but meaningful investments that will drive returns over this decade and beyond.

Q - Shar Pourreza

Got it. And then Lynn lastly, I want to tease it out a bit of your kind of prepared comments around the growth guide as we're thinking about sort of various drivers at the legislation and how it impacts your plan. You obviously have more regulated renewable opportunities. You should theoretically have less lag and more opportunities to increase and accelerate CapEx as the plan further cements, right? You, obviously, have opportunities around PBRs and sharing mechanisms.

So if you're solidly within your 5% to 7% growth rate without legislation, especially with an improving load backdrop, as Steve clearly highlighted, how can the legislation, I guess, not be accretive to your current guide from an EPS growth standpoint?

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

Shar, I appreciate the question and I think we should broaden that really beyond the Carolinas to also note the progress that we expect to make in other jurisdictions. We have an important IRP filing coming up in November, end of this month, in Indiana, which will set a pace for the transition. So taking all of those things together, we do see increased capital. And as we open up 2026 and establish a five-year range, we believe that capital will go to \$60 billion to \$65 billion.

As we look at the back half of the decade, we had shared \$65 billion to \$75 billion. We think it's more likely to be in that top half, \$70 billion to \$75 billion. And so, we do believe we have the potential over time to earn at the top end of our 5% to 7% range -- the top half of that 5% to 7% range. And so, we have some work to do with rulemaking and beginning the execution, but we have a long runway of capital investment and this regulatory modernization will be helpful not only to align investments with benefits to customers, but also to allow us to more effectively put capital to work and deliver returns.

Q - Shar Pourreza

Perfect. I appreciate it. Thank you so much, Lynn. See you soon.

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

Thank you.

Operator

And next, 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 maybe build a little bit on the prior questions. In terms of just federal legislation supporting renewable energy in a number of ways. And both, I guess, I'm thinking specifically in North Carolina, as well as Indiana. Indiana, to your point, you have a resource filing by the end of this month. And then in North Carolina, though it does feel like the sort of deliberation around the cadence of decarbonization is going to flow well into 2022 and to the extent that this legislation does pass -- does, as you know, it extends support for solar and wind, provides support for storage, how might that impact kind of the thinking not just for you but for other stakeholders in both of those states?

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

I believe there is a lot of conversation going on, Stephen, in both Indiana and Florida and the Carolinas around the clean energy transition. And that has been building over the last several years. And so, you see increasing opportunities for renewable investment, for storage investment, energy efficiency. Demand response investment will be a part of it. In some of our states, also a keen interest in getting a base amount of electric vehicle infrastructure in place. And so, I do believe the momentum is picking up. Of course, all states are watching what's going on at the federal level and the tax incentives, in particular, can be additive to our progress in the states. And so, I see a great deal of alignment between what we are trying to accomplish, where our states are going and the discussions that are underway in Washington.

Q - Stephen Byrd {BIO 15172739 <GO>}

That's helpful. And to the extent that we do see this level of support from federal legislation, could that potentially lead to kind of a further acceleration? I wouldn't imagine anytime soon free capital plan, but kind of later in the decade. It's obviously an impressive amount of CapEx that you have, but could this essentially result in an acceleration, or I know that's very tough to predict, but how might that impact your longer-term capital spend levels?

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

Steve, I certainly think it can result in acceleration. And that gets down to the target and the timeline that's being established, and I know a lot of debate will occur around those two items. Affordability is another factor that we need to keep into the equation and we have affordability, reliability kind of top of mind as we pursue these goals. But I do believe transition of the bulk power system, both generation and grid, is underway with a lot of tailwinds behind it and we are trying to proceed in a way that works for our states, our customers, the economy. But along the way, importantly, it will deliver meaningful investments for our investors. And so, I do see just a long runway of investment opportunity operating and all of these states driven by both state and federal tailwinds.

Q - Stephen Byrd {BIO 15172739 <GO>}

Very clear. Understood. And then maybe just one other element of the legislation is the -- we're interested in is the minimum tax levels that are in the bill. How might that impact both through your cash flow, customer bill impacts, credit statistics, things like that to the extent that the utility sector doesn't get exempted from that particular provision? What's your sort of latest thinking around the impacts there?

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

Stephen, because we are 95% regulated, we see the minimum tax is more of a timing issue for us. There could be some cash flow impact, but we would need to look at that within the complexion of all of the elements, the tax incentives and other things. So, we do not see a significant bill impact to customers as a result of the way the minimum taxes talked about right now. But as you know, this is a dynamic time and we'll have to see how it ultimately progresses.

Steve, would you add anything to that?

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

I would agree with that. We would view it as a timing issue. And then there's other provisions there; extension of other credits, direct pay of credits and inclusion of nuclear PTCs that, particularly for Duke, with our nuclear fleet, that help mitigate any impacts of this to customers.

Q - Stephen Byrd {BIO 15172739 <GO>}

That's a good point. There are other provisions that sort of push in the other direction and provide a benefit. Understood. That's all I had. Thank you.

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

Great. Thanks, Stephen.

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

Great.

Operator

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

Q - Jonathan Arnold {BIO 1505843 <GO>}

Good morning, guys.

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

Hi, Jonathan. Good morning.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Hi. I just wanted to pick up on, you just mentioned the nuclear PTC, Steve. Curious whether you guys have any sense yet how you would derive -- define the revenues that would sort of interact with the PTC calculation for your regulated mix.

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

Jonathan, I'll take that. This is a pretty dynamic area and we're yet this morning coming through what came out of the house last night, a couple of thousand pages. We do believe it will apply to regulated nuclear. We do believe that it will apply for a six-year period, but we're anxious to learn more and study this a bit more.

So at this stage of the game, we're talking more about, we believe regulated nuclear is included, but more to come on how all of these elements fit together.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Okay. And just sort of staying with nuclear. One element of HB 951. I thought what was interesting was that maybe you could have a little extra time, if you're pursuing a small modular, I guess, nuclear project with offshore wind. Can you just maybe talk a little bit about how these types of solutions will be part of what you put forth and what the timeframe might be best guess at the moment on both?

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

Sure. Jonathan, if you think back to the scenarios that we put forward in the 2020 IRP, there were a couple of scenarios that got to that 70% level. One included offshore wind, the other included advanced nuclear small modular reactor. We do see a need over time to put in some of these next-generation of offshore wind, very mature in Europe, not as much here in the U.S., but these clean-energy technologies. And so, I believe this will be an important discussion as the carbon reduction plan is developed and we will go into that engaging with our regulators, policymakers, the communities to come up with a thoughtful approach on how to incorporate these technologies. And so, I think more to come on that as this carbon reduction plan begins to take shape in '22.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Okay. That's good enough. Thank you very much.

A - Lynn J. Good {BIO 5982187 <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. Thanks for the time. Appreciate it.

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

Hi, Julien.

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

Hey. So, perhaps just to come back to the 70% piece. Obviously, well done on getting the legislation done.

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

Thank you.

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

Curious if you can be more specific about the -- Indeed. Absolutely. I know it's been a long ride. So, we're finally here. I mean -- To that point though, I mean, when you're thinking about the top half year, the \$65 billion to \$75 billion, what are the specific moving pieces that you're thinking about that gets you there. Right? What are the debate points around the 70%? I know you touched earlier about balancing bill headroom against perhaps various other considerations. But if we can talk more tangibly about like different scenarios or different combinations, if you will, just trying to understand how you get to that upper end, if you will, in terms of the incremental requirement.

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

Julien, I think the best thing I could point you to at this point is back to the IRPs. And if you look at the volume of solar and storage, the level of coal retirements, the additional resources that would be added to maintain reliability, as you move towards 70% carbon reduction, there are more megawatts. And so, that's what we are looking at. And this will be important as we go through the carbon reduction planning process; Commission, of course, setting that procedural schedule. There'll be a lot of opportunities for discussion, stakeholder in South Carolina at the table. But I would point you back to those IRPs, because I think that's probably the best place to really begin thinking about the magnitude of the transition.

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

Got it. And if I understand those IRP scenarios, we -- again, I know that these things are in flux. The two specific scenarios that got you there; one included a pathway for offshore and the other included SMR. Is it fair right now to think that you're biased in favor of offshore, given what we're seeing already across the space? Or is SMR really kind of one of the key pathways that you're thinking about?

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

I would say it's too early to tell. We will not unilaterally make a decision, Julien, on what technology makes sense for our customers in the states in which we operate. So, we believe continued discussion and engagement with the regulators, policymakers, communities will be important to this decision. We are evaluating offshore wind. I think you may have noticed, there was a proposed sale notice issued for a lease off the coast of North Carolina. The Kitty Hawk lease area is also there. So, I would just say it's -- there is more to come here. And as this carbon reduction plan begins to take shape, we'll have an opportunity to further the stakeholder discussions to develop the plan that makes sense for our customers in the states in which we operate.

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

Got it. Yeah, I hear what you're saying. And nothing more specific yet on the definitive timeline on IRP for Indiana, in terms of exit from coal et cetera? I know that some of your peers have already kind of made broad statements on that front, but that we've got to wait here. So...

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

Well, and Julien, I would say it's about three weeks away. So, the filing is November 30th. And as you know, we have been working on reducing the useful life of coal. We did so in connection with the rate cases that were finalized last year. And we will continue to work on coal retirements diversification, adding renewables. So, you can expect to see more at the end of this month on Indiana and we're actively engaged in the stakeholder process there, as this work continues.

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

All right. Well, best of luck to the final weeks and we'll see you soon.

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

Thanks so much.

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

Cheers.

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

Thank you.

Operator

And next, we'll hear from Jeremy Tonet of JPMorgan.

Q - Ryan {BIO 16417954 <GO>}

Hi, good morning. (Multiple Speakers)

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

Hi, Jeremy.

Q - Ryan {BIO 16417954 <GO>}

This is Ryan on for Jeremy. Sorry.

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

Okay, all right.

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

Okay.

Q - Ryan {BIO 16417954 <GO>}

Just wondering, you hit on the SEEM proposal that was approved at FERC. I wonder if you could kind of give a little more color on opportunities that kind of come out of that in terms of your renewables, distribution and your transmission of opportunities?

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

Ryan, I would think about SEEM as a very customer-focused initiative and we've had a lot of work done with outside parties to look at the potential and we believe annually, customers would save in the range of \$40 million to \$50 million in the near term and up to \$100 million to \$150 million over the longer term.

So, we see it as a way that provides greater visibility around the operation of the southeastern grid and gives us the opportunity to integrate more renewables. So, that's how I would think about it here in the near term and we think it represents a great opportunity to continue to mature the renewable investment here in the Southeast.

Q - Ryan {BIO 16417954 <GO>}

Understood. And then, if I could just ask one on thinking, understanding where you get the kind of the full kind of drivers in 2022 on the year-end call. But (inaudible) some of the strong load trends you guys see in this year, and then also your (inaudible) ability to have take O&M out of the business, how you kind of think at this stage on some of those different drivers into 2022, as you kind of mentioned it being maybe a bridge year into kind of the capital ramp of 2023 and beyond?

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

Well, Ryan, I would say we will be within our 5% to 7% growth rate every year over the five-year period. Steve shared with you in his remarks what we see those drivers being. So, the Florida multiyear rate plan, we've got, of course, load growth and I'm just referencing that Slide, a number of other areas.

So, we'll give you more specifics on what it means in February, but feel like we've got a very solid plan for 2022.

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

Ryan, I would add, we certainly are seeing solid growth across our jurisdictions. That's always been part of our growth plan, and it is improved through COVID and we'll continue to, we believe, certainly.

We've got a lot of good rate activity coming along as well, when you look at our Midwest jurisdictions, Florida as well. We'll see strength there as we finish out the SoBRA program and kick in the new three-year plan, coupled with the organic growth in Florida.

So, there's a number of factors. We'll have more details but across our footprint, we've got a number of capabilities that we can pull. And cost control is one of them, as it has been in the past.

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

And the rate case activity, Ryan, I was just looking at the slide. Ohio electric distribution Piedmont, North Carolina, South Carolina, Kentucky. So, furious rate case activity also I would point to.

Q - Ryan {BIO 16417954 <GO>}

Got it. That makes sense. I appreciate the color. Thank you.

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

Thank you.

Operator

And next, we'll hear from Steve Fleishman of Wolfe Research.

Q - Steve Fleishman {BIO 1512318 <GO>}

Hi, good morning, Lynn.

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

Hi, Steve. How are you?

Q - Steve Fleishman {BIO 1512318 <GO>}

Great, thank you. Hope you're well. So, I have to ask, since no one else did, there was a press report a week or two ago about there being -- maybe being a settlement soon with Elliott investments. Could you comment on that, and if there is any status of that situation?

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

Yeah, Steve, I'm not going to comment on the press report. But what I will say is we remain in very constructive conversations with Elliott. We are open to a constructive settlement. And as I've said many times, our decision process around this will center on terms that we believe are in the best interest of our shareholders and our company, but constructive conversations continue.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay, great. And just in North Carolina, the -- in terms of actually filing another rate case to recover investment, I guess, the next one would be under this law with may be performance-based. Like when would that be, and is there any time lag issues before you are able to kind of get to that?

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

Yeah, Steve, we are evaluating when the appropriate time is for a rate case, as we always do. You point to something that is certainly a consideration. This rule-making process will continue into 2022 and evaluating the timing for a rate case that not only would contemplate that rule making but also reflect capital investment is work that's underway.

And as we have a better sense of that, we will update you, but some work to do, I guess, around this rule making that I referenced before, before we would file under that plan.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. So, is it not clear right now whether the next rate case would be with the new performance-based or maybe you do a case first without that? Where is it?

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

That's an interesting question. And depending on the timing of the rule making, I think it would be good to try to reflect that in the rate filing. Right now, the Commission is on target for rule making for PBR by February. That's an aggressive timeframe. I know there's a lot of work to do, but to pick up PBR within the rate case would certainly be an objective, if the timing works out.

Q - Steve Fleishman {BIO 1512318 <GO>}

Got it. Great, thank you.

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

Thank you.

(Technical Difficulty) We've lost our operator.

April, are you there?

Operator

I'm sorry. Our final question is from Michael Lapidés of Goldman Sachs.

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

(Multiple Speakers) Thank you.

Q - Michael Lapidés {BIO 6317499 <GO>}

Hey, guys. Thank you for...

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

Hi, Michael.

Q - Michael Lapidés {BIO 6317499 <GO>}

Hey, Lynn. Thank you for taking my question. Hey, just curious, when I think about HB 951, the language was pretty clear about on the coal retirement securitization being for just the sub-critical units. How should we think about what happens to the supercritical units, the larger kind of bigger component of the Duke Carolinas and Duke Progress fleet over time? And whether -- how you would deal if there were early retirements of those units?

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

I would think about traditional rate making on those, Michael. And some of the units will have dual fuel capability. So, they will continue running on natural gas for a period of time. So, I would think about it that way.

Q - Michael Lapidés {BIO 6317499 <GO>}

Got it. And then one follow on related to 951. I'm just curious, I don't think the offshore wind components made it into the bill. You've talked a little bit about offshore winds and SMRs. How

do you -- Is the concern the reason it got left out of the bill more of one on cost, or were there other concerns that were driving that?

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

I wouldn't regard it as being left out of the bill. What I would regard it is that those decisions around clean technologies will be part of the carbon reduction plan and overseen by the Commission, where they will also be evaluating affordability and reliability. So, I think, more to come on it, Michael, and what technologies will be necessary to hit these goals and what works for the states, which technologies make the most sense for our policymakers and communities.

Q - Michael Lapides {BIO 6317499 <GO>}

Got it. Thank you and much appreciated.

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

All right, Michael, thanks.

Q - Michael Lapides {BIO 6317499 <GO>}

And congrats on structural shift.

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

Thank you.

Operator

And it appears there are no further questions at this time.

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

All right, April. Well, I'll take it from here. I want to thank everyone for participating today. I know we have a chance to see many, if not all, of you next week at EEI's and we look forward to continuing the conversation. And IR, of course, is always available, if there are questions following this call. So, thanks again for your investment in Duke.

Operator

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

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