City of Decorah, Iowa Municipalization Preliminary Feasibility Study

Prepared for Alliant Energy

February 5, 2025

DISCLAIMER

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This Preliminary Feasibility Study (the “Study”) was developed on behalf of Alliant Energy. Neither Concentric’s engagement by Alliant Energy nor Concentric’s compensation are in any way contingent upon the value estimates contained in the Study. The Study is intended to be read and used as a whole and not in parts. Neither Concentric nor any of its employees have any present or contemplated future interest in the assets valued in this report

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CONTENTS

ACRONYMS

2018 Study	2018 Preliminary Independent Feasibility Study conducted by Concentric Energy Advisors
2025 Study	2025 Preliminary Independent Feasibility Study conducted by Concentric Energy Advisors
A&G	Administrative and General
APPA	American Public Power Association
CAFR	Comprehensive Annual Finance Report
CC&B	Customer Care and Billing
CPI	Consumer Price Index
EPA	United States Environmental Protection Agency
EWAM	Enterprise Work and Asset Management System
FERC	Federal Energy Regulatory Commission
IOU	Investor-owned Utility
IPL	Interstate Power and Light Company (a subsidiary of Alliant Energy)
IUC	Iowa Utilities Commission
kW	Kilowatt
kWh	Kilowatt-hour
MEU	Municipal Electric Utility
MW	Megawatt
MWh	Megawatt-hour
NBV	Net Book Value
NEM	Net Energy Metering
NPV	Net Present Value
O&M	Operations and Maintenance
RCN	Replacement Cost New
RCNLD	Replacement Cost New Less Depreciation

DEFINED TERMS

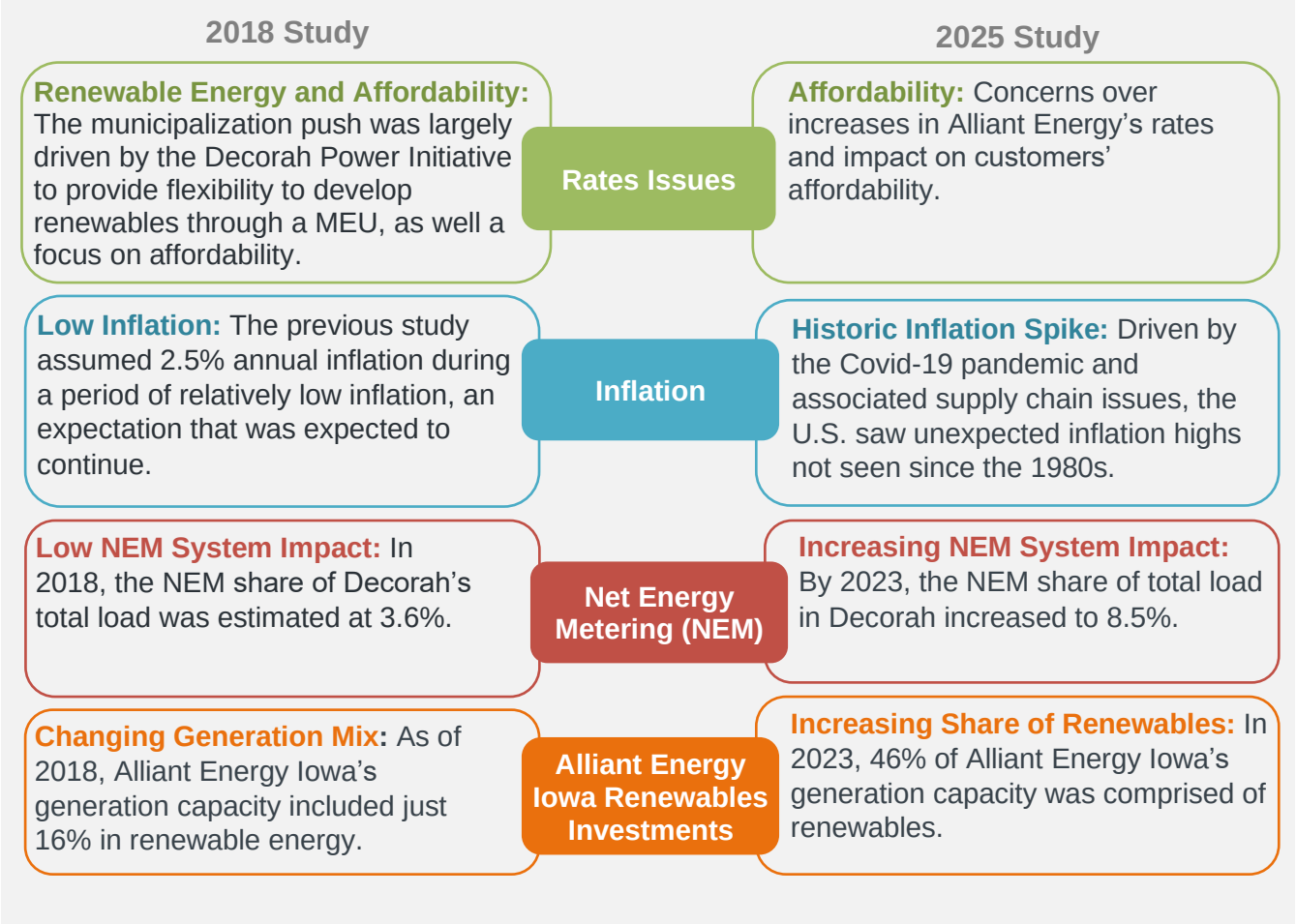
City	City of Decorah, Iowa
Commission	Iowa Utilities Commission
Company	Alliant Energy (parent company to Interstate Power and Light Company)
Concentric	Concentric Energy Advisors, Inc.
Study	Preliminary Independent Feasibility Study

I. Executive Summary

I. Executive Summary

A. Introduction

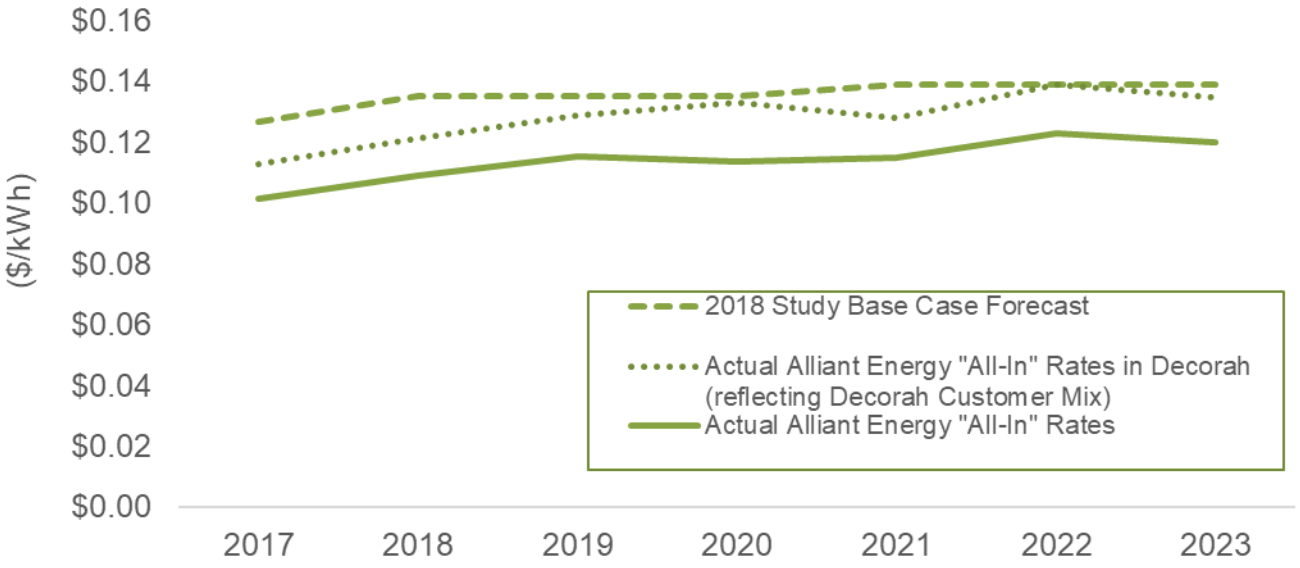
In 2018, Concentric Energy Advisors, Inc. ("Concentric") performed a preliminary independent feasibility study ("2018 Study") of the costs and implications of the City of Decorah, Iowa ("City") acquiring existing utility assets from Alliant Energy (or the "Company") and assuming responsibility for providing electric service to Alliant Energy's customers in the City. This 2025 Preliminary Feasibility Study ("2025 Study") provides an update to the 2018 Study and presents facts, analysis and industry insights regarding the establishment of a new municipal electric utility ("MEU") by the City or the continuation of service from Alliant Energy.[1] Like the 2018 Study, the 2025 Study concludes that Decorah's customers are better served remaining on Alliant Energy's service, rather than by the City establishing a MEU. The graphic below highlights key developments since the 2018 Study.



[1] It will be appropriate to update this assessment and any subsequent formal valuation studies as new information becomes available that will have a meaningful impact on the results.

Rates Issues: The municipalization push in 2017-2018 was largely driven by the Decorah Power Initiative to provide flexibility to develop renewables through the MEU, as well as a focus on ensuring affordable rates. As shown in Figure I-1 below, the 2018 Study Base Case forecast for Alliant Energy's "all-in" rates for all customers (i.e., total customer revenues divided by total consumption) were higher than Alliant Energy's actual rates over the period. Importantly, both the forecasted and actual rates for Alliant Energy customers are *lower than* the rates that Decorah customers would have paid if served by the MEU. Further, in its most recent rate case, the Iowa Utilities Commission approved a five-year base rate increase moratorium.

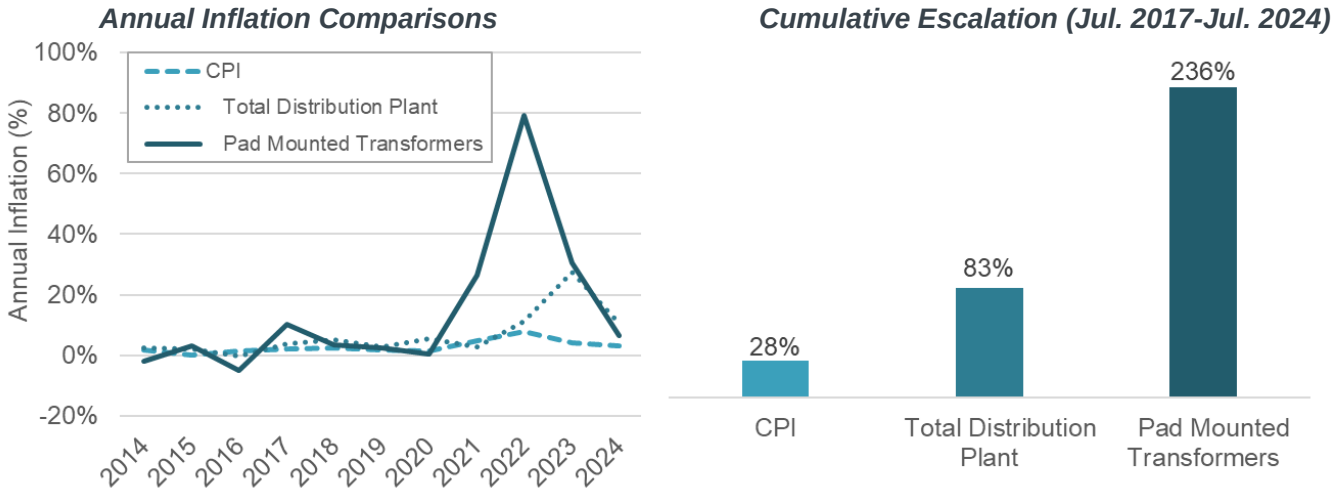
Figure I-1: Average Alliant Energy "All-In" Electric Rates in Iowa[2]



[2] Sources: Concentric Energy Advisors, *City of Decorah, Iowa Municipalization Preliminary Feasibility Study*; Iowa Utilities Commission, *Utility Annual Report Information*, 2017-2023; Alliant Energy website.

Inflation: Since the 2018 Study, inflation rose to levels not seen since the 1980s due to the Covid-19 pandemic and subsequent supply chain constraints. Utilities in particular saw extreme price escalation. In 2018, the Consumer Price Index ("CPI") averaged 2.4%, while the Handy Whitman Index Cost Trends of Electric Utility Construction in the North Central Region for total distribution plant and pad-mounted transformers averaged 5.0% and 3.3%, respectively. By 2022, CPI escalated to 8.0% annually, while total distribution plant rose 27.3% and pad-mounted transformers rose *79.2% in one year*. This extreme price escalation resulted in cumulative escalation in CPI of 28%, 83% for total distribution plant, and 236% for pad-mounted transformers between July 2017 and July 2024, as shown in Figure I-2 below.

Figure I-2: Inflation Comparisons[3]



Average Actual Cost Escalation for Materials Used by Alliant Energy for Energy Delivery

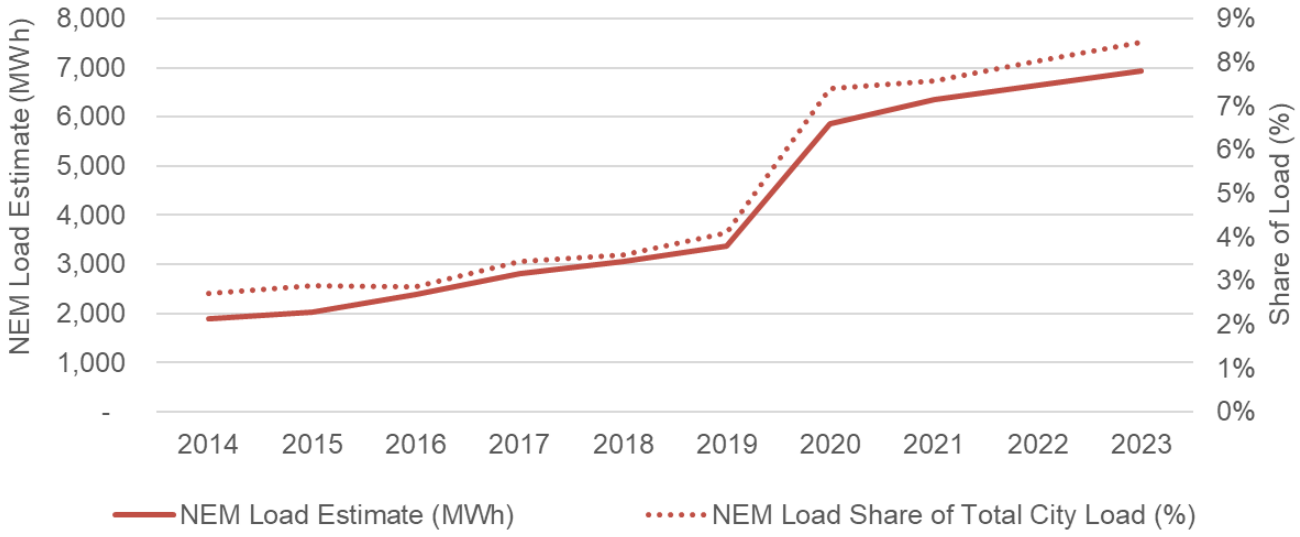
The inflationary pressures in recent years are also reflected in Alliant Energy's own experience, with average cost escalation for materials used for energy delivery of 11.33% between 2017 and 2024, based on the compound annual growth rate ***(or total inflation of nearly 80%)***, and significantly higher for selected materials. For example, 3-phase pad mount transformers averaged 20.00% annual compound annual growth between 2017 and 2024 ***(or total inflation of approximately 140%)***.

Source: Alliant Energy

[3] Sources: U.S. Bureau of Labor Statistics, Consumer Price Index (CPI) for All Urban Consumers (CPI-U). Handy Whitman Index, Cost Trends of Electric Utility Construction: North Central Region (E-3).

Net Energy Metering (NEM): NEM is a measure of commercial or domestic load that is served by on-site solar or other renewable installations. When generating more electricity than the site is using, the system "sells back" energy to the utility. When the generation is not sufficient to serve the needed electricity at the site, the facility will require energy from the utility system in order to meet its need. The "net effect" of this energy on the total utility system is called net metering. The City of Decorah has seen tremendous growth in NEM since the 2018 Study as shown in Figure I-3 below, growing from 2.7% in 2014 to 3.6% in 2018 to 8.5% in 2023. The Alliant Energy share of NEM was 1.6% in 2023, up from 0.2% in 2014, and 0.5% in 2018.[4]

Figure I-3: NEM Growth (2014-2023)[5]



Alliant Energy Iowa Renewables Investment: As shown in Figure I-4 below, in 2023, Alliant Energy Iowa's generation capacity consisted of 46% renewable energy, compared to only 6% renewable energy in 2005, growing to 16% in 2018.[6] This trend is in line with the City of Decorah's continued focus on clean energy.

4 Source: Based on data from U.S. Energy Information Administration (EIA), Form 861, and applying a 15.3% capacity factor.

5 Sources: NEM metering capacity provided by Alliant Energy. Capacity factor estimated at 15.6% based on PV Watts estimate for Iowa: https://pvwatts.nrel.gov/pvwatts.php.

6 Source: Alliant Energy.

Figure I-4: Alliant Energy Iowa Historical and Forecast Generation Capacity[7]

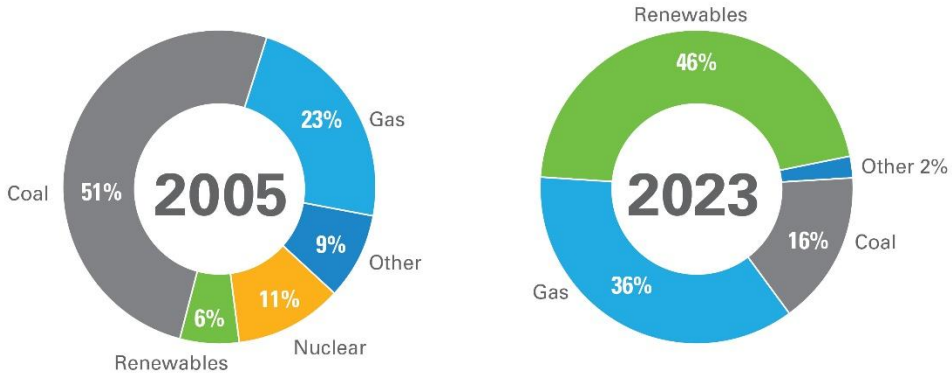


Chart percentages reflect approximate electricity generation capacity in megawatts (MW) determined from owned electric generation resources and various purchase power agreements (PPAs). This includes utility fixed-term contracts, Alliant Energy® renewable programs (Customer-Hosted Renewables, Community Solar, Renewable Energy Partner), Public Utility Regulatory Policies Act (PURPA) resources from non-utility power producers and other distributed energy resources based on these renewable energy agreements. Capacity values for 2023 are as of fiscal year-end. Actual energy in megawatt-hours (MWh) to serve customer load will differ from the approximate capacity (MW) shown above due to participation in the Midcontinent Independent System Operator (MISO) regional energy markets.

B. Municipalization Costs

The Study assumed that the earliest practical start date for the MEU is 2029, after a full condemnation proceeding. Thus, the municipalization cost results begin in 2029, the assumed start date of the MEU operations. The Study began with assessing the costs to the City, both initial costs to form a MEU, as well as ongoing costs to operate the utility. As shown in Figure I-5 below, the *initial* municipalization costs total $85.6 million in 2029. For context, this initial municipalization cost estimate of $85.6 million is over 3.1 times higher than the City's 2024-2025 annual budget.[8]

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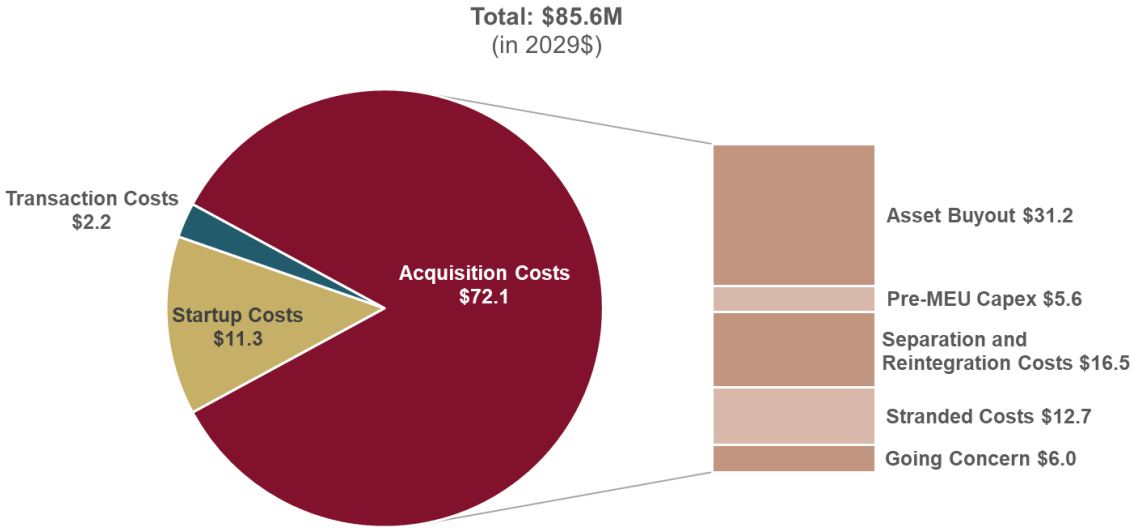
7 *Ibid.*

8 Assumes 2024-2025 city budget of $20,778,678. Source: https://www.auditor.iowa.gov/reports/file/75999.pdf
The 2024-2025 city budget is approximately $5.8M higher than the 2023-2024 budget of $15,194,000, due in large part to the $4M increase for repairs and improvements to the city's wastewater treatment plant (paid back by a State of Iowa grant). The $85.6M initial municipalization costs above are approximately 4.6 times higher than the 2023-2024 city budget. Source: https://decorahnews.com/news/7874/the-city-of-decorahs-2024-budget-has-been-approved-by-the-decorah-city-council/

Figure I-5: Preliminary Estimate of Initial Municipalization Costs[9]



Startup Costs: Costs to begin operation as a municipal utility, including initial capital expenditures, equipment inventory, facilities, fleet vehicles, staffing, and information technology. Also includes the cost associated with maintaining cash balances to support day-to-day operations and the ability to respond to unanticipated events, including securing outside crews and emergency storm restoration equipment.

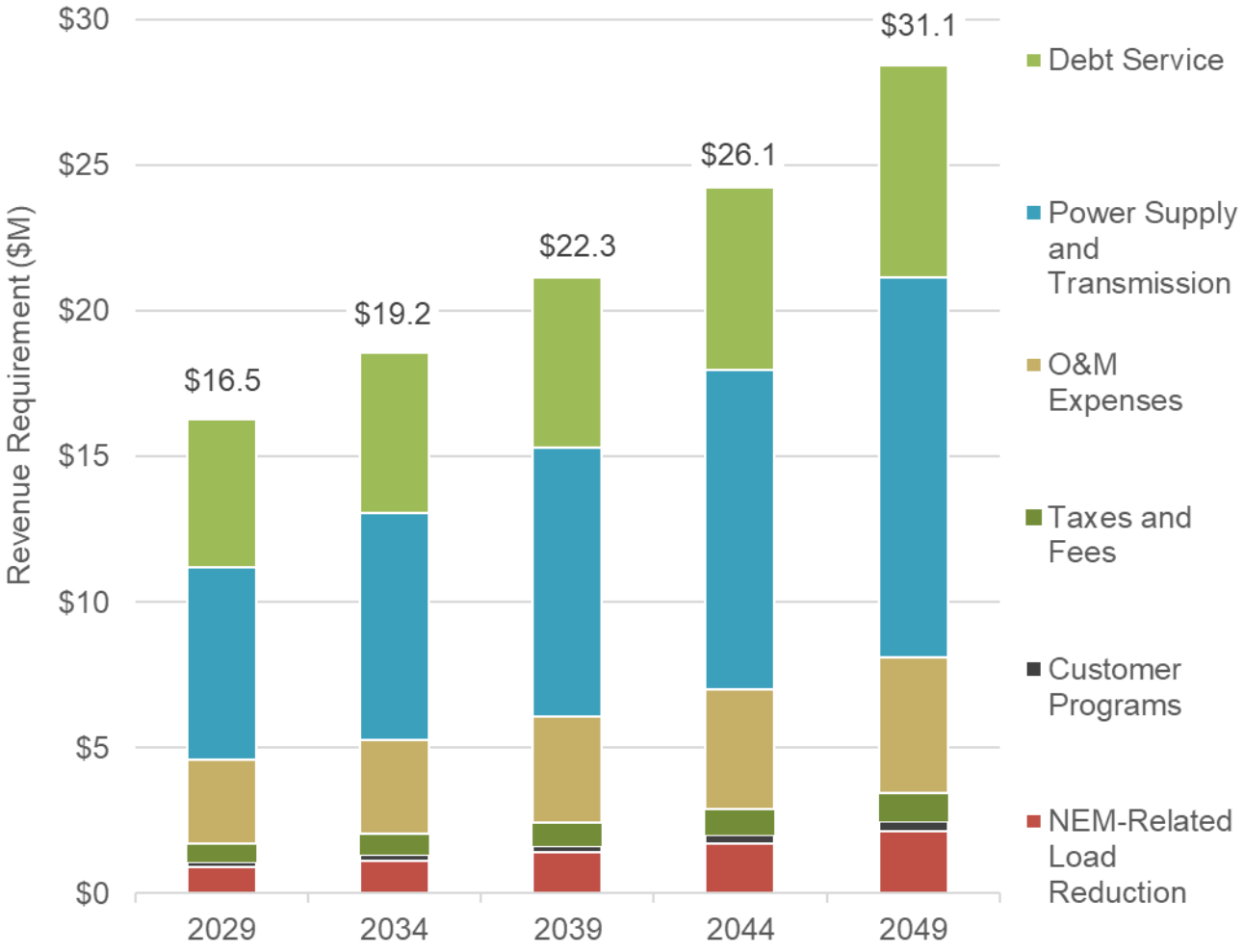
Transaction Costs: Costs incurred to execute the transaction to acquire the utility's assets, including underwriting and debt issuance costs, as well as legal, engineering and consulting costs.

Acquisition Costs: Physical assets within the city limits (i.e., asset buyout), separation and reintegration costs to physically separate the municipal system from the utility's system and reconnect existing Alliant Energy customers, stranded costs on utility infrastructure that become redundant, pre-municipalization capital expenditures, and going concern costs to reflect just compensation on the incremental value attributable to the fact that the assets are subject to a condemnation, and not just physical assets, but together comprise a business unit that is part of a business that can be run on day one of the acquisition.

[9] This is a preliminary estimate that can only be refined after a complete system inventory is conducted. Additional scenarios have been included in Section VIII, assuming a transaction close date of 2029.
Note: Values may not sum to total due to rounding.

As shown in Figure I-6 below, ongoing costs to run the MEU are estimated to total $16.5 million, assuming a 2029 start date. These costs are estimated to escalate to $31.1 million by 2049.

Figure I-6: Preliminary Estimate of Ongoing Municipalization Costs



The ongoing costs to run the MEU include:

Debt Service: Debt service costs are a major element of the cost of providing service as shown in Figure I-6 above. Debt service comprises 31% of ongoing municipalization costs in 2029, declining to 26% in 2049.

Power Supply and Transmission Costs: Decorah will also need to reserve and pay for transmission service to transport power. Power supply and transmission costs are expected to comprise 41% of ongoing costs in 2029, increasing to 46% in 2049.

O&M Expenses: This category comprised 18% of the 2029 Decorah MEU ongoing costs, decreasing to 16% in 2049.

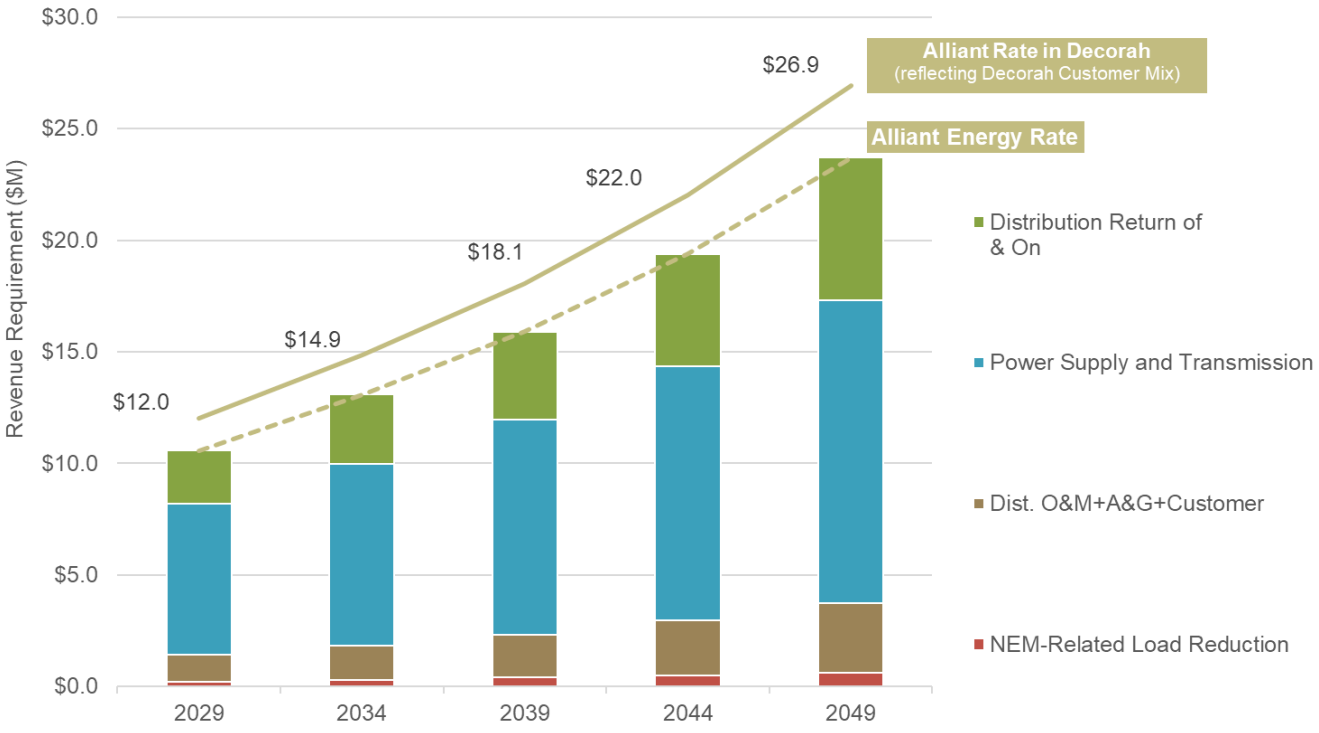
Taxes and Fees: Under a municipal utility, Alliant Energy would no longer pay property taxes or franchise fees to the City, and the municipal electric utility would provide a "payment in lieu of taxes" to the City's general fund to replace these revenues to the City. Taxes and fees comprise 4% of a Decorah MEU's ongoing costs to operate, declining to 3% in 2049.

Customer Programs: This category includes energy efficiency and energy assistance programs, estimated at 1% of the ongoing MEU costs in 2029 and through 2049.

NEM-Related Load Reduction: For the purpose of this analysis, Concentric assumed that the City will continue to offer a NEM program similar to that offered by Alliant Energy currently. NEM-related load reduction costs to the City are estimated at 5% of the MEU's ongoing costs in 2029, increasing to 8% in 2049.

For comparison, Concentric developed an Alliant Energy revenue requirement buildup, factoring in the five-year stay-out through 2029 on base rates, per the most recent rate case settlement. Based on the estimated acquisition and operating costs that the City would incur under the MEU, and the estimated electric load of the customers within the City limits, Concentric developed a projected electric rate for the municipal utility over a 20-year period ("Forecast Period"). As shown in Figure I-7 below, forecasting Alliant Energy's revenue requirement results in an estimate of $12.0 million in 2029, escalating to $26.9 million in 2049.

Figure I-7: Preliminary Estimate of Alliant Energy Forecasted Revenue Requirement

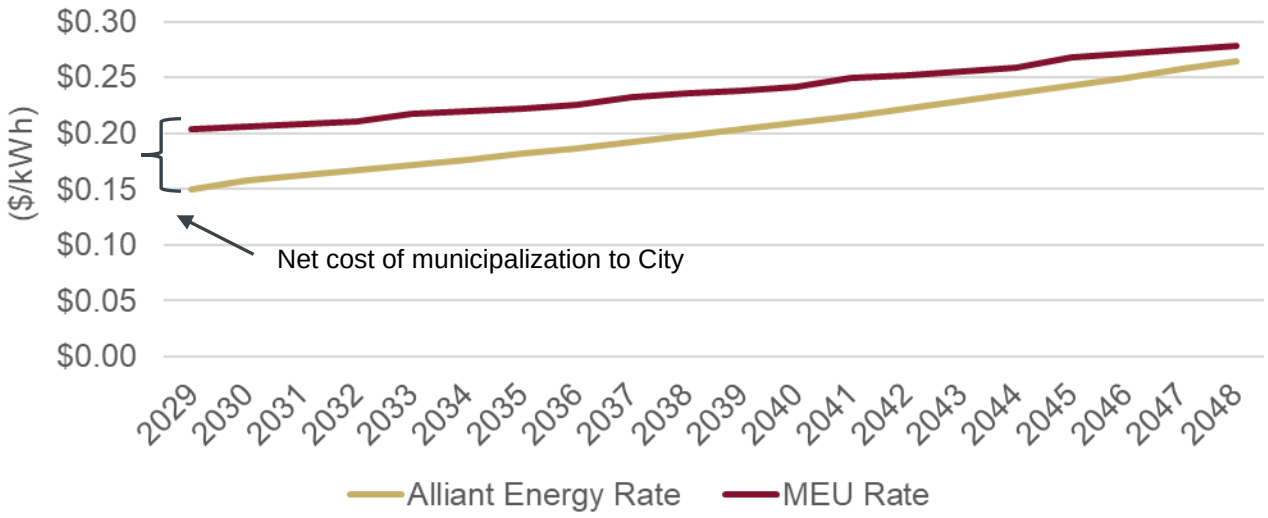


As shown in Figure I-8 below, municipal utility rates are expected to exceed those of Alliant Energy by approximately $0.05/kilowatt-hour ("kWh") in 2029, and the rates under the City are projected to continue to be higher than the Alliant Energy throughout the 20 years of the Forecast Period. On a net present value ("NPV") basis, the City Option is projected to result in an incremental cost to Decorah customers of approximately $30 million over the initial 10 years of municipal utility operation, and approximately $43 million over the initial 20 years of operation. This indicates that municipalization would result in higher costs to electric customers in Decorah as compared to continuing to take service from Alliant Energy. Of note, over a 20-year period, the MEU rates are expected to remain above those of Alliant Energy.

$30 Million
10-year net present value ***cost*** to the City of switching to municipal ownership

$43 Million
20-year net present value ***cost*** to City of switching to municipal ownership

Figure I-8: Preliminary Comparison of MEU vs Alliant Energy "All-In" Rates



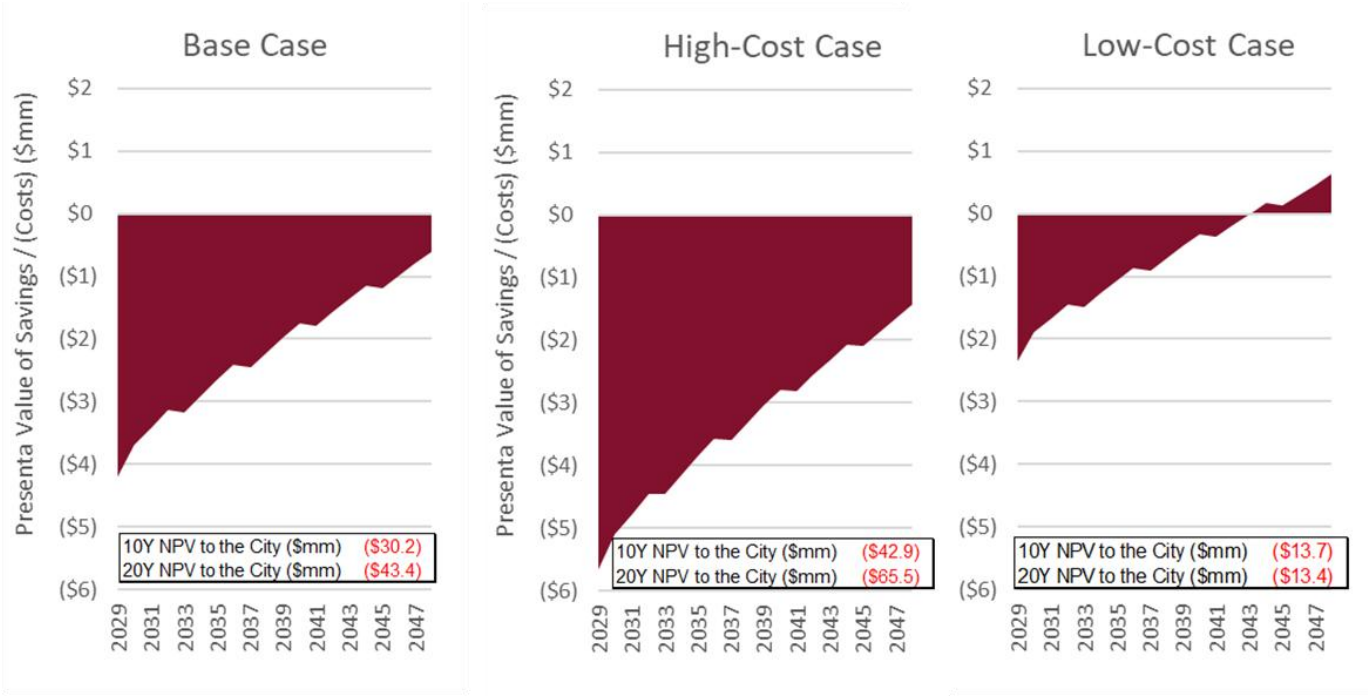
C. Sensitivity Cases

There are inherent uncertainties associated with projecting costs and rates over such an extended period. In order to recognize the risks of relying on long-term forecasts, two alternative scenarios were also conducted to reflect the potential for variation in certain key assumptions. The first alternative scenario assumes that costs for municipal acquisition and ownership would be higher than estimated in the Base Case (i.e., the "High-Cost Case"), and the second alternative scenario assumes that those costs would be lower than estimated in the Base Case (i.e., the "Low-Cost Case").

Figure I-9 compares the assumptions utilized in the Base Case relative to the High-Cost and Low-Cost cases. Over both a 10- and 20-year period, all three cases show a negative net present value (NPV), meaning that costs to the City would be higher under City ownership over at least 20 years, relative to remaining on Alliant Energy's service. The figures below show the present value of costs or savings to the City from municipalization under the three cases. In all cases,

municipalization is a net cost to the City, except in the last five years of the Low-Cost Case. The figures show the present value of the costs to the municipal utility each year over the 20-year forecast period. For example, in Year 1 of municipalization (2029), under the Base Case, the City is expected to have a net cost of municipalization (relative to remaining on Alliant Energy service) of $4.2 million, or a net cost of $5.7 million in the High-Cost Case and $2.3 million in the Low-Cost Case. The figures below discount the net costs to the City over the 20-year period to today's value. The NPV adds up the net cost or savings to the City over the period to arrive at a total NPV over 20 years of $43.4 million in the Base Case, $65.5 million in the High-Cost Case, and $13.4 million in the Low-Cost Case.

Figure I-9: MEU vs Alliant Energy Cost of Service Scenario Results

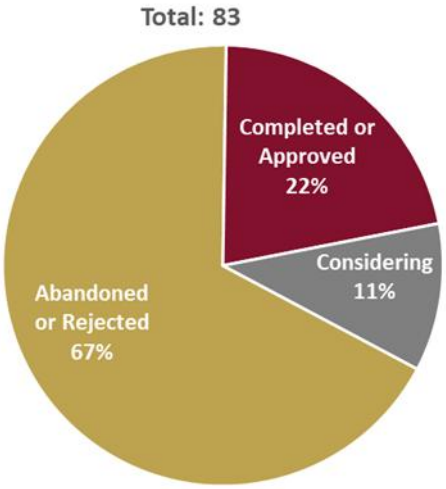


D. Other Municipalization Factors to Consider

Municipalization over the past couple of decades has been a challenge, as shown in Figure I-10 below. Since 2000, 83 communities have considered or are currently considering municipalization, and just 22% have municipalized, with two of those communities subsequently selling the electric utility back to the IOU.[10]

[10] The municipal utility in Hercules, CA was established in 2002 and sold back to Pacific Gas and Electric Company in 2014. Similarly, a municipal utility in Elk City, OK was established in 2004 and sold back to American Electric Power in 2010.

Figure I-10: United States Municipalization Outcome Statistics (2000-2025)[11]

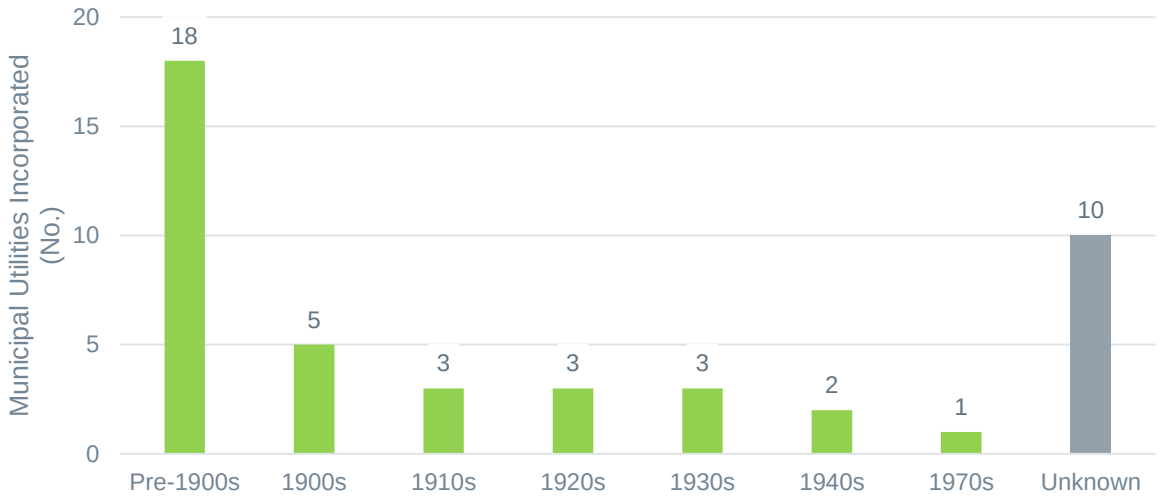


There are a number of municipalization issues to consider, including:

Most Existing MEUs are Long Established: The majority of the MEUs were established decades ago, often for the purpose of electrifying a new region, and were expanded over time. These legacy MEUs can have lower overall cost structures than what is achieved through the acquisition of an established IOU electric distribution system through condemnation. In Iowa, for example, there have been no new municipal electric utilities in decades. Concentric reviewed establishment years for 45 municipal utilities in Iowa that had publicly available financial statements. Of those 45, 34 (76%) were established in the 1940s or before, with approximately 40% of the municipal utilities established before the 1900s, as shown in Figure I-11 below. The most recent successful municipalization effort was the City of Aurelia in 1974. MEUs long established, such as these, no longer have the initial debt burden that newly established MEUs have.

[11] Graphic based on data compiled by Concentric Energy Advisors.

Figure I-11: Municipal Utilities Incorporated in Iowa by Time Period[12]



High Costs and Financial Uncertainties: Municipalization often involves a significant initial investment, with uncertainties in asset acquisition and startup expenses often overshadowing the initiative. For example, the City of Boulder, Colorado evaluated acquisition of Xcel Energy's distribution system within the city for a decade and a half, before halting the effort, after the City spent *over $10 million* in legal and consulting fees to municipalize.[13]

Economies of Scale and Access to Capital: Differences in the underlying cost structure between investor-owned utilities ("IOUs") and newly formed MEUs can affect the rates and available services to be provided by a MEU. Further, IOUs are often able to leverage economies of scale in operations to provide cost savings, address grid modernization efforts and cybersecurity threats, and have the ability to diversify risk across a broad customer base. MEUs are often unable to operate and manage the MEU at a similar cost structure, including the costs associated with storms and other one-time events, which can result in unanticipated rate increases borne entirely by the community. The average size of MEUs, which often serve a small, local community, is much smaller than that of the average IOU. By contrast, customers of larger IOUs such as Alliant Energy benefit from economies of scale in power purchases and other utility expenditures. Further, IOUs typically have greater access to capital to address grid infrastructure upgrades. For example, Alliant Energy invested $4 million in battery storage to support the system to enable further solar growth.

Lengthy Process: The lengthy process of municipalization can result in escalating acquisition and transaction costs, with the length of some efforts exceeding a decade. In addition, the actual costs of municipalization often exceed initial estimates, as acquisition costs for the system are refined throughout the municipalization process.

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12 Graphic based on data compiled by Concentric Energy Advisors.

13 Meltzer, Erica. "Boulder's spending on municipal utility tops $10 million." March 5, 2016. Available at: https://www.dailycamera.com/2016/03/05/boulders-spending-on-municipal-utility-tops-10-million/

Oversight: There are significant differences in oversight between the two alternatives as it relates to oversight of customer service, pricing, key decisions, and other matters. Alliant Energy is regulated by the Iowa Utilities Commission (IUC) with its staff of attorneys, economists, accountants, and engineers, who oversee quality of service, work with the utility to establish fair rates, and hold the utility accountable for large capital projects, expansion, and reliable service. The City will need to establish a governance organization to serve this same function in addressing key decisions and oversight of the quality of service provided by the municipal electric utility.

II. Introduction and Scope

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Concentric Energy Advisors is a consulting firm with a specialization in financial advisory services, focused on the North American energy industry. Concentric has performed this preliminary independent feasibility study ("Study") of the costs and implications of the City of Decorah, Iowa ("City") acquiring existing utility assets from Alliant Energy (or the "Company") and assuming responsibility for providing electric service to Alliant Energy's customers in the City.[14]

Our Study presents facts and industry insights for the primary stakeholder constituencies regarding a choice between the establishment of a new municipal electric utility by the City or the continuation of service from Alliant Energy. This includes information that pertains to the rates that may be charged either by Alliant Energy or the City, as well as the services that are currently provided by Alliant Energy or may be provided by the City. It is appropriate to jointly consider the rates and services to be provided by Alliant Energy or the City to provide an apples-to-apples comparison between the two alternatives. Concentric developed the Study using data provided by Alliant Energy on system data and some forecasts, and relied on publicly available and other industry data to as the basis for developing the Study results.

Preliminary Feasibility Study

This preliminary feasibility study provides a rate comparison between the City of Decorah remaining on Alliant Energy's service versus rates under municipalization.

The key determinants of the rates that customers can expect to pay under the two alternatives are:

(1) the City's cost of acquiring Alliant Energy's utility assets and other initial actions necessary to prepare to serve as the electric utility,

(2) the City's annual costs of providing electric service, including operating and maintaining, continuing to invest in utility assets, and acquiring power supplies and having them delivered to Decorah,

(3) a forecast of the City's expected cost of providing service based on the initial investment and ongoing operating costs, and

(4) a forecast of Alliant Energy's rates to serve as a benchmark for comparing the municipal electric utility alternative.

[14] It will be appropriate to update this assessment and any subsequent formal valuation studies as new information becomes available that will have a meaningful impact on the results.

III. Background on Municipalization and Decorah, Iowa

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A. Municipal Utilities in Iowa

A municipal utility is a city-owned, non-profit organization that can provide a number of essential services to its residents, including water, telecommunications, natural gas, electricity, or a combination of any of these and others.

There are approximately 136 municipal electric utilities in the State of Iowa.[15] Concentric identified a sample of 45 of these utilities to compare similar cities to that of Decorah. Of the municipal electric utilities, approximately 40% were formed before 1900, and approximately 76% established in the 1940s or before. Today, there are large barriers to starting an independent electric utility, including the expense of purchasing equipment, starting services, and operating its system. These costs prevent many modern-day efforts towards forming an independent electric utility. The City of Decorah must incur a large debt to finance this, which must be repaid by the new utility customers – residents of the City of Decorah.

In 2006, several Iowa municipalities petitioned the IUC to municipalize their electric utility systems (Everly, Kalona, Rolfe, Terril, and Wellman). The IUC addressed these requests in a consolidated docket in 2008. In its decision in that proceeding, the IUC determined that the municipalization of the electric utility assets was not in the public interest in each city, and therefore, rejected each of the petitions filed by these cities. In that case, the IUC relied on the public interest standard, requiring a demonstration that municipalization would be in the public interest, taking into consideration financial benefits, as well as operational preparedness, and the due diligence and planning that are necessary to provide safe, reasonable and adequate service into the future.[16]

In 2017 and 2018, a local advocacy group called Decorah Power led a municipalization effort in Decorah and funded a feasibility study with the support of the Decorah City Council. The Decorah Power feasibility study, conducted by NewGen Strategies & Solutions, found that Decorah residents could save money on their electric bills by establishing a new MEU. At the same time, Concentric conducted an independent preliminary feasibility study on behalf of Alliant Energy, which concluded that Decorah's customers were better served remaining on Alliant Energy, rather than establishing a new MEU. In May 2018, Decorah residents voted on a referendum that would have authorized the City Council to pursue a MEU, but the ballot measure failed to receive a majority of votes.[17]

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15 Municipal utilities serve as the backbone and heart of communities - Iowa Association of Municipal Utilities.

16 IUC Docket Nos. SPU-06-05, 06, 07, 08, and 10, Final Decision and Order, issued July 11, 2008 ("IUC 2008 Order"), pp. 45-46.

17 American Public Power Association (APPA). "Decorah, Iowa, city council votes to create municipalization task force." December 10, 2020.

B. Municipalization Process

The impetus for considering municipalization varies but often centers around issues such as: (1) desire for local control; (2) the prospect of obtaining a greener electricity supply; (3) dissatisfaction with the existing utility supplier attributable to price and/or perceived service issues; and/or (4) perception that electricity prices will be lower with municipal ownership due to financing advantages or the belief that it will be possible to bypass costs that are incurred by the existing utility to provide service.

The process for municipalization of an electric utility can take many years and require considerable out-of-pocket expense to retain legal and consulting services.[18] A typical sequence of activities is as follows:

- The City or entity supporting municipalization decides to retain an outside contractor to perform a feasibility study addressing the cost of and plan for acquisition and subsequent operation of the electric utility.
- The City decides whether or not to move forward by establishing a public election.
- If approved by a majority of voters, the the City submits a petition to the IUC.
- If the petition is challenged, regulatory proceedings commence through an IUC proceeding. The IUC determines whether or not the municipal operation of the electric utility system is in the public interest. This process can take years to complete and the decisions made by the IUC are reviewable by courts of appeal.
- After the legality of the acquisition and just compensation are determined, the community prepares to assume responsibility for management and operation of the utility, a process that can take up to a year to complete.

C. State of Iowa Law and Municipal Authorities

The Iowa Code §476.23 governs municipalization cases. The process requires that there be an affirmative vote in a city election to pursue municipalization efforts. If there is support for municipalization through the election in Decorah, the city is required to submit a petition to the IUC for a certificate to municipalize the electric utility. If there are no objections to the petition, the IUC issues a certificate authorizing the municipality to provide service to the city. In the case that there is an objection, the IUC is required to conduct a hearing that determines if a city's service to customers is in the public interest. That determination includes consideration of any unnecessary duplication of facilities.

[18] The process prior to filing a petition with the IUC can take several years. In the most recent municipalization cases in Iowa, Docket Nos. SPU-06-05, 06, 07, 08, and 10, the IUC issued its decisions two years after the petitions were filed. In those cases, the IUC concluded that it was not in the public interest to proceed with the municipalization of Alliant Energy's electric distribution system assets.

If the certificate is granted, it includes a requirement that the city pay the electric utility that is serving the customers a reasonable price for the facilities that are used to serve the customer. The statute provides that the IUC consider the following in establishing a reasonable price:

- The cost of the facilities being acquired;
- Any generation and capacity dedicated to the customer, including, but not limited to, electric power generating facilities and alternate energy production facilities not in service but for which the IUC has issued an order pursuant to Section 476.53;
- Electric power generating facility emissions plan budgets approved by the IUC;
- Depreciation;
- Loss of revenue; and
- Cost of reintegration of the system after the detached portion is sold.[19]

It is important to note that, other than stating that a reasonable price must be paid by the city for the electric utility's facilities and listing various factors to consider in making the price determination, the statute does not give explicit guidelines as to how the IUC is to determine a reasonable price.

In addition to acquiring the physical assets of the existing utility, the city will need to secure contractual arrangements to acquire electricity supply and have it delivered to the city via interconnections with transmission facilities that are owned by ITC Midwest. Efforts to secure electricity supply contracts and transmission service typically proceed in parallel with the condemnation process.

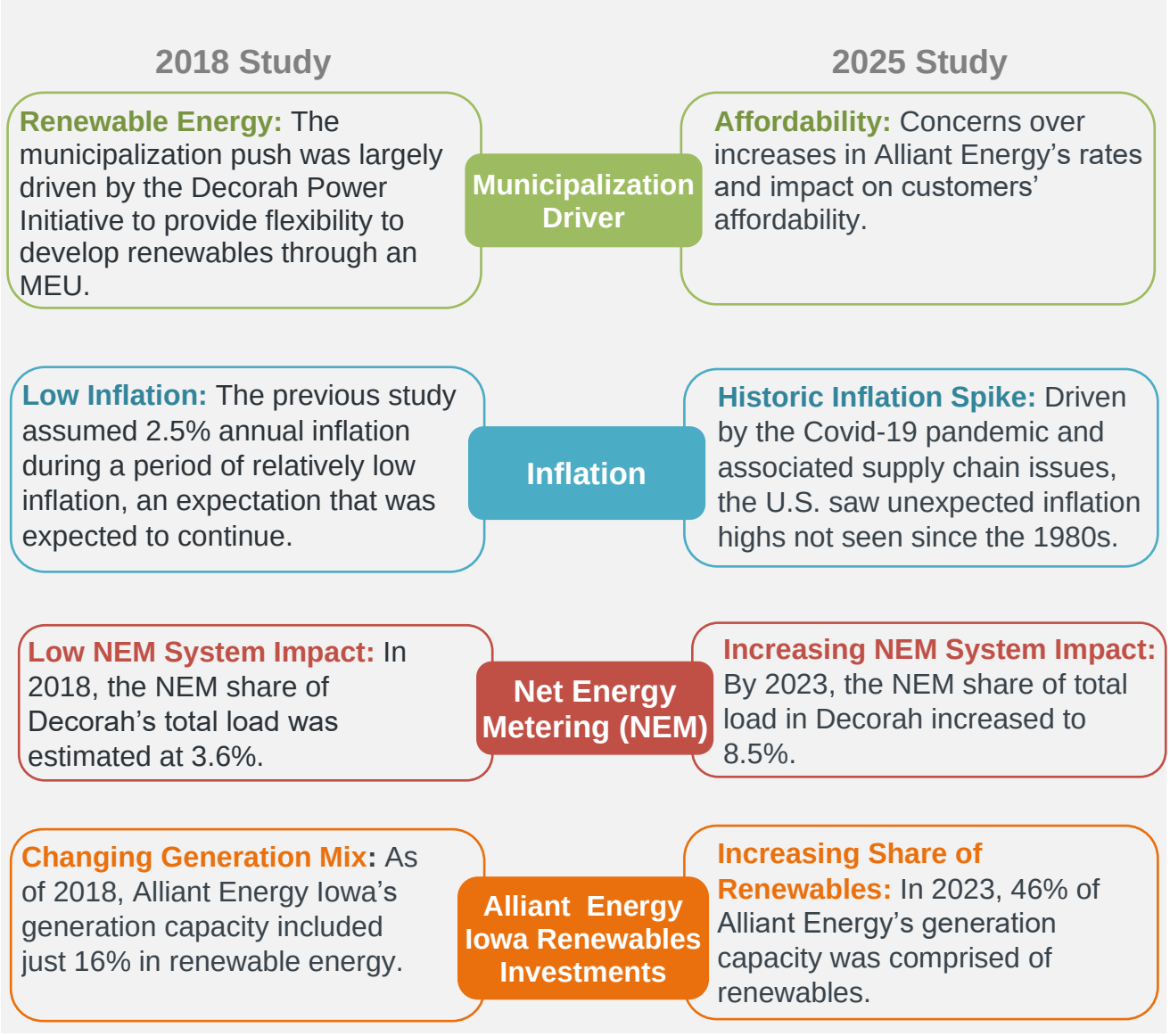
Just compensation is a primary driver in determining whether municipalization makes economic sense. However, public consideration of the municipal option often proceeds on a more accelerated path than a final determination of just compensation, creating a risk that the City Council and voters will decide to acquire assets based on a price that is well below the final determination.

[19] IUC 2008 Order, p. 7.

IV. Changes Since the 2018 Study

IV. Changes Since the 2018 Study

In 2018, Concentric completed a preliminary feasibility study ("2018 Study") on behalf of Alliant Energy, which concluded that Decorah's customers are better served remaining on Alliant Energy's service, rather than establishing a municipal electric utility ("MEU"). This 2025 Study provides an updated Preliminary Feasibility Study to develop a rate comparison between Decorah customers remaining on Alliant Energy's service versus a MEU's rates. The graphic below highlights key developments since the 2018 Study.

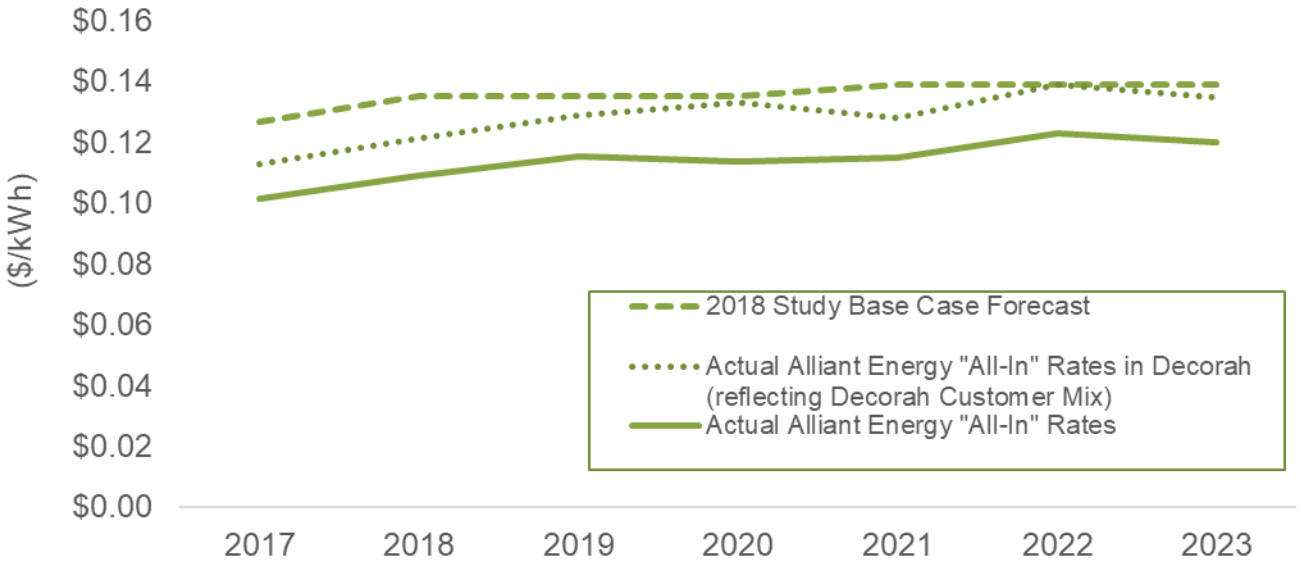


These issues are discussed in more detail below:

Municipalization Driver: The City of Decorah's main driver for municipalization changed since the 2018 Study, as concerns over affordability have replaced the drive for renewable energy as

the primary concern. As shown in Figure I-1 below, the 2018 Study Base Case forecast for Alliant Energy's "all-in" rates for all customers (i.e., total customer revenues divided by total consumption) were significantly higher than Alliant Energy's actual rates over the period, as well as factoring in the "all-in" rate with Decorah's customer mix.. Importantly, both the forecasted and actual rates for Alliant Energy customers are *lower than* the rates that Decorah customers would have paid if served by the MEU. Further, in its most recent rate case, the Iowa Utilities Commission approved a five-year base rate increase moratorium.

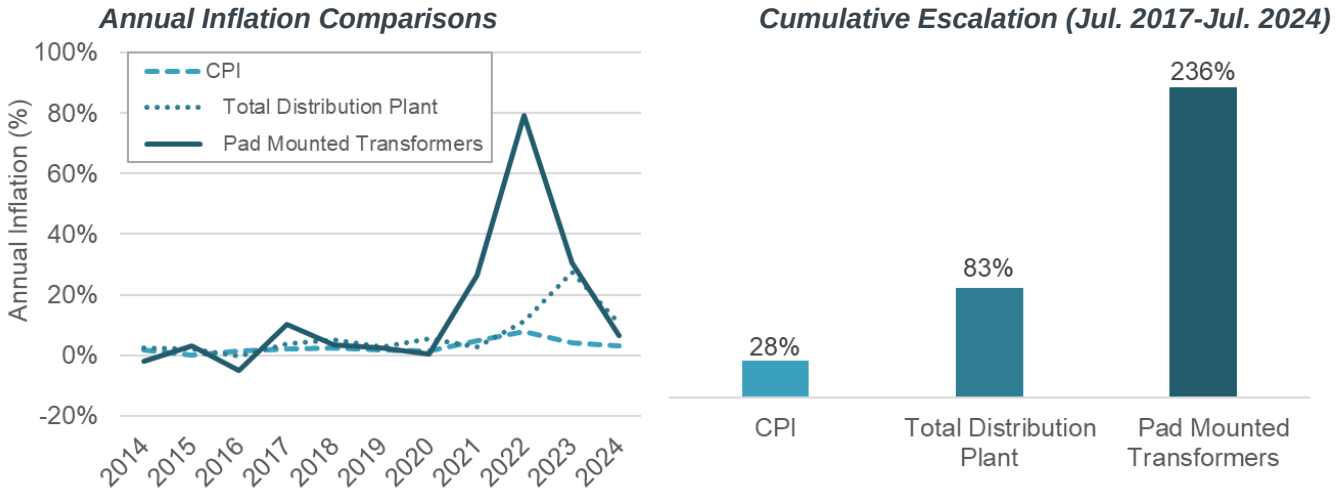
Figure IV-1: Average Alliant Energy "All-In" Electric Rates in Iowa[20]



[20] Sources: Concentric Energy Advisors, *City of Decorah, Iowa Municipalization Preliminary Feasibility Study*. Iowa Utilities Commission, *Utility Annual Report Information*, 2017-2023; Alliant Energy website.

Inflation: Since the 2018 Study, inflation rose to levels not seen since the 1980s due to the Covid-19 pandemic and subsequent supply chain constraints. Utilities, in particular, saw extreme price escalation. In 2018, the Consumer Price Index (CPI) averaged 2.4%, while the Handy Whitman Index Cost Trends of Electric Utility Construction in the North Central Region for total distribution plant and pad-mounted transformers averaged 5.0% and 3.3%, respectively. By 2022, CPI escalated to 8.0% annually, while total distribution plant rose 27.3% and pad-mounted transformers rose *79.2% in one year*. This extreme price escalation resulted in cumulative escalation in CPI of 28%, 83% for total distribution plant, and 236% for pad-mounted transformers between July 2017 and July 2024, as shown in Figure I-2 below.

Figure IV-2: Inflation Comparisons[21]



Average Actual Cost Escalation for Materials Used by Alliant Energy for Energy Delivery

The inflationary pressures in recent years are also reflected in Alliant Energy's own experience, with average cost escalation for materials used for energy delivery of 11.33% between 2017 and 2024, based on the compound annual growth rate ***(or total inflation of nearly 80%)***, and significantly higher for selected materials. For example, 3-phase pad mount transformers averaged 20.00% annual compound annual growth between 2017 and 2024 ***(or total inflation of approximately 140%)***.

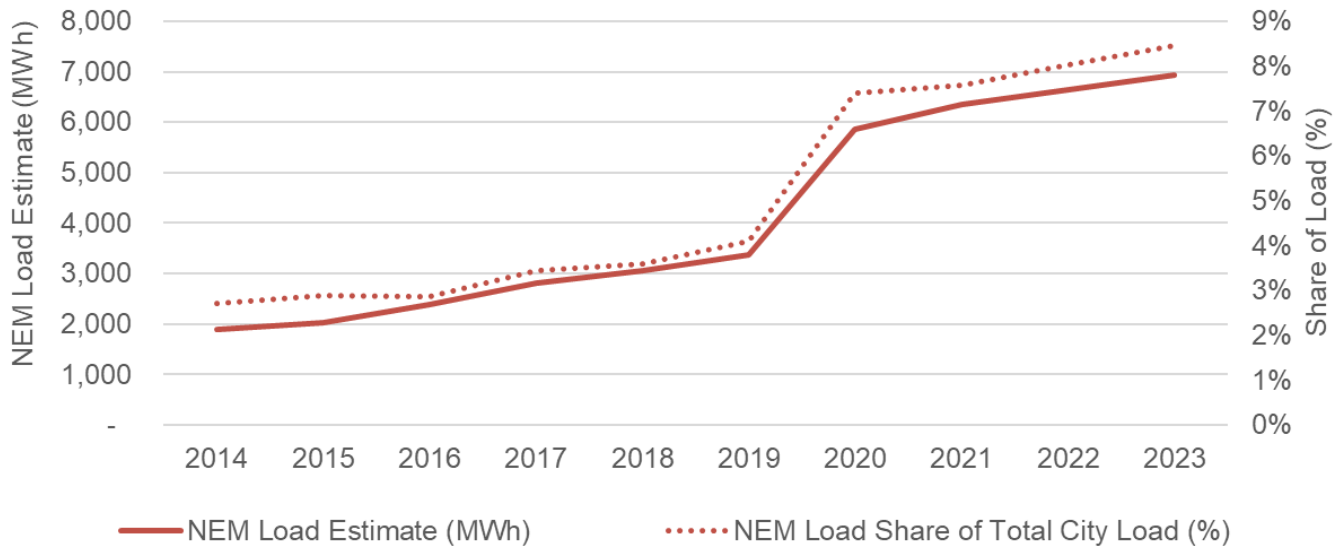
Source: Alliant Energy

[21] Sources: U.S. Bureau of Labor Statistics, Consumer Price Index (CPI) for All Urban Consumers (CPI-U). Handy Whitman Index, Cost Trends of Electric Utility Construction: North Central Region (E-3).

NEM: The City of Decorah has seen tremendous growth in NEM since the 2018 Study. For example, according to Alliant Energy, the number of NEM systems in Decorah grew from 184 in 2018 to 304 in 2023, growing from 2,281 kilowatts (kW) to 5,178 kW in 2023. This indicates a load share for Decorah growing from 2.7% in 2014 to 3.6% in 2018 and 8.5% in 2023, as shown in Figure I-3 below. This is significantly higher than the Alliant Energy Iowa share of 1.6% in 2023, up from 0.2% in 2014 and 0.5% in 2018.[22] The City's NEM growth even required Alliant Energy to install a $4 million battery on its distribution system in Decorah to enable the proliferation of renewables on the Alliant Energy system. The alternative would have been likely more expensive system upgrades. Additional growth on the system, either remaining on Alliant Energy's system or through a Decorah MEU, may face additional system upgrades, should NEM growth continue.

NEM Cost Shifts: Non-NEM customers often see a "cost shift" where customers without solar may experience higher electric rates due to reduced revenues the utility receives from NEM customers, who are paying less for grid access while still using the utility's infrastructure as non-NEM customers. Currently, these "cost shifts" are minimal, as costs are spread across Alliant Energy's 500,000 Iowa electric customers. However, the cost shift may become more pronounced when the total customer base is reduced to the number of customers in the City of less than 3,900, particularly with a NEM load approaching 10% of Decorah's total load.

Figure IV-3: NEM Growth (2014-2023)[23]



[22] Source: Based on data from U.S. Energy Information Administration (EIA), Form 861, and applying a 15.3% capacity factor.

[23] Sources: NEM metering capacity provided by Alliant Energy. Capacity factor estimated at 15.6% based on PV Watts estimate for Iowa: https://pvwatts.nrel.gov/pvwatts.php

Alliant Energy Iowa Renewables Investment: As shown in Figure I-4 below, in 2023, Alliant Energy Iowa's generation mix consisted of 46% renewable energy, compared to only 6% renewable energy in 2005, growing to 16% in 2018.[24] This trend is in line with the City of Decorah's continued focus on clean energy.

Figure IV-4: Alliant Energy Iowa Historical and Forecast Generation Mix[25]

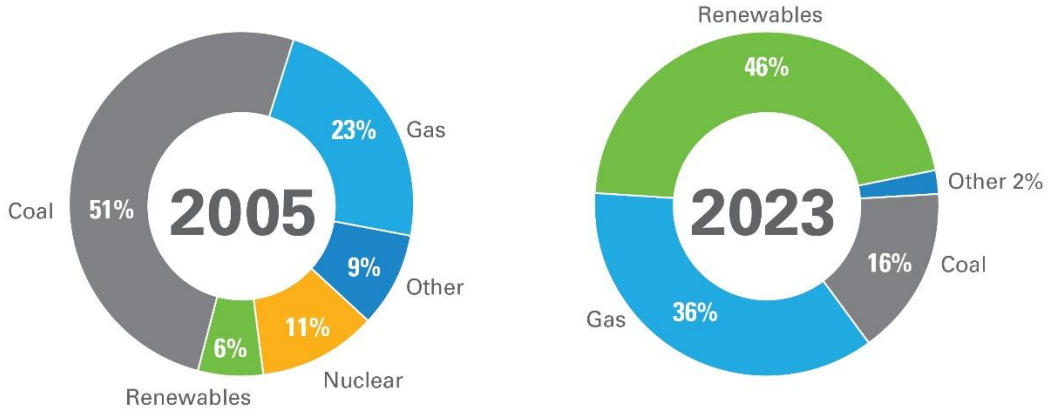
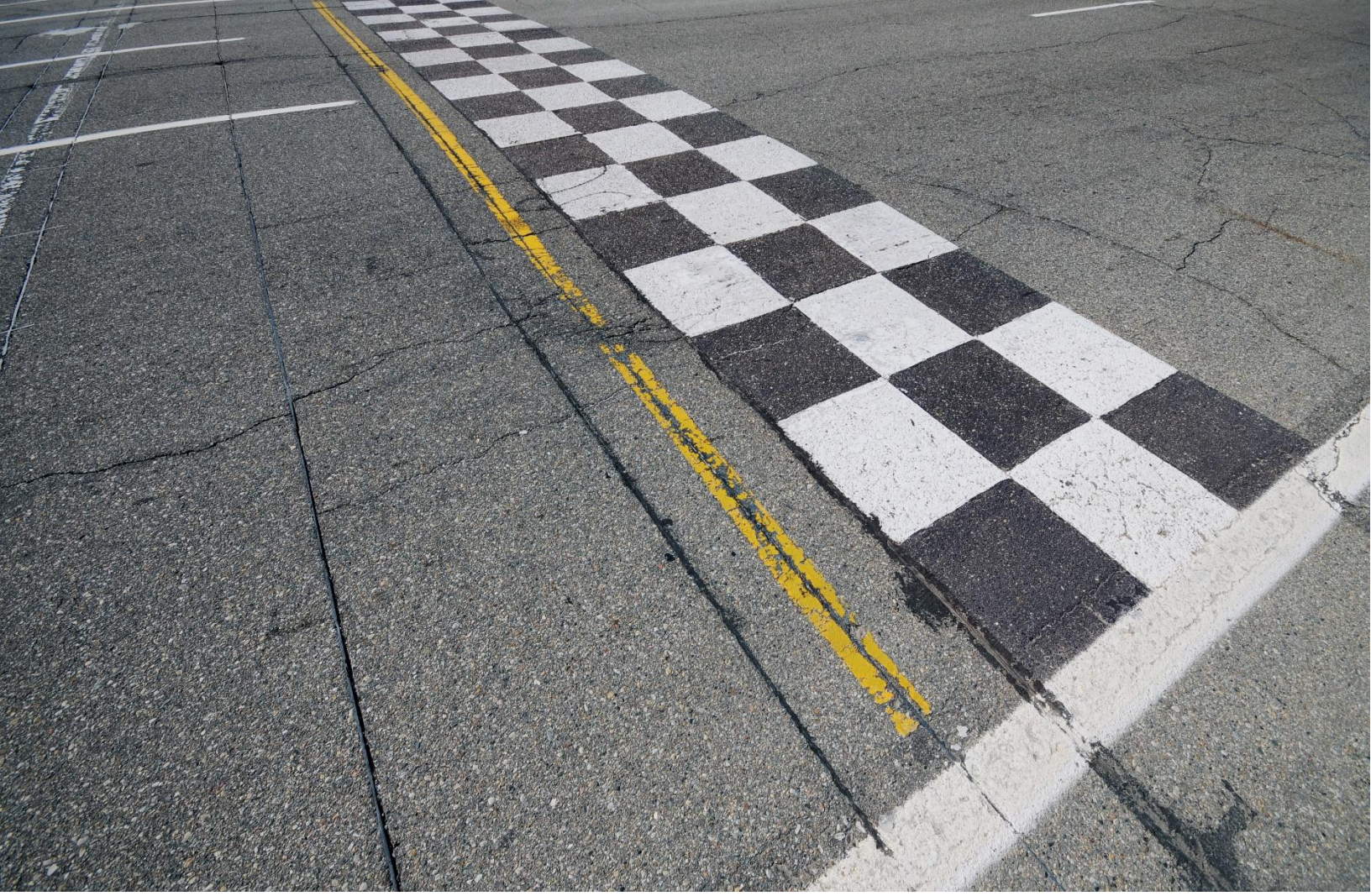


Chart percentages reflect approximate electricity generation capacity in megawatts (MW) determined from owned electric generation resources and various purchase power agreements (PPAs). This includes utility fixed-term contracts, Alliant Energy® renewable programs (Customer-Hosted Renewables, Community Solar, Renewable Energy Partner), Public Utility Regulatory Policies Act (PURPA) resources from non-utility power producers and other distributed energy resources based on these renewable energy agreements. Capacity values for 2023 are as of fiscal year-end. Actual energy in megawatt-hours (MWh) to serve customer load will differ from the approximate capacity (MW) shown above due to participation in the Midcontinent Independent System Operator (MISO) regional energy markets.

24 Source: Alliant Energy.

25 *Ibid.*



V. Decorah Projected Costs to Form an Electric Utility

V. Decorah Projected Costs to Form an Electric Utility

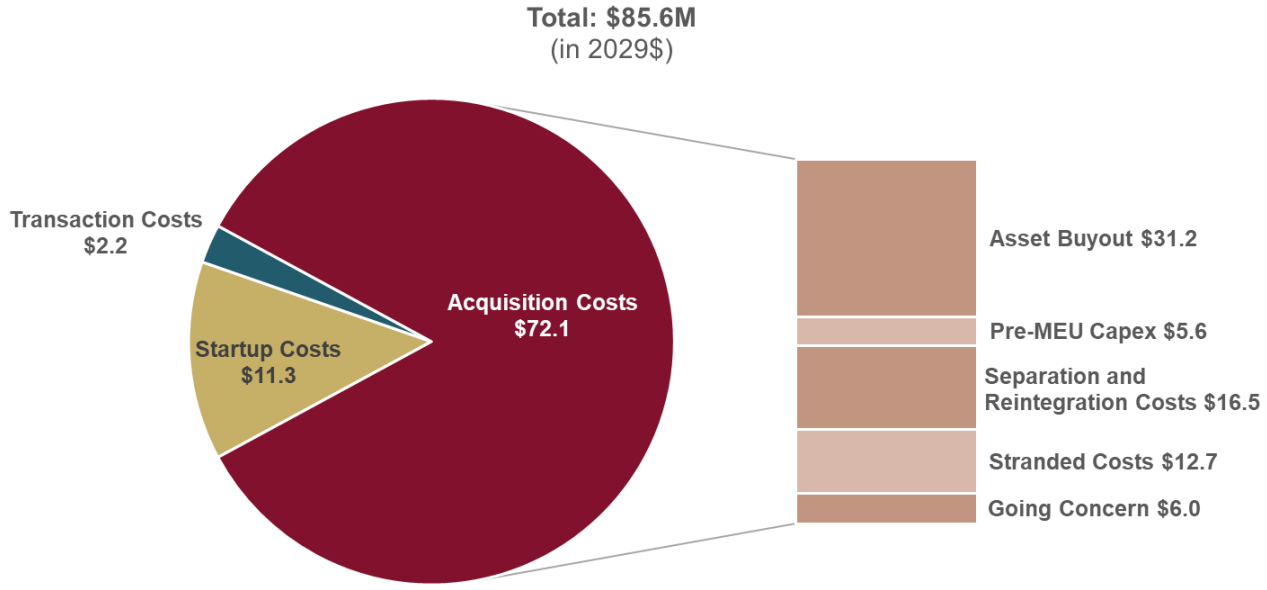
The preliminary feasibility study begins with assessing the costs to the City, both initial costs to form an electric utility, as well as ongoing costs to operate a utility. This Study assumes that a condemnation process will be pursued initially and that any negotiation, should it occur, would also result in just compensation for Alliant Energy's assets, as determined pursuant to Iowa laws. Iowa code (476.23) identifies that the reasonable price shall consider the cost of the facilities being acquired, including electric generation and any Commission-approved generation projects not yet in service, depreciation, loss of revenue, and the cost of reintegration of the system. These other categories include land and right-of-way easements that represent the fair market value of property owned by Alliant Energy and easements that provide access to land that may be used by Alliant Energy. These costs include system separation costs incurred by Alliant Energy that are required to reconfigure the remaining Alliant Energy facilities to maintain safe and reliable service for both Alliant Energy and Decorah and compensation for assets acquired by Alliant Energy or contractual obligations entered into to serve Decorah, but that will not have any continuing value to Alliant Energy after the transaction. These are referred to as severance or stranded costs. Just compensation includes an estimate of the "going concern" value of the assets sold by Alliant Energy to Decorah, recognizing that the value of the business being acquired by Decorah is greater than a collection of physical assets.

Each of these categories will be addressed in this section, including a summary of total costs that will be incurred by the City to begin serving as an electric utility. As noted above, the distribution system assets and pre-municipalization capital expenditures portion of the acquisition costs will be financed with taxable debt. The City is allowed to finance the remaining costs with tax-exempt debt. These annual financing costs, combined with salaries and other costs required to maintain and operate the distribution system, are addressed in Section VI.

The estimate of electricity rates under the City utility option begins with the costs of forming the utility, composed of acquisition costs that are established by the condemnation process, as well as certain transaction and startup costs. As shown in Figure V-1 below, the total *initial* municipalization costs total $85.6 million in 2029. For context, this initial municipalization cost estimate of $85.6 million is over 3.1 times higher than the City's 2024-2025 annual budget.[26]

[26] Assumes 2024-2025 city budget of $20,778,678. Source: https://www.auditor.iowa.gov/reports/file/75999.pdf
The 2024-2025 city budget is approximately $5.8M higher than the 2023-2024 budget of $15,194,000, due in large part to the $4M increase for repairs and improvements to the city's wastewater treatment plant (paid back by a State of Iowa grant). The $85.6M initial municipalization costs above are approximately 4.6 times higher than the 2023-2024 city budget. Source: https://decorahnews.com/news/7874/the-city-of-decorahs-2024-budget-has-been-approved-by-the-decorah-city-council/

Figure V-1: Preliminary Estimate of Initial Municipalization Costs[27]



Startup Costs: Costs to begin operation as a municipal utility, including initial capital expenditures, equipment inventory, facilities, fleet vehicles, staffing, and information technology. Also includes the cost associated with maintaining cash balances to support day-to-day operations and the ability to respond to unanticipated events, including securing outside crews and emergency storm restoration equipment.

Transaction Costs: Costs incurred to execute the transaction to acquire the utility's assets, including underwriting and debt issuance costs, as well as legal, engineering and consulting costs.

Acquisition Costs: Physical assets within the city limits (i.e., asset buyout), separation and reintegration costs to physically separate the municipal system from the utility's system and reconnect existing Alliant Energy customers, stranded costs on utility infrastructure that become redundant, pre-municipalization capital expenditures, and going concern costs to reflect just compensation on the incremental value attributable to the fact that the assets are subject to a condemnation, and not just physical assets, but together comprise a business unit that is part of a business that can be run on day one of the acquisition.

A. Acquisition Costs

A valuation methodology is necessary to arrive at a fair value or just compensation for the various components of acquisition costs. Physical transmission and distribution utility assets are usually valued by employing a cost-based valuation methodology; land and going concern value is

[27] This is a preliminary estimate that can only be refined after a complete system inventory is conducted. Additional scenarios have been included in Section VIII.B, assuming a transaction close date of 2029.
Note: Values may not sum to total due to rounding.

generally estimated based on market principles that may include recent comparable transactions or the value of a future income stream.

1. Distribution System Assets

The methodology that has been consistently relied on in Iowa for determining the value of the assets that are proposed to be included in the acquisition is the Replacement Cost New Less Depreciation ("RCNLD") approach. The RCNLD methodology develops the Replacement Cost New ("RCN") of the assets by replacing the existing assets with functionally equivalent assets of current materials and technology.[28] The fair market value of the assets is determined by deducting from the RCN the estimated depreciation of the assets to establish the RCNLD. The RCNLD value represents an estimate of the cost to construct a new system today with commercially available equipment and technology and considering the current construction limitations and the current condition of the existing assets. It is likely, however, that it would not be possible to reconstruct the electric distribution assets in the same configuration or to apply the same development and construction practices. Some existing distribution routes might not be feasible under current regulations, and as a practical matter, it may not be possible to site all of the existing distribution lines in the same location today if they were built in areas that are currently classified as wetlands, environmentally sensitive, or are densely populated. Each of these factors increases the costs associated with approvals and construction. Even routes that are acceptable under current regulations might face local opposition if the attempt was made to establish those routes today.

Concentric developed a preliminary estimate of the value of the assets in the City of Decorah based on the replacement cost methodology. The asset inventory was based on Alliant Energy's estimate of the cost of the assets. The RCN estimate was developed based on an estimate of the current inventory of assets in Decorah. The current replacement cost was estimated for these assets based on Alliant Energy's cost estimating team.

A cost per mile estimate was applied to determine the replacement cost for the primary and secondary distribution system within the City limits of Decorah. Mileage data was gathered from the Alliant Energy (GIS) Mapping System and the average cost per mile was based on the 2024 Alliant Energy average costs per mile from Enterprise Work and Asset Management System (EWAM). EWAM is Alliant Energy's Work Management System based on the IBM Maximo software, which contains both labor and material costs. Due to known rocky soil, a heavy concentration of trees and recognition of work around existing facilities, a complexity factor was applied to those costs contained in EWAM. This is consistent with Alliant Energy estimating practices for normal rebuild and replacement projects in the Decorah Zone and within Alliant Energy.

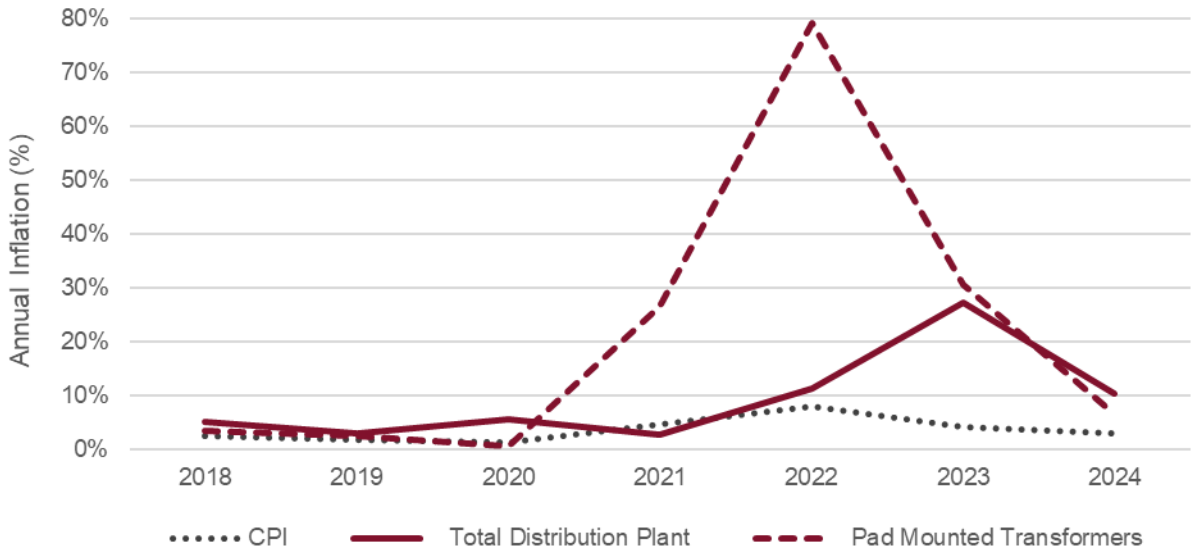
Metering costs were included, based upon current metering prices on a cost per meter with installation labor based on Alliant Energy's current meter blanket costs. The customer meter count was extracted from the Alliant Energy Customer Care and Billing (CC&B) system.

[28] IUC 2008 Order, pp. 16-17.

The substation cost estimate includes the cost to construct the substation, the land purchase, feeder exits, and the transmission extension to the substation based upon other similar projects that Alliant Energy has constructed within its service territory.

Concentric then developed a total RCN value of the distribution system assets of $46.8 million in 2024 dollars, and escalated the RCN value to 2029 dollars to reflect the estimated start date of the municipal electric utility. To escalate the RCN value to 2029, Concentric evaluated historical trends between generation inflation, as estimated by the Consumer Price Index (CPI), and industry-specific cost trends, as estimated by the Handy Whitman Index, specifically electric utility construction cost trends in the North Central Region for Total Distribution Plant. Although inflationary pressure seen in recent years (e.g., 79.2% annual cost escalation in pad-mounted transformers in 2022) have come down, annual escalation for utility labor and equipment remain elevated. For example, in 2024, annual CPI averaged 3.0%, compared to 10.4% for Total Distribution Plant and 6.5% for pad-mounted transformers, as defined by the Handy Whitman Index.[29] Between 2000 and 2024, Handy Whitman's Total Distribution Plant annual escalation was approximately 2.7 times that of CPI, averaging 2.9 times CPI between 2018 and 2024. As a conservative estimate, to reflect the continued pressure on industry price escalation, Concentric applied a factor of 2.0 times that of CPI to escalate the distribution asset RCN to 2029 dollars. Thus, Concentric then applied CPI forecasts based on Blue Chip Financial Forecast, escalating the forecast by 2.0 times to estimate the total annual escalation for the utility distribution assets (i.e., Handy Whitman Total Distribution Plant average of 4.6% annually through 2029, versus 2.3% for CPI forecast for 2025-2029).[30]

Figure V-2: Historical Inflation Estimates (2018-2024)



[29] Based on July 2023 to July 2024 annual estimates.

[30] Blue Chip Financial Forecast. Vol. 43, No. 12, November 27, 2024, pp. 2, 14.

The RCN was depreciated based on the expected life of the assets. The IUC recognizes a difference between accounting depreciation and depreciation for valuation purposes. In recent municipalization cases, the IUC recognized that depreciation from a valuation perspective is intended to reflect the continued usefulness of the assets. Therefore, while an asset may be fully depreciated for tax purposes and 90% depreciated for ratemaking purposes, it may still have a 50% remaining useful life. The IUC noted that the fair market value of that asset would be based on the 50% remaining useful life.[31] Concentric depreciated the RCN of Alliant Energy's assets in Decorah using the expected lives of the assets based on Alliant Energy's most recent depreciation study that has been accepted by the IUC in Alliant Energy's rate proceedings.[32] Specifically, Concentric applied depreciation values based on each distribution asset category's depreciation rates, using the Iowa curves, approved in the Company's most recent approved depreciation study. Figure V-3 shows the total RCNLD value of $31.2 million.

Figure V-3: Preliminary Estimate of Distribution System Assets[33]

Distribution System Assets	RCN (2024$M)	RCN (2029$M)	RCNLD (2029$M)
Substations	$8.3	$10.2	$4.0
Poles, Towers, Fixtures	$11.3	$13.8	$7.1
Overhead Conductors (ft)	$4.7	$5.8	$4.3
Underground Conduit (ft)	$7.5	$9.2	$6.9
Underground Conductor (ft)	$3.4	$4.2	$2.7
Transformers - Overhead Line	$2.8	$3.5	$1.6
Transformers – Pad-mount	$2.7	$3.4	$1.5
Meters	$1.7	$2.1	$0.5
Streetlights	$0.6	$0.8	$0.1
All Service	$3.8	$4.6	$2.6
Total	**$46.8**	**$57.5**	**$31.2**

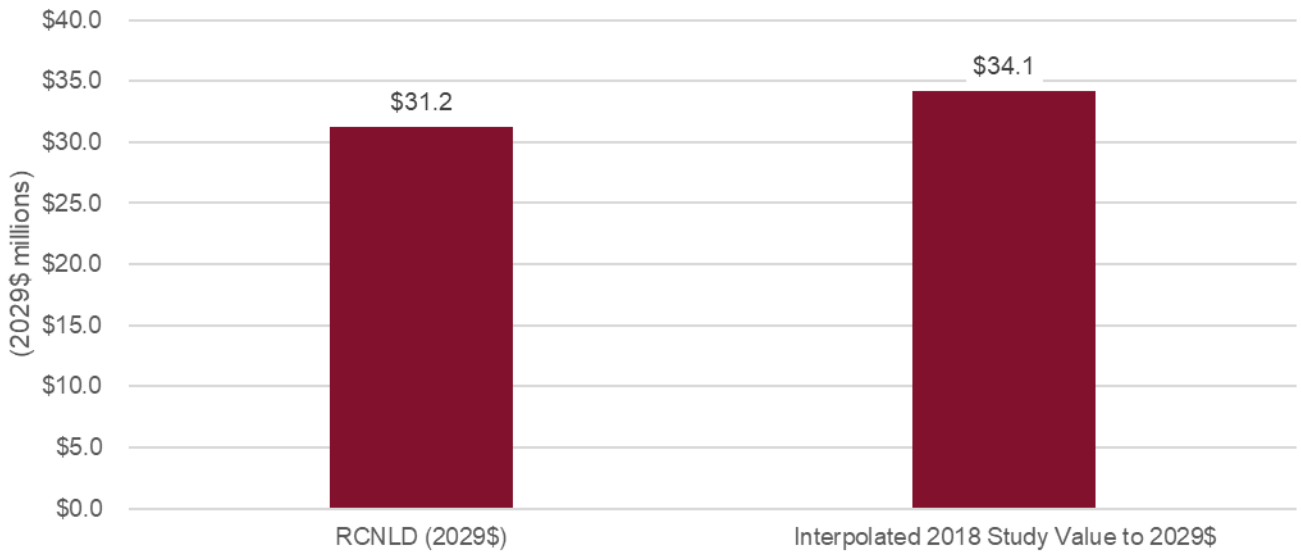
Concentric also compared the RCNLD estimate above to an interpolated estimate of the 2018 Study value of $20.0 million, escalated to 2029 dollars, based on the Handy Whitman Total Distribution Index (after applying the current depreciation study estimates), which resulted in an estimate of $34.1 million. This indicates the current estimate of $31.2 million is conservative, relative to industry cost indices.

31 IUC 2008 Order, p. 20.

32 The IUC has recognized that a discount factor is reasonable because it uses a fundamental valuation concept that the current value of service today is more valuable at present than service to be provided in future years.

33 This is a preliminary estimate that can only be refined after a complete system inventory is conducted. Additional scenarios have been included in Section VIII, assuming a transaction close date of 2029. Note that although Alliant Energy has made investments in the system in Decorah, the average age of assets (used to apply depreciation) has not been changed. Thus, the RCNLD values above may underestimate the true replacement cost.

Figure V-4: Distribution Asset Cost Comparison

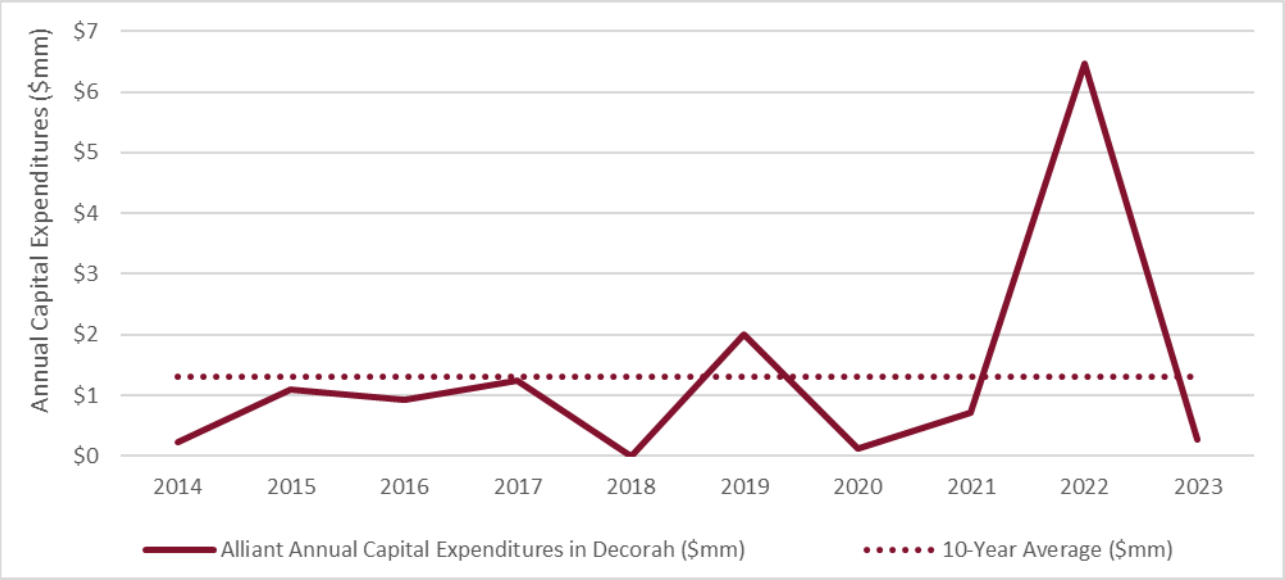


2. Pre-Municipalization Capital Expenditures

The incremental capital investment is intended to reflect the capital additions that take place until the expected acquisition date. These investments include repairs and replacements, which would also include the offsets of retirements, as well as technological improvements to the system that are made during that time period. Concentric estimated the pre-municipalization capital expenditures as 3.58% of asset value annually in the Base Case. Concentric's preliminary estimate of the value of pre-municipalization capital expenditures and escalated to 2029 is $5.6 million.

By comparison, Alliant Energy's ten-year historical investments in the City average $1.3 million, as shown below in Figure V-5. Based on that estimate, the $5.6 million calculated as the pre-municipalization capex over five years is a conservative estimate (i.e., $5.6 million estimate vs $6.5 million based on Alliant Energy's historical investments).

Figure V-5: Alliant Energy's Capital Expenditures in Decorah (2014-2023)



3. Separation and Reintegration Costs

System separation costs are the costs that are incurred to physically separate the municipal system from Alliant Energy's integrated transmission and distribution system network. The issue of municipal utility boundaries was addressed by the IUC in Docket Nos. SPU-06-05, 06, 07, 08, 10. In that decision, the IUC determined that there were three principles necessary to be considered in the evaluation of the municipal boundaries:

- Absent a compelling reason, it is unreasonable to exclude parts of the city from the municipal utility boundaries.[34]
- Unreasonable duplication of facilities should be avoided.
- The ultimate test in determining service area boundaries in municipalization cases is one of reasonableness, taking into consideration engineering, efficiency, and other factors.

There are two primary approaches to addressing system reintegration: primary metering[35] and physical separation of the Decorah system from the integrated Alliant Energy distribution system. Primary metering is generally viewed as the most efficient reintegration plan from a cost perspective. However, there are risks to both utilities based on the continued interconnectedness of the distribution networks.

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34 The IUC affirmed the conclusion reached in the Sheldon decision on this issue (p. 13).

35 "When metering is performed at distribution voltage, which may be several thousand volts, rather than the voltage that a typical residential customer uses (120 or 240 volts), it is called primary metering. Primary metering is generally used on large industrial loads, single customers with multiple buildings, and similar situations" (Source: IUC 2008 Order, p. 12, footnote 1).

While there are limited municipalization cases to review in Iowa, the IUC has not mandated the use of primary metering in either of the two cases that have occurred in the last 37 years. In Sheldon, the IUC declined to use primary metering because it had not been used elsewhere against the incumbent utility's wish and because there was hostility between the incumbent and prospective municipal utility. In the Five Cities case, the IUC elected not to adopt primary metering because the Cities had not developed operational plans that would provide confidence that primary metering was sufficient. As a result, the IUC required that boundaries would be established at the Cities' limits and duplication in facilities, such as substations, were appropriate.[36]

Based on the IUC precedent, unless Decorah developed a detailed operational plan, it would be reasonable to assume that the asset boundaries would be established at the City limits. This would require system separation and reintegration costs for Alliant Energy's system, as well as some additional costs to serve the customers outside the Decorah City limits. These costs are included in the transaction costs of acquiring the distribution system in this Study. As shown in Figure V-6, these costs are estimated to be $16.5 million.

Figure V-6: Preliminary Estimate of Separation and Reintegration Costs

Separation and Reintegration Costs	(2029$M)
New 2 - transformer sub 69 kV to 13.8 kV	$6.8
Cost to serve existing rural customers, including step-tie XFMRs	$9.7
Total	**$16.5**

4. Stranded Costs

Stranded costs are the costs of assets that were built or acquired by Alliant Energy to serve Decorah customers, but which will not be acquired by the new municipal electric utility. These costs are typically referred to in the electric industry as "stranded costs," and could include contract fees and the remaining undepreciated value of Alliant Energy's "stranded" generation and distribution assets.

Actual stranded costs for Decorah would need to be established in the condemnation proceeding, based on a detailed review of Alliant Energy's inventory of assets associated with service to Decorah, and the damage to these assets attributable to the taking that has not already been accounted for in the valuation of distribution assets discussed in Section V.A.1. Since the 2018 Study, Alliant Energy built an operations center within the City limits to serve its customers within Decorah and surrounding communities. The operations center cost $14.0 million. The net book value (NBV) of the assets as of 2024 totaled $13.6 million. Applying the depreciation rates from the Company's current depreciation study, the NBV in 2029 is estimated at $10.2 million. In addition, the City's NEM growth prompted Alliant Energy to install a $4.3

[36] IUC 2008 Order, p.13.

million battery on its distribution system in Decorah to enable growth in renewables on the Alliant Energy system. The alternative would have been likely more expensive system upgrades. The 2024 NBV on the battery totaled $3.8 million. Applying depreciation based on the current depreciation study results in an NBV estimate for the battery of $2.5 million in 2029. Preliminary stranded costs in 2029 dollars total $12.7 million.[37]

Figure V-7: Preliminary Estimate of Stranded Costs

Stranded Costs	NBV (2024$M)	Annual Depreciation Rate (%)	NBV (2029$M)
Operations Center	$13.6	4.94%	$10.2
Battery	$3.8	6.82%	$2.5
Total	**$17.3**		**$12.7**

5. Going Concern

Going Concern value can be considered in the determination of just compensation, which is required for the taking of private property under The Iowa Code. Going Concern represents the incremental value attributable to the fact that the distribution assets that are the subject of a condemnation are not just a collection of physical assets, but together comprise a business unit that is complete, functional, and can be run as a business unit on day one of the acquisition. This value is derived from all the elements that contribute to the complete operating business segment, including the establishment of a customer base, records, maps, and the time and cost of building the business.

The estimate of Going Concern value is typically based on an income capitalization methodology. Its simplest form, direct capitalization, assumes that there is some stabilized annual income that can be expected from the business over time. The expected annual income of the enterprise is divided by a discount rate to arrive at an estimate of the total value of the business. The Going Concern component is calculated as the value of the business less the value of the physical and tangible assets that are used to generate the income. However, this methodology usually produces a Going Concern value of hundreds of millions of dollars. Rather than relying on an income capitalization methodology, Going Concern value in the municipalization context is often based on annual revenue from the Going Concern multiplied by a factor that ranges from 0.5 to 5 times the revenue of the business.[38]

For the Base Case, Concentric applied the lower end of this range (0.5), estimating Going Concern, and arrived at a preliminary estimated Going Concern value of approximately $6.0

[37] Note that the analysis does not estimate the stranded generation of the City of Decorah leaving the Alliant Energy system. A condemnation proceeding would likely include an estimate of stranded generation costs, as well as the resulting potential adverse impacts to existing Alliant Energy customers.

[38] A well-respected legal treatise, *Nichols on Eminent Domain* (3rd Edition) notes that, "…in the 'fair-value' era [courts] regularly valued the going concern element as an added percentage of the cost of reproduction of the physical assets (between 7.5% and 25%)."

million. In the Low-Cost Case, Concentric relied on Going Concern costs that were estimated at 10% of the distribution system assets and pre-municipalization capital expenditures Low-Cost Case RCNLD ($3.3 million); the High-Cost Case calculates the Going Concern at 30% of the High-Cost Case RCNLD of the assets ($12.2 million). A full and thorough analysis of Going Concern damages could produce a significantly higher number.

6. Total Acquisition Costs

As shown in Figure V-8 below, the acquisition costs total $72.1 million in 2029.

Figure V-8: Preliminary Estimate of Acquisition Costs

B. Startup Costs

The City will also incur certain one-time startup costs that are necessary to operate the newly formed municipal electric utility. First, the City will need to have access to capital to make the necessary replacements to the distribution system if ownership is assumed. For purposes of this analysis, the initial capital expenditure fund for the first four years is estimated using the replacement capital rate of 3.58% from Alliant Energy's most recent depreciation study and applying that rate to the base year investment in the assets for four years, for a total of $5.3

million in 2029. Second, the inventory cost assumes 3% of the estimated distribution asset value (including pre-municipalization capex) discussed previously (*i.e.*, the $36.8 million), or $1.1 million in 2029. Third, the operations startup costs (*e.g.,* fleet vehicles, facilities, staffing, information technology costs) are estimated at 3% of the estimated distribution asset value (including pre-municipalization capex) discussed above, totaling $1.1 million in 2029. Fourth, the City would need to establish a debt service reserve fund roughly equivalent to one year of interest and principal associated with acquisition-related borrowings, which are described in Section VI.A below. The initial debt service reserve is estimated at $2.6 million, plus interest on the reserve fund totaling approximately $83,500. Lastly, cash working capital, representing 45 days of working capital to cover cash expenses related to power purchases, transmission, and O&M expenses, is also reflected in the startup costs, or $1.2 million in 2029. Based on these estimates, the total startup costs are estimated to be approximately $11.3 million in 2029, as shown in Figure V-9 below.

Figure V-9: Preliminary Estimate of Startup Costs

Startup Costs	(2029$ millions)
Initial Capital Expenditures	$5.3
Inventory	$1.1
Operations Startup Costs	$1.1
Initial Debt Service Reserve	$2.6
Interest on Reserve Fund	$0.1
Working Capital	$1.2
Total	**$11.3**

C. Transaction Costs

The City will incur legal, consulting, and financing costs to pursue the condemnation process and close the transaction. The legal process for establishing the acquisition price of the system can be a lengthy process that involves several legal and regulatory authorities, particularly if the outcome is determined through condemnation rather than negotiation. As shown in Figure V-10, legal and consulting costs are estimated to be $1.0 million. However, considering the experiences of other municipalization efforts, this estimate is likely to be conservative. Concentric estimated that financing or underwriting fees (known as flotation costs) would be approximately 1.5% of the borrowed amount, or $1.2 million. These fees are associated with the taxable debt to fund the acquisition of the assets and the tax-exempt debt used to fund transaction fees, startup costs, acquisition costs, working capital, and an initial debt issuance to fund the first few years of capital expenditures.

Figure V-10: Preliminary Estimate of Transaction Costs

Transaction Costs	(2029$ millions)
Legal/Consulting Costs	$1.0
Flotation Costs	$1.2
Total	**$2.2**

VI. Decorah Projected Costs to Operate an Electric Utility

VI. Decorah Projected Costs to Operate an Electric Utility

The going forward costs of operating the utility is referred to as the "cost of service" or "revenue requirement," including debt service, and stipulates that revenues must be sufficient for the City to maintain an investment grade credit rating related to its utility debt. This analysis assumes that the City will generally replicate the services currently provided by Alliant Energy. Financial feasibility in this context implies that the City will be able to raise the capital necessary to acquire Alliant Energy's assets and fund the startup operations and, once operational, generate sufficient revenue to maintain investment grade credit ratings from electricity rates that Decorah customers are willing to pay. The Base Case analysis is performed over the 20-year period of 2029–2048, assuming a 2029 acquisition date. This section presents Concentric's assumptions used to perform the financial feasibility analysis, including operating costs of the electric distribution system as a newly formed municipal electric utility.

Concentric's Base Case reflects the expected operation of the existing electric distribution system, assuming baseline forecasts of customer growth, operations and maintenance costs, and capital replacement. Additional cost scenarios are also presented in Section VIII.

The typical annual operating expenses for an electric utility included in the revenue requirement are:

Debt Service: principal and interest payments on the debt incurred to fund the acquisition costs, as well as investments required to replace assets that have failed and assets that are beyond their economic and functional life and capital investment to fund system expansion and upgrades.

Power Supply and Transmission Costs: cost for purchasing power to serve Decorah customers and transmission costs of transporting power across the transmission system to the expected separation point between Alliant Energy and Decorah.

O&M Expenses: cost to operate and maintain the distribution system; cost of administrative and management services for the electric utility operations; and customer service costs of billing and customer information systems and employee salaries required to issue bills, collect revenues, operate online and mobile tools for billing, outages and other services, and operate a call center to respond to customer requests.

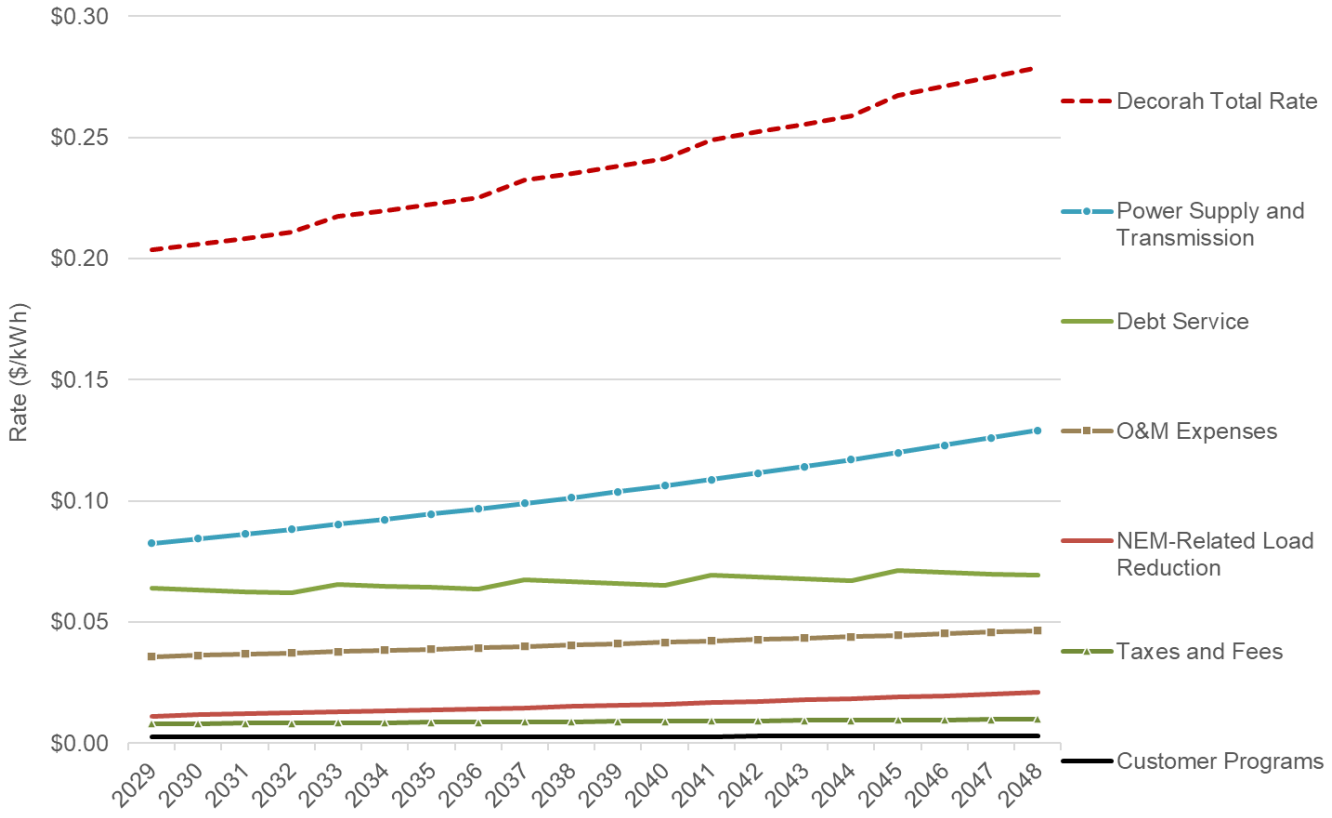
Taxes and Fees: property taxes, franchise fees, and any other taxes paid by Alliant Energy to the City that Alliant Energy would no longer pay under the MEU. Thus, the municipal electric utility would provide a "payment in lieu of taxes" to the City's general fund to replace these revenue sources that are currently supplied through Alliant Energy's rates.

Customer Programs: incremental costs of providing energy efficiency, energy assistance, and other customer programs.

NEM-Related Load Reduction: load reduction costs to the City customers of NEM.

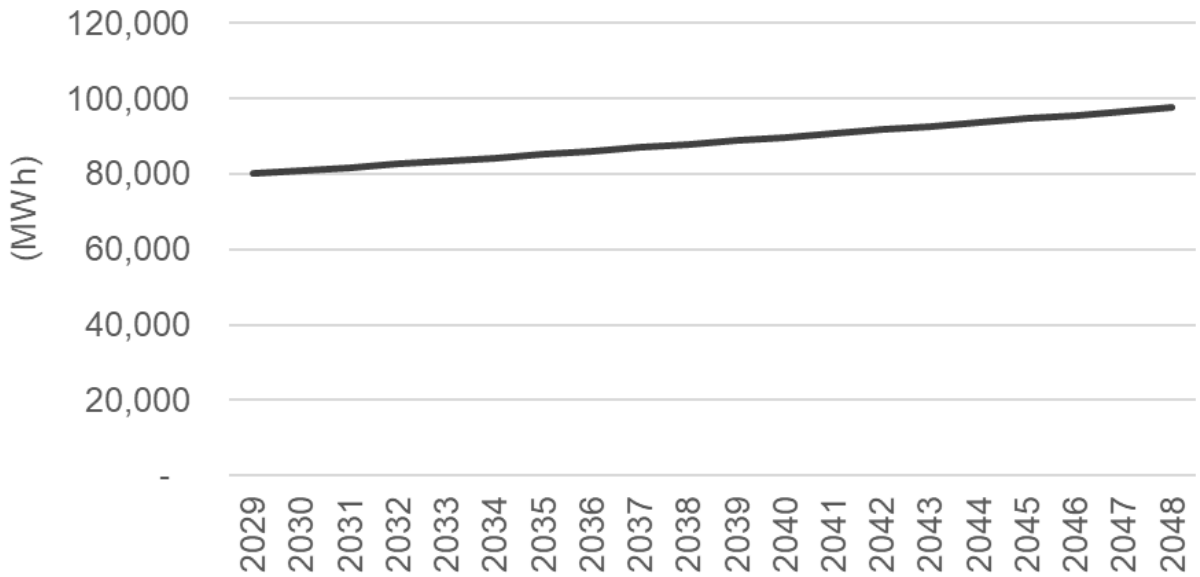
Figure VI-1 below shows the rate buildup for the Decorah MEU, totaling over $0.20 per kWh in 2029.

Figure VI-1: Preliminary Estimate of MEU "All-In" Rates



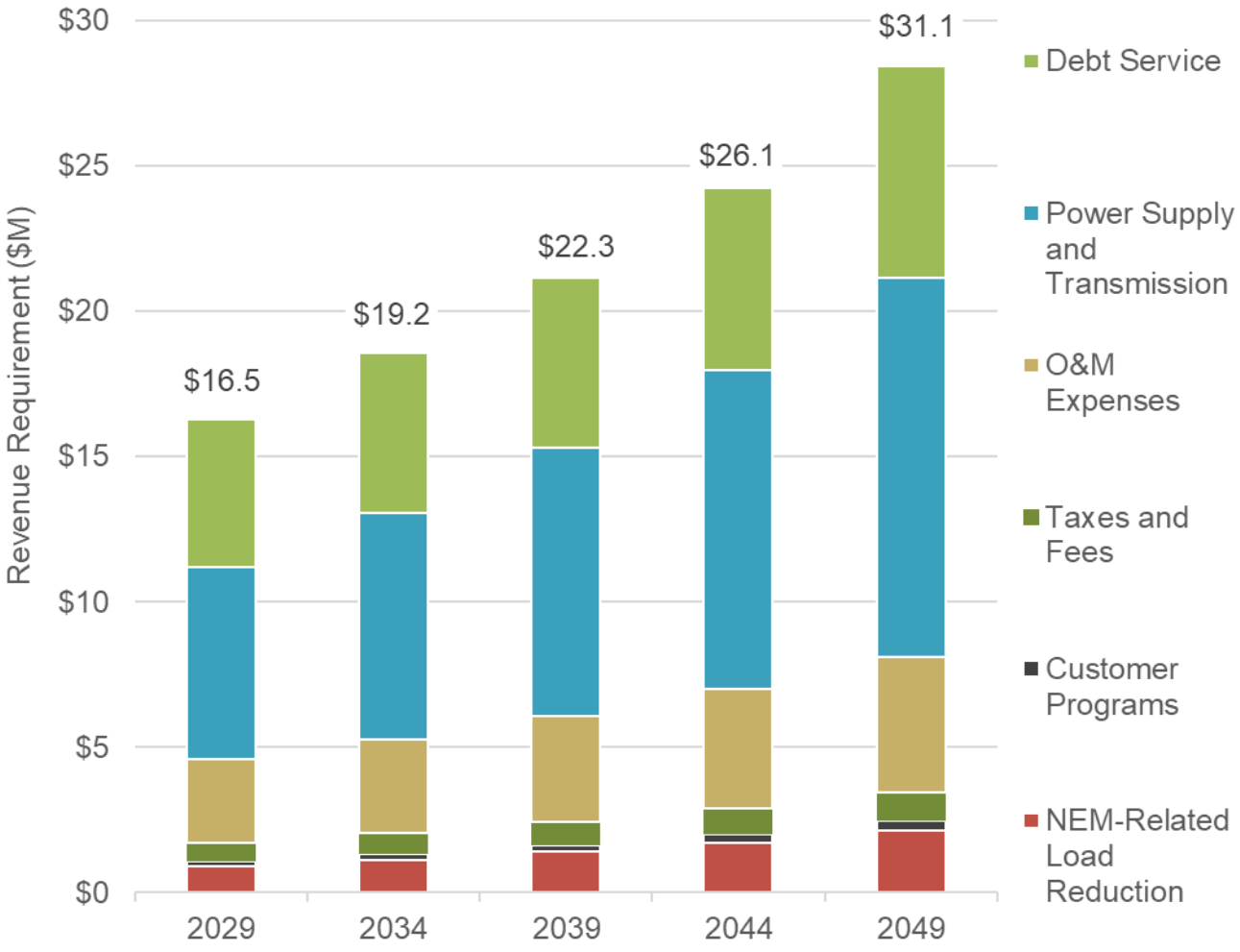
Based on the Decorah load forecast on the 1.06% annual compounded annual growth seen between 2014 and 2023, as shown in Figure VI-2 below, Decorah load is estimated to total 80,000 MWh in 2029. Decorah customer counts were escalated at 0.25% annually, similar to the past five years of 0.18% compounded annually. Concentric assumed the same load and customer count forecast assumptions for both the MEU option and the Alliant Energy service option.

Figure VI-2: Preliminary Estimate of Decorah Load



As shown in Figure VI-3 below, ongoing costs to run the MEU are estimated to total $16.5 million, assuming a 2029 start date. These costs are estimated to escalate to $31.1 million by 2049.

Figure VI-3: Preliminary Estimate of Ongoing Municipalization Costs



A. Debt Service

Concentric's Base Case assumes a relatively aggressive timeline, where the City begins operation in 2029. This schedule reflects less than four years for the completion of the process and the transition to City operation and is considered fairly aggressive, given the likelihood that a condemnation process will be required to establish the level of just compensation.

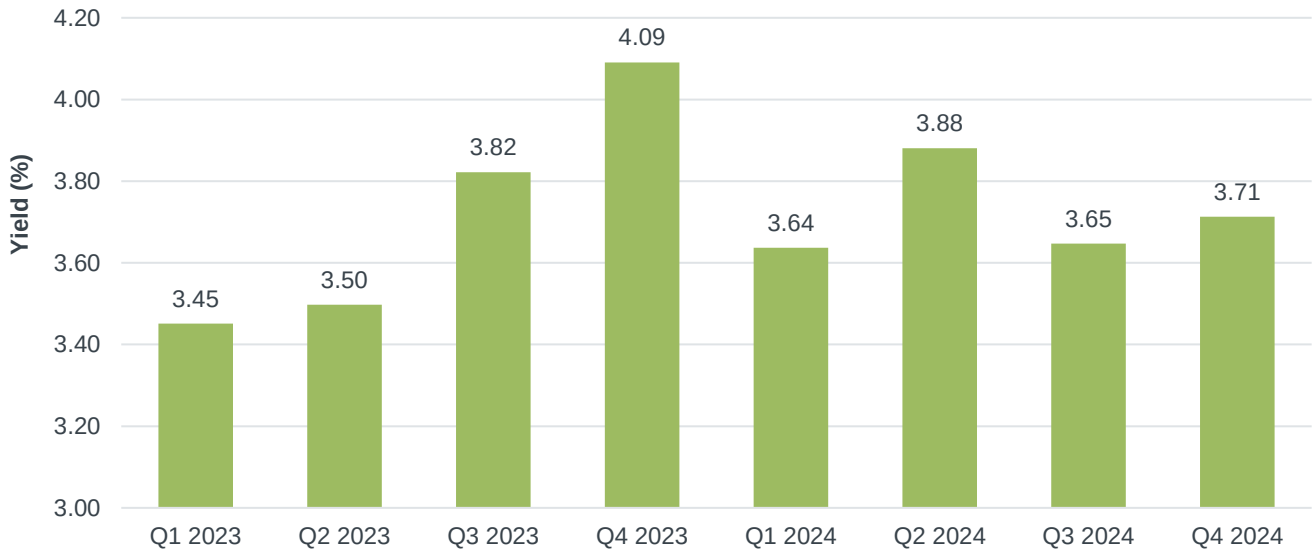
As presented in Section V, the City will need to raise capital sufficient to fund acquisition costs ($85.6 million in estimated initial municipalization costs), as well as ongoing funding for capital expenditures.

Due to a federal law prohibiting the use of tax-exempt debt to finance the acquisition of utility property, including pre-municipalization capital investments (i.e., $36.8 million of the acquisition costs) from an investor-owned utility, the City will be required to finance the acquisition with taxable revenue bonds. Other costs, including the remainder of the acquisition costs, startup,

inventory, working capital, and legal and consulting fees, as well as ongoing capital investments, can be financed with tax-exempt debt. Concentric assumes that both tax-exempt debt and revenue bonds would be issued for a term of 30 years.[39]

Annual debt service costs will be determined by the amount to be financed and the relevant interest rate. Concentric based its interest rate for tax-exempt debt on the average yield of 3.70% on 30-year AAA-rated municipal bonds from January 1, 2023, through December 31, 2024, as reported by Bloomberg. As shown in Figure VI-4 below, the yield on these tax-exempt bonds has ranged from 3.45% (in Q1 of 2023) to 4.09% (in Q4 of 2023).

Figure VI-4: Quarterly Average Yield on 30-Year Tax Exempt Municipal Bonds (%)



Concentric then made several additional assumptions to compute the range of taxable municipal bond yields, as shown in Figure VI-5 below.

[39] Shorter financing terms could be achieved and may provide for lower borrowing costs; however, the annual debt service would be higher to reflect the prepayment of principal over fewer years.

Figure VI-5: Tax Exempt and Taxable Municipal Bond Yields

	As of 12/31/24	2018 Report
Tax Exempt 30-Year AAA-rated Muni bonds[40]	3.70%	4.50%
AA-rated Muni bond spread over AAA[41]	0.20%	
Tax Exempt 30-Year AA-rated Muni bonds	3.90%	
+ Average Spread taxable/tax exempt[42]	0.90% to 1.50%	1.50% to 2.00%
Effect of Fed policy in 2025[43]	Negligible	
Estimated Taxable Muni Yield	4.80% to 5.40%	6.00%
Moody's Corporate AA Index – 2023/2024	5.23%	
30-year U.S. Treasury Bond – 2023/2024	4.25%	

The 2018 report assumed that interest rates on municipal bonds would increase by 1.0% by 2020 due to tighter Federal Reserve monetary policy. In the Base Case, the 2025 report does not make any adjustment to current yields on municipal bonds due to anticipated changes in Federal monetary policy.

The 2018 report assumed a spread between tax exempt and taxable municipal bonds of 150-200 basis points, based on Iowa specific municipal bond issuances over the prior ten years. The 2025 report relies on a spread of 90-150 basis points. The lower end of the range is based on the average spread over the past 10 years as reported by Charles Schwab in August 2023. The upper end of the range takes into consideration the fact that the spread between tax exempt and taxable municipal bonds periodically becomes wider, especially when capital market conditions become more disrupted or challenging.

Based on these assumptions, Concentric assumed a taxable interest rate within a range from 4.80% to 5.40%. Concentric's Base Case assumptions are for a tax-exempt interest rate of 3.90% and a taxable interest rate of 5.25% for the City of Decorah. The taxable municipal bond yield is similar to the average yield on Moody's Corporate AA Index of 5.23% in 2023 and 2024 and is one percentage point higher than the average yield on 30-year Treasury bonds of 4.25% over that same period. The Base Case yields also reflect the small size of the City of Decorah, which affects both the cost of debt and the City's ability to issue debt in the public market.

Underwriting fees and other issuance expenses or "flotation costs" are assumed to be 1.5% of the borrowed amount, which is consistent with industry practice. These costs, which total $1.2 million, are included in the transaction costs category.

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40 Source: Bloomberg Professional, 90-day average as of December 31, 2024, of 3.68% and average since January 2, 2023, of 3.72%.

41 FMS reports spread of 20-25 basis points between AAA-rated and AA-rated bonds in November and December 2024.

42 Long-term average spread since 2010 has been 0.90% per Charles Schwab report in August 2023. Concentric report in 2018 used spread of 1.50% - 2.00% based on Iowa specific debt issuances over past 10 years.

43 US Federal Reserve is expected to cut short-term interest rates once or twice in 2025. However, long-term 30-year Treasury bonds are currently near 5.0% and are forecast at 4.40% in 2025 and at 4.30% from 2026-2030 per Blue Chip Financial Forecasts, versus the 30-day of average of 4.56% as of December 31, 2024.

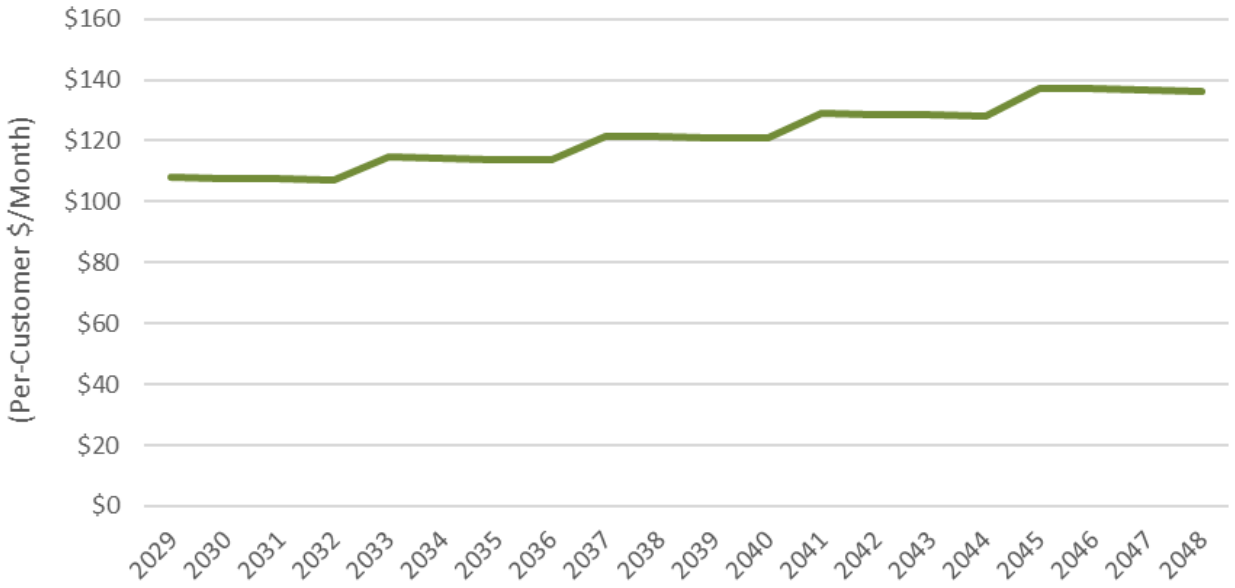
In addition to financing the initial acquisition and startup costs, the City will need to continue to reinvest in the system to replace aging infrastructure and to maintain the reliability of the system. Concentric assumed that the capital replacement program would be based on the depreciation rate of the assets. Typically, the determination of the depreciation rate of the system requires a statistical study of the existing infrastructure age. Depreciation of distribution assets is usually in the range of 3.0% to 4.0% per year. Concentric has assumed a capital replacement rate of 3.33% and applied that to the average annual rate base of the new municipal electric utility, taking into consideration both the RCNLD of the existing system assets and additional investments made over the study period. Capital replacement is assumed to be debt-funded through incremental debt issuances every four years at tax-exempt rates, starting in Year 5.

Concentric also notes that the City's entire approved budget for 2024-2025 was approximately $20.8 million, which was an increase in spending of about $5.6 million compared with the 2023-2024 approved budget. The spending increase was primarily attributable to repairs and improvements to the City's wastewater treatment plant, although the City will receive $4 million from a State of Iowa grant to fund the wastewater facility cost. The cost of the potential acquisition of the electric utility assets is more than 3.1 times the entire City budget in 2024-2025. While the City can issue revenue bonds to finance the acquisition, the magnitude of the potential acquisition is very large compared with the current City budget.

1. Debt Service Customer Impacts

Debt service will be a large expense the MEU incurs, as it must borrow the necessary capital to pay for the estimated $85.6 million in acquisition costs, as well as ongoing replacement capital. Repaying that debt over a specific number of years will be the largest cost to customers after municipalization. Debt service costs are a part of the existing Alliant Energy rates, but spread over a much wider breadth of customers. This cost will be incremental to other ongoing costs, such as energy and O&M costs paid by customers, and is estimated at approximately $109 per customer per month in 2029, as shown in Figure VI-6 below, which only covers the acquisition, startup, and transaction costs to form a municipal electric utility. Debt service does *not* include additional costs such as power supply, transmission, O&M, NEM-related load loss, and taxes, which are incremental to the $109 per customer monthly cost above. This is a significant cost to Decorah's customers, and is expected to contribute to rate escalation above Alliant Energy's rates going forward.

Figure VI-6: Preliminary Debt Service Monthly Customer Charge through Municipalization



B. Energy-Related Costs

Replacement purchased power is one of the largest components of the revenue requirement for any electric utility. Concentric understands that some Decorah residents have expressed interest in working with MiEnergy to provide distribution system services for the municipal electric utility. The cost of purchased power was therefore collected from MiEnergy's recent annual reports as a point of reference for potential power supply costs for a municipal electric utility in Decorah. Total annual power supply costs were divided by total annual energy sales to translate MiEnergy's cost of purchased power into a dollar per kWh figure. Annual energy sold was not available in every MiEnergy annual report, so total sources of energy was also collected from EIA's 861 report as another point of reference. The table below summarizes Concentric's analysis.

Figure VI-7: Preliminary Estimate of MiEnergy Power Supply Costs (nominal dollars)

Year	Data From MiEnergy Annual Report			Data from EIA Form 861		Average Power Supply Cost ($/kWh)
	Cost of Purchased Power ($M)	Energy Sold (kWh)	Implied Power Supply Cost ($/kWh)	Total Sources of Energy (kWh)	Implied Power Supply Cost ($/kWh)	
2016	$47.0	631,572,878	$0.07			$0.07
2017	$47.1	605,189,397	$0.08	626,257,000	$0.08	$0.08
2018	$48.5			672,520,000	$0.07	$0.07
2019	$49.0			676,643,000	$0.07	$0.07
2020	$47.1			650,189,000	$0.07	$0.07
2021	$45.1	645,000,000	$0.07	662,947,000	$0.07	$0.07
2022	$49.8			689,074,000	$0.07	$0.07
2023	$48.7	649,000,000	$0.08	678,622,000	$0.07	$0.07

Since MiEnergy's power supply costs were relatively constant over the period analyzed, the most recent year (2023) was used as a starting point in the feasibility study. This value represents a bundled power supply cost that includes three components:

1. Energy costs;
2. Capacity costs; and
3. Transmission costs.

The energy and capacity costs are escalated based on the average escalation rate for Alliant Energy's expected future power supply costs, which is about 1.2%.

Transmission Expense

Decorah will need to reserve and pay for transmission service to transport power across the ITC system to Decorah to serve its customers. Since Alliant Energy also relies on ITC for transmission service, transmission expenses for a Decorah municipal electric utility are assumed to be the same as the transmission expenses for Alliant Energy. Starting from 2023 actual values, ITC transmission expenses are escalated annually based on the observed 10-year compound annual growth rate of about 3.7%. Importantly, transmission expenses are backed out of MiEnergy's power supply cost discussed above to avoid any double counting.

C. O&M Costs

Concentric reviewed several data sources to estimate non-fuel operating expenses for a municipal electric utility in Decorah. As described in further detail below, the Base Case estimate for the feasibility study is derived from the average of three data sources:

1. A review of reported financial statements from 44 municipal utilities in Iowa;
2. A 2024 report from the American Public Power Association (APPA) titled, *Financial Operating Ratios of Public Power Utilities*; and
3. MiEnergy's 2023 Annual Report.

From these data sources, Concentric compiled distribution operations and maintenance (O&M) expense, customer accounting expense, and administrative and general (A&G) expense. The Base Case uses the average value of the sources reviewed for each of these expense categories, resulting in a total non-fuel distribution operating expense of $730 per customer (in 2029 dollars), as shown in Figure VI-8 below. As discussed later in this section, the Lower Bound and Upper Bound scenarios are based on the first quartile and third quartile, respectively, of the municipal utility benchmarking and APPA report values.

Figure VI-8: Base Case Metrics for Non-Fuel Distribution Operating Expenses (2029$)

Cost Category	Municipal Utility Benchmarking	APPA Comparable Size	APPA Comparable Region	MiEnergy	Average
Distribution O&M	$297	$265	$254	$486	$325
A&G	$279	$340	$424	$206	$312
Accounting Expense	$60	$90	$123	$98	$93
Total Expenses / Customer	**$636**	**$695**	**$801**	**$789**	**$730**

The remainder of this section describes the approach used for each data source.

Municipal Utility Benchmarking

A subset of the municipal utilities assessed were used to create a benchmark group to estimate the expected expense per customer for a municipal electric utility in Decorah, based on data from their respective Comprehensive Annual Finance Reports (CAFRs) filed with the Iowa Chamber of Commerce. From the municipal utilities reviewed, the benchmark group of utilities was selected based on those that report the three expense categories identified above as well as utilities that provide a delineation between transmission and distribution O&M expense.

Figure VI-9 below lists the full set of municipal utilities that were reviewed and provides the financial reporting years, number of customers in the most recent reporting period, and the year established for each municipal utility.

Figure VI-9: Iowa Municipal Utilities Assessed for O&M Benchmarking

Municipal Utility	Reporting Years	Number of Customers	Year Established
Algona City of	2022 & 2023	3,831	1898
Ames City of	2023	27,940	1896
Atlantic Municipal Utilities	2022 & 2023	4,674	1890

Bloomfield City of	2023	1,408	1892
Cedar Falls Utilities	2022 & 2023	20,017	1890
Coon Rapids Municipal Utilities	2023	808	1937
Corning Utilities	2022 & 2023	1,139	1887
Denison City of	2023 & 2024	3,311	1894
Durant Electric Plant	2023	959	
Estherville City of	2023	3,212	1894
Forest City of	2023	2,154	
Greenfield City of IA	2021 & 2022	1,244	1889
Grundy Center Municipal L&P Department	2023	1,591	1890
Harlan City of	2023 & 2024	2,870	1891
Hawarden City of	2023	1,342	1894
Independence City of IA	2022 & 2023	3,196	1893
Indianola Municipal Utilities	2022 & 2023	6,572	1890
Lake Mills City of IA	2023	1,236	1911
Lamoni City of	2023	1,237	1935
Maquoketa Municipal Electric Utility	2023	3,428	1919
Milford Municipal Utilities	2023	1,598	1934
Mt. Pleasant Municipal Utilities	2023	4,013	1897
Muscatine Power and Water	2022 & 2023		1922
New Hampton City of	2021 – 2023	2,518	1903
Ogden Municipal Utilities	2023	1,148	
Onawa City of	2023	3,343	
Orange City of	2023	2,304	1923
Osage City of	2023	2,417	
Pella City of	2023	5,256	1911
Rock Rapids Municipal Utility	2023	1,437	1899
Sergeant Bluff City of	2023	2,089	
Sibley City of	2023	1,516	
Sioux Center City of	2023	2,915	
Spencer City of IA	2021 & 2022	6,480	1942
Story City of	2022 & 2023	1,965	1904
Stuart City of IA	2023	973	
Tipton City of IA	2023	1,815	1880
Vinton City of IA	2023	2,533	
Waverly Communications Utility	2022 & 2023	5,177	1904
Webster City of	2023	4,471	
West Liberty City of	2023	1,609	
Wilton City of	2022 & 2023	1,572	
Winterset City of	2023		1889
Woodbine Municipal Light and Power	2024	893	1941

APPA Report

The APPA's 2024 *Financial Operating Ratios of Public Power Utilities* report presents data for 21 categories of financial and operating ratios for public power utilities operating in the United States. The utilities included in the report are those that responded to APPA's 2022 Performance Indicators Survey, which was sent to all public power utilities with sales to consumers that account for approximately 50% or more of their total sales, and that have retail sales or sales for resale of 150,000 MWh or more. The APPA report provides summary data for each of the three expense categories granulated by several characteristics, including utility size and region. For

the purposes of this analysis, data was collected for utilities of comparable size and in a comparable region to Decorah.

1. Comparable Size: utilities with 5,000 to 10,000 customers, which is the smallest size reported and thus closest to the Decorah population.
2. Comparable Region: utilities operating in APPA's north/central plain region of the United States, which includes Iowa.

MiEnergy Operating Costs

Concentric understands that some Decorah residents have expressed interest in working with MiEnergy to provide distribution system services for the municipal electric utility. Data was therefore collected from MiEnergy's most recent annual report for the three expense categories as an additional point of reference for potential costs of operating a municipal electric utility in Decorah.

Alternative Scenarios

The municipal utility data set and APPA report provide a basis for estimating lower and upper bound scenarios for the feasibility study by using the first and third quartiles, respectively. Note that MiEnergy data is based on the most recent two years only and therefore is not applicable for first and third quartiles.

Figure VI-10: Non-Fuel Distribution Operating Expenses for Alternative Scenario (2029$)

Data Source	First Quartile (Lower Bound)	Median	Third Quartile (Upper Bound)
APPA Comparable Size	$453	$581	$861
APPA Comparable Region	$430	$619	$831
Municipal Utility Benchmarking	$392	$546	$874
Average	*$425*	*$582*	*$856*

D. Taxes and Fees

As a private corporation, Alliant Energy pays property taxes on the assessed value of its assets located in Decorah. These taxes are included as an expense in Alliant Energy's revenue requirement and are reflected in the calculation of distribution rates paid by all Alliant Energy customers. Property tax payments by Alliant Energy benefit the City. If Decorah were to own and operate an electric utility, Alliant Energy would no longer pay property taxes or franchise fees to the City. Therefore, in order to continue to fund the City operations at the existing levels, it is necessary to also assume that the municipal electric utility would provide a "payment in lieu of taxes" to the City's general fund to replace these revenue sources that are currently supplied through Alliant Energy's rates. As shown in Figure VI-11, the combination of these taxes and fees represent approximately $500,000 annually in revenue for the City between 2021 and 2023. This cost is assumed to escalate at the rate of inflation, estimated at 2.2% annually, throughout

the Forecast Period if the City were to municipalize the electric distribution system, meaning the City would be required to replace approximately $640,000 in revenues associated with property taxes and franchise fees by 2029.

Figure VI-11: Alliant Energy Property Taxes and Franchise Fees Paid to the City of Decorah

Taxes and Fees	2021	2022	2023
Property Taxes Paid to the City	$189,744	$173,106	$171,710
Franchise Fees Paid to the City	$242,454	$360,481	$390,676
Total	**$432,198**	**$533,586**	**$562,386**

E. Customer Programs

Decorah, as a stand-alone utility, will not be required to provide energy efficiency or energy assistance programs to its customers. However, Decorah residential and business customers have taken advantage of Alliant Energy's energy efficiency and energy assistance programs. Alliant Energy offers energy efficiency rebates, energy audits to residential and commercial customers, and contractor incentives. Totals by year ranged considerably. To forecast expected program offerings, Concentric took the median total energy efficiency of $163,370, and escalated the figure at 2.2% inflation through the forecast period, indicating energy efficiency offerings of approximately $194,000 in 2029.[44]

Figure VI-12: Alliant Energy Historical Energy Efficiency Programs in Decorah[45]

Customer Incentives	Energy Efficiency Rebates ($)	Energy Audits Residential Costs ($)	Energy Audits Commercial Costs ($)	Contractor Incentives	Energy Efficiency Total
2014	$1,101,868	$2,000	$1,100	$1,307	**$1,106,275**
2015	$152,696	$0	$0	$6,400	**$159,096**
2016	$69,989	$4,500	$1,100	$7,799	**$83,388**
2017	$434,934	$500	$1,100	$6,145	**$442,679**
2018	$404,380	$0	$1,874,400	$4,150	**$2,282,930**
2019	$252,127	$2,000	$0	$3,400	**$257,527**
2020	$111,356	$0	$0	$2,200	**$113,556**
2021	$106,607	$0	$0	$5,150	**$111,757**
2022	$99,930	$16,620	$5,100	$7,650	**$129,300**
2023	$158,047	$21,312	$6,000	$8,950	**$194,309**
Median	***$155,372***	***$1,250***	***$1,100***	***$5,648***	***$163,369***

[44] Note that these program values do not include funding from Alliant Energy's foundation, which provided approximately $101,500 in the City in 2023.

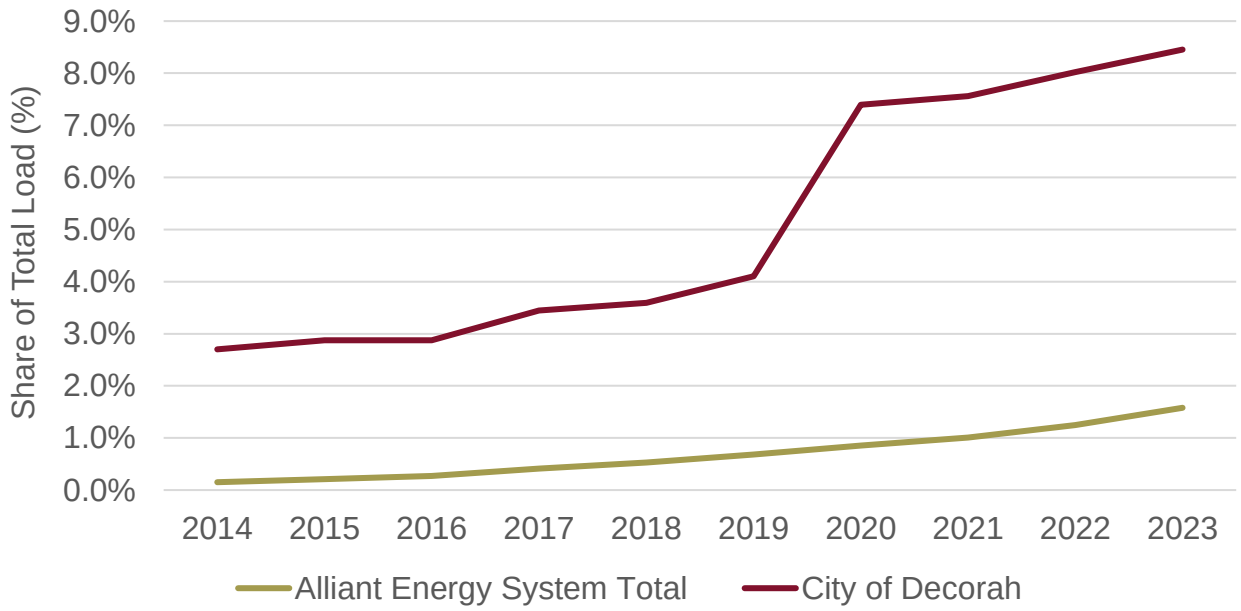
[45] Table based on data provided by Alliant Energy.

To calculate energy assistance, based on Alliant Energy information, the Company receives $2 million at the corporate level to provide energy assistance. Concentric calculated a per-customer energy assistance cost of $2.00 per customer, based on Alliant Energy's estimated Iowa and Wisconsin customer base of 1 million customers. The $2 per-customer was applied to Decorah's customer base of 3,862 customers in 2023, deriving an energy assistance program cost in Decorah of $7,724. Concentric then escalated this amount by 2.2% annual inflation over the forecast period.

F. NEM-Related Load Reduction

Typical NEM programs tend to put upward pressure on rates for all customers. This is because the bill reductions and net metering credits received by customers with rooftop solar or other on-site generation are generally greater than the system cost reductions that those systems create. Decorah's penetration of NEM systems, predominately photovoltaic solar, is significantly higher than the average penetration rate for the entire Alliant Energy system. The implication is that customers throughout the Alliant Energy system are cross-subsidizing Decorah residents with NEM systems at a disproportionately high level. For example, in 2023, while NEM on Alliant Energy's system comprised just 1.6% of total load, in Decorah, NEM share of total load reached 8.5%.

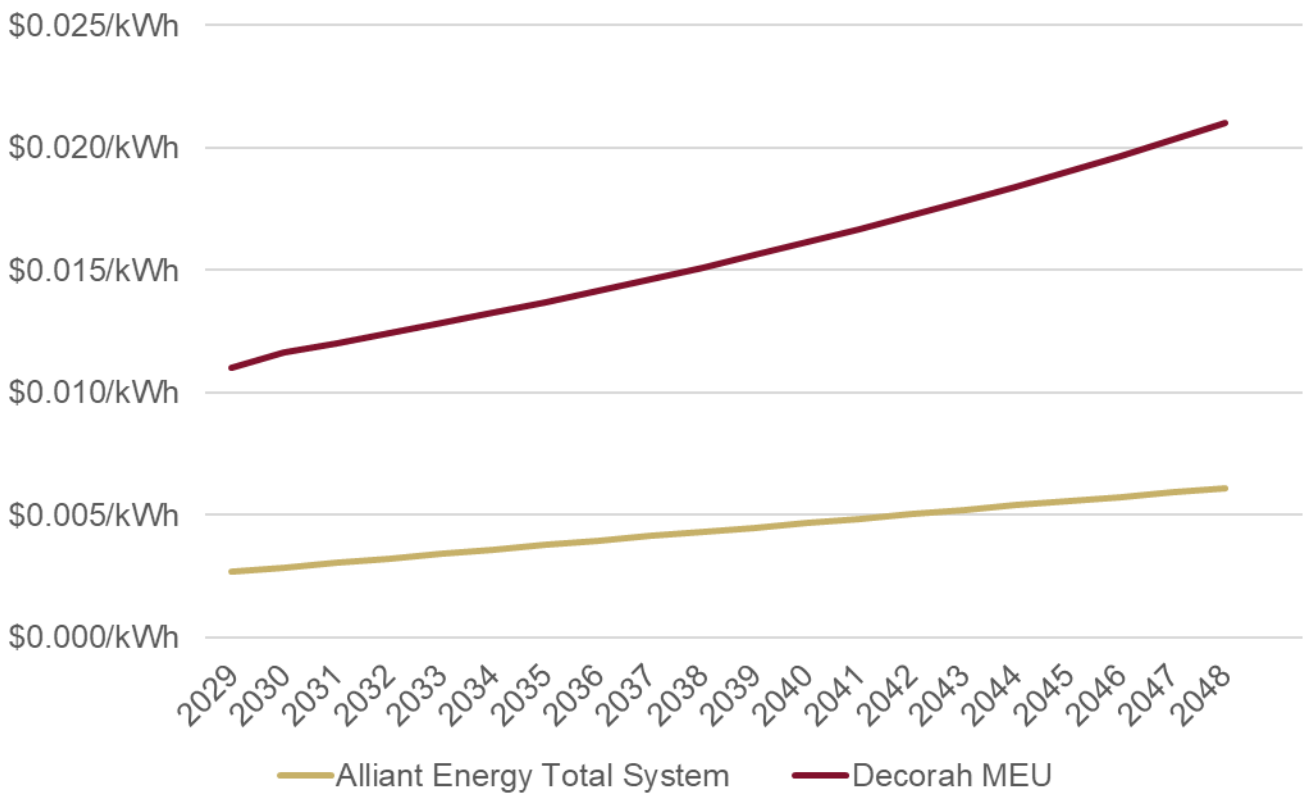
Figure VI-13: NEM Generation as a Share of Total Load



Concentric estimated the incremental impact on rates caused by NEM systems and conventional net metering compensation by calculating the difference between the average NEM credit rate and the avoided fuel costs expected to be created by NEM generation. This net credit was then

applied to NEM generation volumes and divided by total sales to estimate the impact of net metering on overall rates. While the average net credit provided to NEM customers would be approximately the same under Alliant Energy or the MEU, the impact on overall rates would be considerably different because the MEU would be spreading those credits over a much smaller customer base. As a result, assuming a 10% of gross load over the forecast period (based on the historical trajectory), the City's NEM impact on Alliant Energy's total system rates (spread across approximately 500,000 customers in Iowa) is estimated at $0.003/kWh in 2029. By contrast, the same Decorah NEM load impact (spread across just the City's population of approximately 3,900 customers is estimated to reach $0.011/kWh in 2029. The following chart illustrates the impact.

Figure VI-14: Impact of NEM Generation & Credits on Average "All-In" Rates



Alliant Energy vs Municipal Net Metering Policies

Alliant Energy currently serves customer-sited renewable energy through their Inflow-Outflow tariff, which provides credits equal to the full retail energy rate for excess power injected into the Company's system. This one-to-one crediting is the most generous system for compensating distributed energy resources. Municipal utilities tend to provide less favorable rates for customers with renewable generation. Concentric researched the net metering structures for the three largest municipal utilities in Iowa: Muscatine Power and Water, The City of Ames, and Cedar Falls Utilities. Each of these municipal utilities have net metering policies that are less favorable to customers.

At Muscatine Power and Water customers with renewable generation are forced to move to a different rate that has higher fixed charges and lower variable charges that diminish the payback of their systems.

Figure VI-15: Muscatine Power & Water Net Metering Rates[46]

	Residential	Residential – Net Metering
Facilities Charge	$20.99 per month	$31.48 per month
Energy Charge	10.127¢ per kWh	8.646¢ per kWh
	*Energy Adjustment Clause Also Applies	

At The City of Ames renewable energy produced by customers and injected into the City's electric system receives credits that are only 40% of the base rates charged to customers.

Figure VI-16: City of Ames Renewable Energy Credit Rates[47]

	Residential	Energy Export Credit
Customer Service Charge	$8.32 per month	
Summer Energy Charge	12.13¢ per kWh	4.85¢ per kWh
Winter Energy Charge	10.05¢ per kWh	4.02¢ per kWh

At Cedar Falls Utilities excess renewable energy injected into electric system receives and Energy Exchange credit that is approximately equal to the 55% of the energy rate paid by customer who use the average monthly residential volume of 816 kWh per month. Furthermore, the utility's use of a declining block rate structure makes the renewable energy use onsite less value.

Figure VI-17: Cedar Falls Utilities Energy Exchange Credit[48]

	Residential	Energy Export Credit
Basic Service Charge	$32.00 per month	
First 50 kWh	10.00¢ per kWh	4.251¢ per kWh
Next 150 kWh	8.60¢ per kWh	
Next 500 kWh	7.50¢ per kWh	
All Over 700 kW	6.22¢ per kWh	
Average Rate at 813 kWh	7.67¢ per kWh	

46 Muscatine Power & Water Electric Rates Effective July 1st, 2024.

47 City of Ames Municipal Code Chapter 28.

48 Municipal Electric Utility of the City of Cedar Falls, Iowa Electric Rate Schedules 2025.

VII. Forecast of Alliant Energy's Revenue Requirement and Rates

VII. Forecast of Alliant Energy's Revenue Requirement and Rates

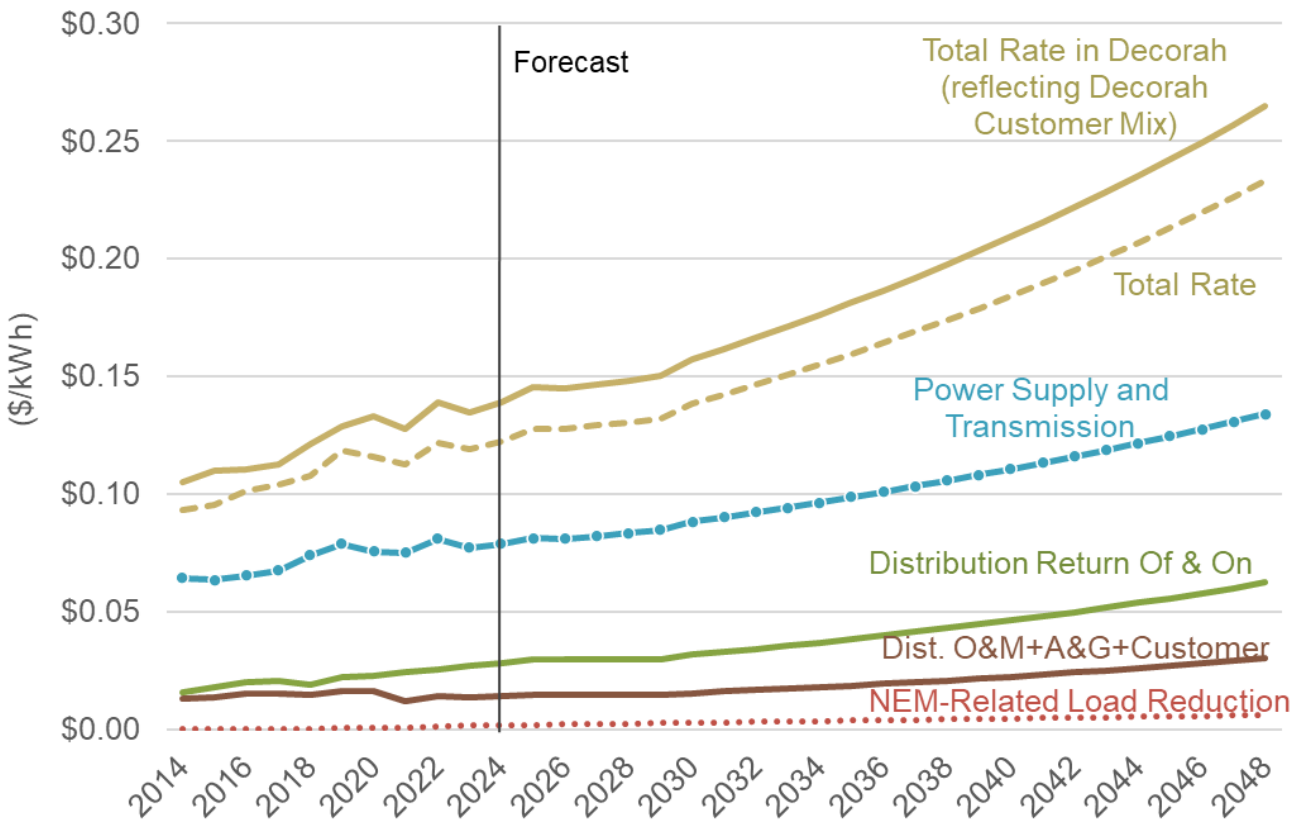
To develop a comparison to the potential rates that customers would pay under the MEU, Concentric developed a forecast of Alliant Energy's average rates based on historical cost trends for the Company. The basis of the Alliant Energy rate forecast was the ten-year history of the Company's revenue requirements, system average rates, and the average rates charged in Decorah.

First Concentric calculated the functionalized rates for Alliant Energy from 2014 to 2023. Functionalized rates break down the Company's total rates into generation capacity, fuel and purchased power, transmission, distribution, and administrative and general categories, as well as an estimate for NEM-related load reduction, based on the estimated NEM-related load discussed in Section VI.F above. Concentric utilized annual data from FERC Form 1 to disaggregate total cost into their functional categories. FERC Form 1 provides information on total net plant and operating cost by function. The results of this analysis showed that the cost of fuel and purchased energy has fallen, primarily due to falling gas prices and the inclusion of production tax credits that have grown in recent years. The largest cost category is generation capacity, which is the capital and O&M costs associated with Alliant Energy-owned power plants and the capacity charges associated with purchased power contracts. This category grew substantially from 2016 to 2020 but has since stabilized over the past four years. Note that Alliant Energy system-wide annual sales volumes have been falling by an average of 1.2% per year from 2014 to 2023.

To develop a forecast of rates for use in the feasibility study, Alliant Energy provided a forecast of 2025 and 2026 rates that Concentric calibrated its model to. Next, base rates were frozen through 2029 to reflect the recent rate case settlement. In 2030 the model predicts a 4.8% rate increase as a result of capital investments and inflation that are expected to occur during the 2025 to 2029 stay-out period. Post-2030, the model utilizes historical escalation rates that are approximately 3.0% to forecast rates over the 20-year forecast period.

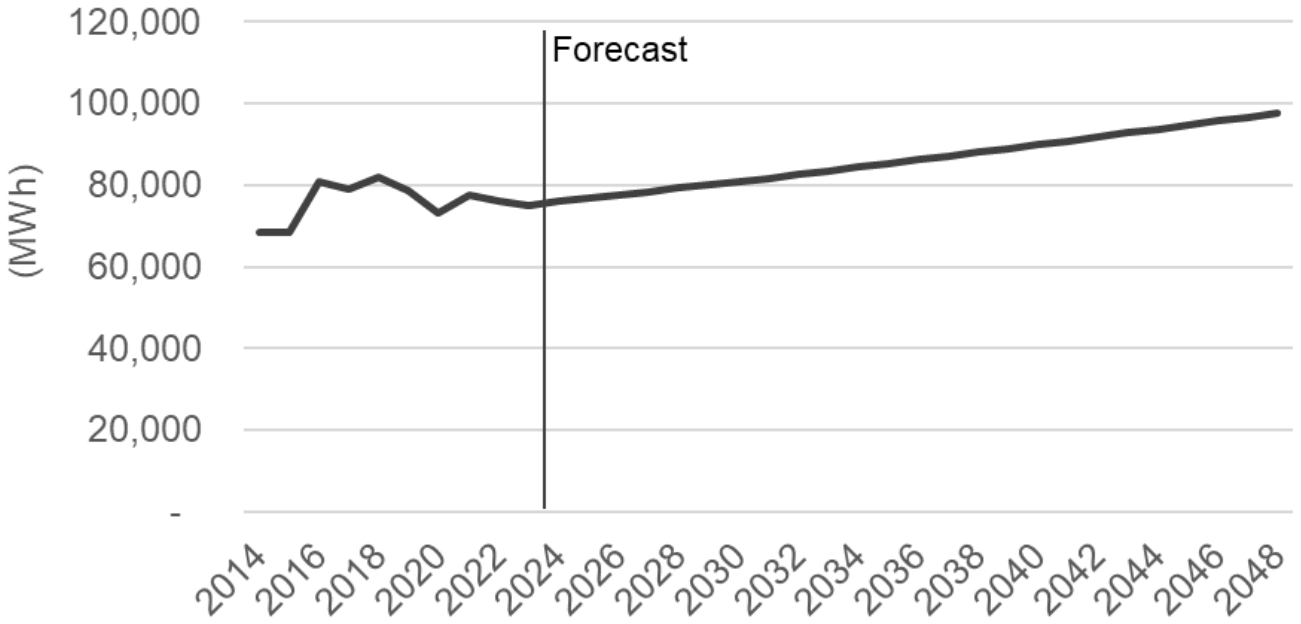
The final step is to adjust the forecast to reflect Decorah's customer mix and usage patterns. The City generally has less industrial load than the Alliant Energy system average. Because industrial customers tend to have the lowest overall average rates, on a $/kWh basis, the average rates in Decorah are slightly above the system average. Based on the historical average the forecasted rates for Decorah are 13.6% higher than the total system average for 2021-2023. Importantly, this does not indicate that Alliant Energy's customers within Decorah pay higher rates than in other Alliant Energy jurisdictions. Rather, this simply reflects the different customer usage patterns in Decorah, relative to the Alliant Energy system average (i.e., higher residential customer share and lower industrial customer share of total customers in Decorah).

Figure VII-1: Alliant Energy Functionalized "All-In" Rates (Historical and Forecast)



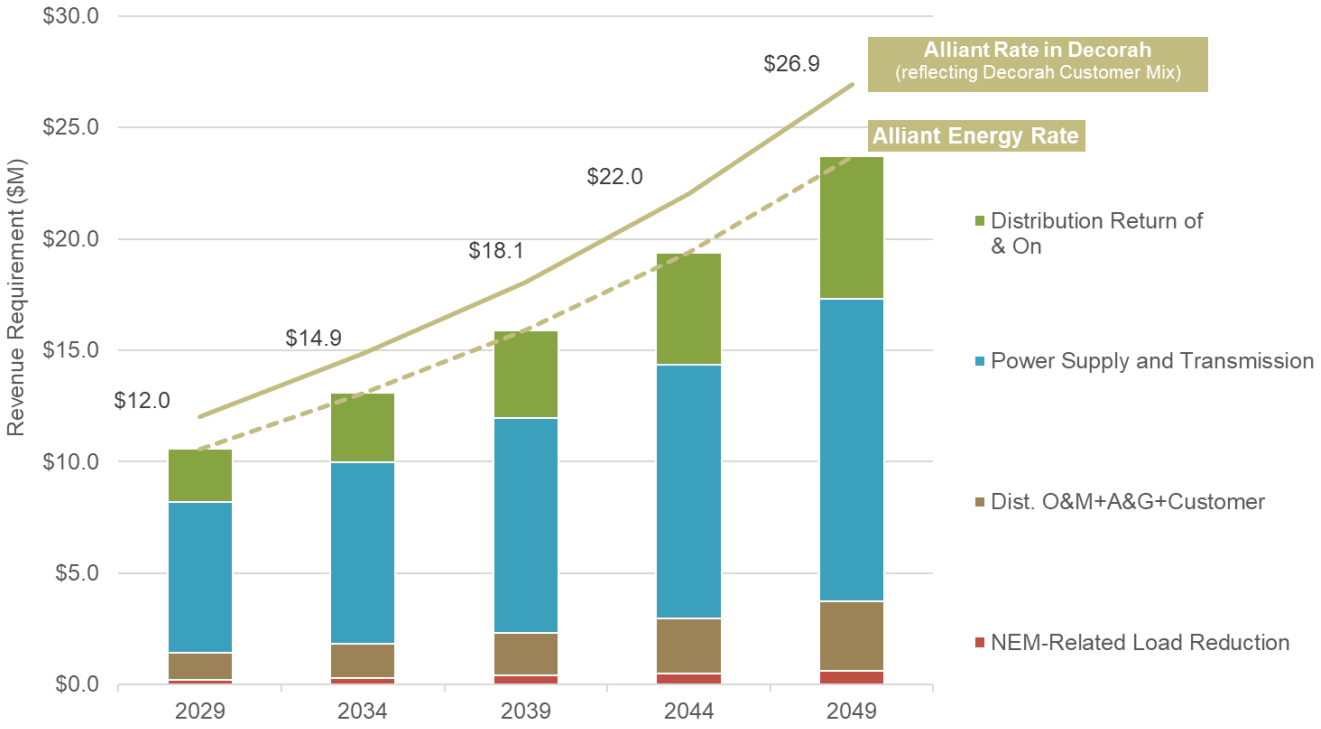
Concentric based the Decorah load forecast on the 1.06% annual compounded annual growth seen between 2014 and 2023, as shown in Figure VII-2 below. Decorah load is estimated to total 80,000 MWh in 2029.

Figure VII-2: Decorah Estimated Load



To calculate average functionalized revenue requirement, the rates are simply multiplied by annual sales volumes. Alliant Energy's revenue requirement in Decorah is expected to total $12.0 million in 2029, as shown in Figure VII-3 below.

Figure VII-3: Alliant Energy Forecasted Revenue Requirement



VIII. Preliminary Feasibility Study Results

VIII. Preliminary Feasibility Study Results

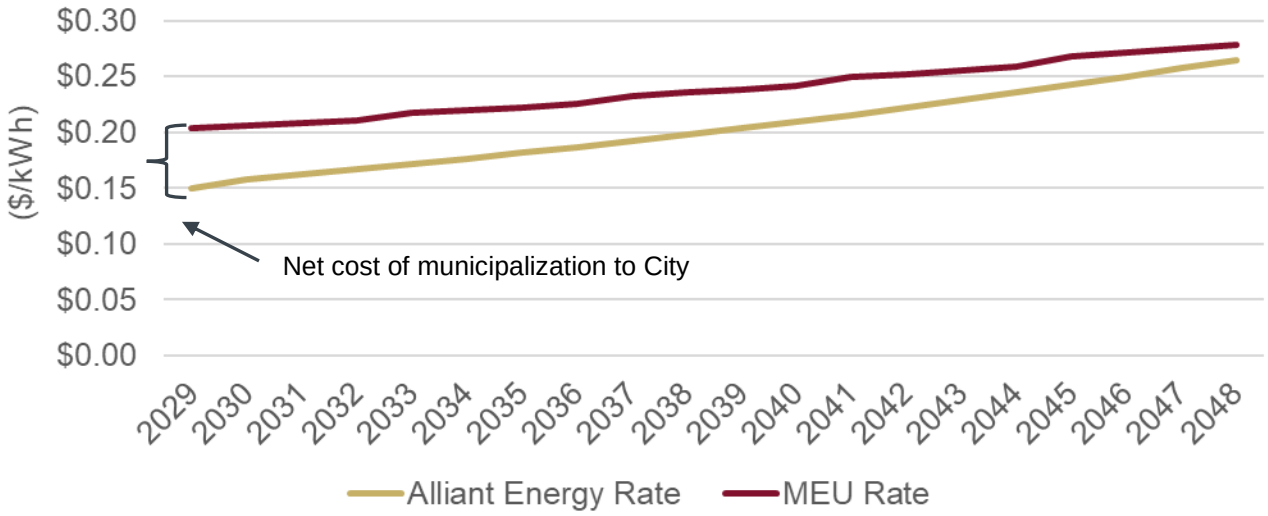
A. Base Case

With the projected rates for both the City and Alliant Energy options developed, those rates are then compared to determine whether the City would be expected to benefit or incur costs over the Forecast Period associated with forming a municipal utility. As shown in Figure VIII-1 below, municipal utility rates are expected to exceed those of Alliant Energy by approximately $0.05 per kilowatt-hour ("kWh") in 2029, and the rates under the City are projected to continue to be higher than the Alliant Energy rates throughout the 20 years of the Forecast Period. On a net present value ("NPV") basis, the City Option is projected to result in an incremental cost to Decorah customers of approximately $30 million over the initial 10 years of municipal utility operation, and approximately $43 million over the initial 20 years of operation. This indicates that municipalization would result in a substantial *net economic detriment* to the electric customers in Decorah over the long-term relative to continuing to take service under the Alliant Energy Option. Of note, over a 20-year period, the MEU rates are expected to remain above those of Alliant Energy.

$30 million
10-year net present value ***cost*** to the City of switching to municipal ownership

$43 million
20-year net present value ***cost*** to City of switching to municipal ownership

Figure VIII-1: Preliminary Comparison of MEU vs Alliant Energy "All-In" Rates



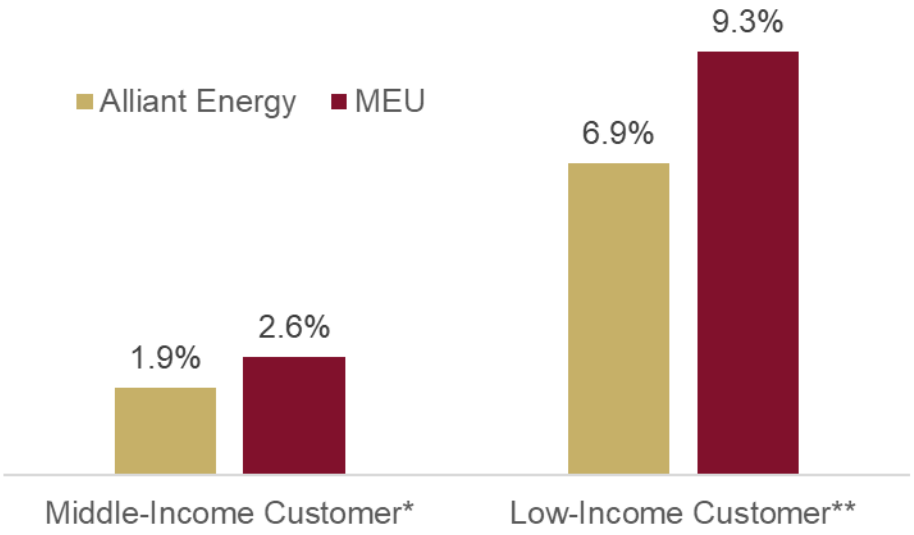
1. Low-Income Customer Impacts

While all customers would likely see rate increases through municipalization, relative to remaining on Alliant Energy's service, the estimated rate increase from municipalization would particularly impact low-income customers. As shown in Figure VIII-2 below, for middle-income customers, the "all-in" rates derived in Figure VIII-1 earlier translate to an electric-only energy burden of 2.6% in 2029 for customers on Decorah's MEU service, versus 1.9% when remaining on Alliant Energy's service. For low-income customers, the energy burden impacts are more drastic, estimated to increase the electric-only energy burden from 6.9% on Alliant Energy's service to 9.3% on a Decorah MEU service.

Energy Burden

One measure of affordability is the *energy burden*, which is defined as the percentage of a household's gross income spent on energy-related costs (e.g., electric and gas bills).

Figure VIII-2: Illustrative (Electric) Energy Burden at Selected Incomes in 2029 based on All-In Rate Analysis



* Assumes median income for 52101 zip code of $70,046 annually in 2023, based on Census.gov data, escalated at 2.3% annually to $79,816 to 2029$ based on Blue Chip Financial Forecast 2025-2029 CPI inflation.

** Assumes two-person household 2025 100% federal poverty limit of $20,440, escalated at 2.3% annually to $22,299 in 2029$ based on Blue Chip Financial Forecast 2025-2029 CPI inflation and does not factor in low-income assistance programs.

Calculation: Monthly electric bill x 855 kWh average monthly usage / monthly income = energy burden.

B. Sensitivity Cases

There are inherent uncertainties associated with projecting costs and rates over such an extended period. In order to recognize the risks of relying on long-term forecasts, two alternative scenarios were also conducted to reflect the potential for variation in certain key assumptions.

The first alternative scenario assumes that costs for municipal acquisition and ownership would be higher than estimated in the Base Case (i.e., the "High-Cost Case"), and the second alternative scenario assumes that those costs would be lower than estimated in the Base Case (i.e., the "Low-Cost Case"). These two alternative scenarios reflect changes in power supply costs, transmission costs, O&M costs, NEM load share of total Decorah load, customer programs, taxes and fees, the MEU taxable rate, going concern assumptions, legal/consulting costs under the MEU option, and a change in the frequency and magnitude of future Alliant Energy rate changes in the Alliant Energy Option. Each alternative scenario reflects changes to all of the key assumptions (i.e., in the High-Cost Case, all changes to these assumptions *increase* the costs of municipal acquisition and ownership under MEU ownership, and likewise *decrease* those costs in the Low-Cost Case, relative to the Base Case). Figure VIII-3 shows the key assumption changes by case.

Figure VIII-3: Key Scenario Assumptions

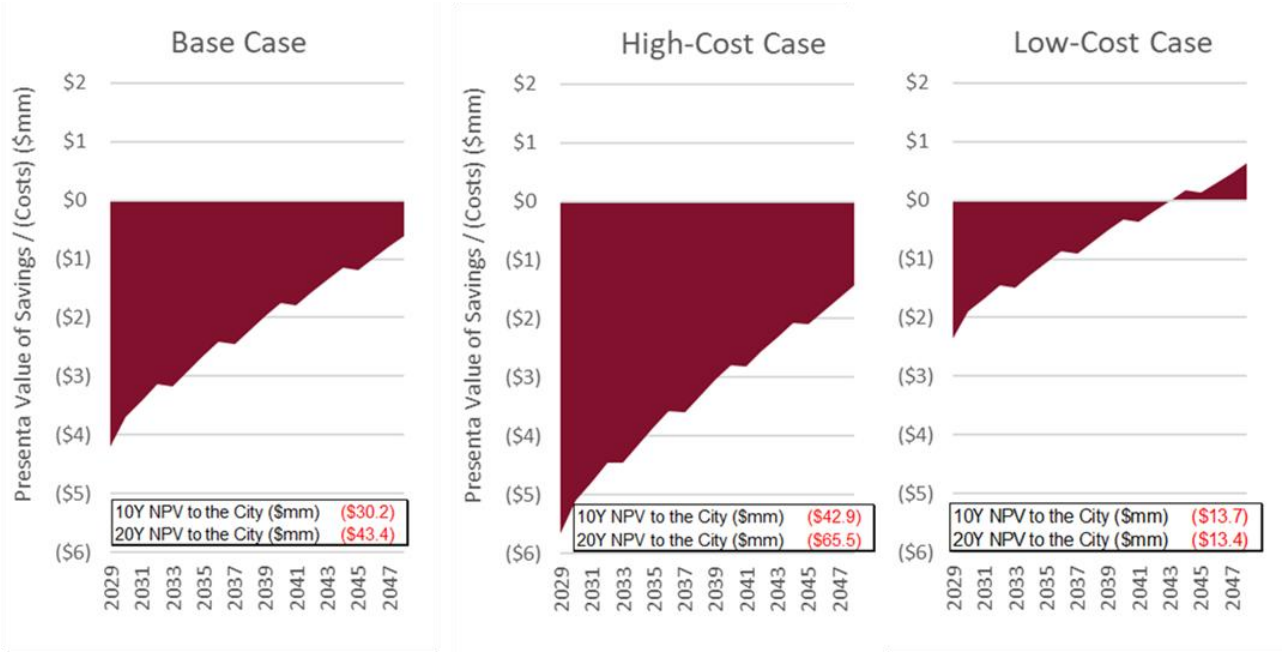
Assumption	Base Case	High-Cost Case	Low-Cost Case
MEU Power Supply Cost (%)	N/A	+10.0%	-10.0%
MEU Transmission Cost (%)	N/A	+10.0%	-10.0%
MEU Non-Fuel O&M Costs (2029$/customer)	$730	$856	$425
MEU NEM Load Share of Decorah Total Load (%)	10.0%	12.0%	8.0%
MEU Customer Programs (%)	N/A	+10.0%	-10.0%
MEU Taxes and Fees (%)	N/A	+10.0%	-10.0%
MEU Taxable Rate (%)	5.1%	5.4%	4.8%
MEU Going Concern ($M)	$6.0	$12.2	$3.3
MEU Legal/Consulting Costs ($M)	$1.00	$2.00	$0.50
MEU Flotation Costs ($M)[49]	$1.2	$1.4	$1.1
MEU Asset Buyout, Pre-MEU Capex, Separation/Reintegration, Stranded Costs	N/A	+10.0%	-10.0%
Alliant Energy $/kWh Rate Growth (%)[50]	N/A	+0.5%	-0.5%

[49] Calculated as 1.50% of remaining acquisition costs.

[50] Applied to High-Cost and Low-Cost scenarios starting in 2030, due to rate freeze provisions on base rates approved in proceeding RPU-2023-002.

Figure VIII-4 compares the assumptions utilized in the Base Case relative to the High-Cost and Low-Cost cases. Over both a 10- and 20-year period, all three cases show a negative net present value (NPV), meaning that costs to the City would be higher under City ownership over at least 20 years, relative to remaining on Alliant Energy's service. The figures below show the present value of costs or savings to the City from municipalization under the three cases. In all cases, municipalization is a net cost to the City, except in the last five years of the Low-Cost Case. The figures show the present value of the costs to the municipal utility each year over the 20-year forecast period. For example, in Year 1 of municipalization (2029), under the Base Case, the City is expected to have a net cost of municipalization (relative to remaining on Alliant Energy service) of $4.2 million, or a net cost of $5.7 million in the High-Cost Case and $2.3 million in the Low-Cost Case. The figures below discount the net costs to the City over the 20-year period to today's value. The NPV adds up the net cost or savings to the City over the period to arrive at a total NPV over 20 years of $43.4 million in the Base Case, $65.5 million in the High-Cost Case, and $13.4 million in the Low-Cost Case.

Figure VIII-4: MEU vs Alliant Energy Cost of Service Scenario Results

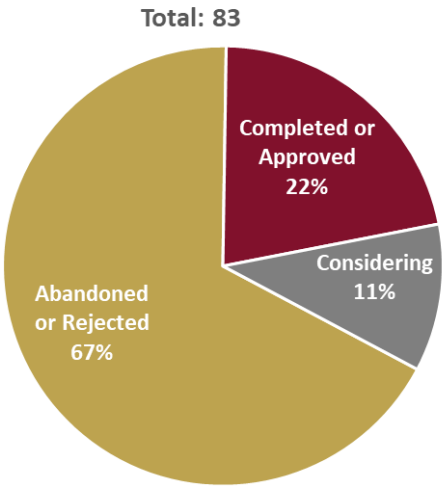


IX. Other Factors to Consider

IX. Other Factors to Consider

Municipalization over the past couple of decades has been a challenge, as shown in Figure IX-1 below. Since 2000, 83 communities have considered or are currently considering municipalization, and just 22% have municipalized, with two of those communities subsequently selling the electric utility back to the IOU.[51]

Figure IX-1: United States Municipalization Outcome Statistics (2000-2025)[52]



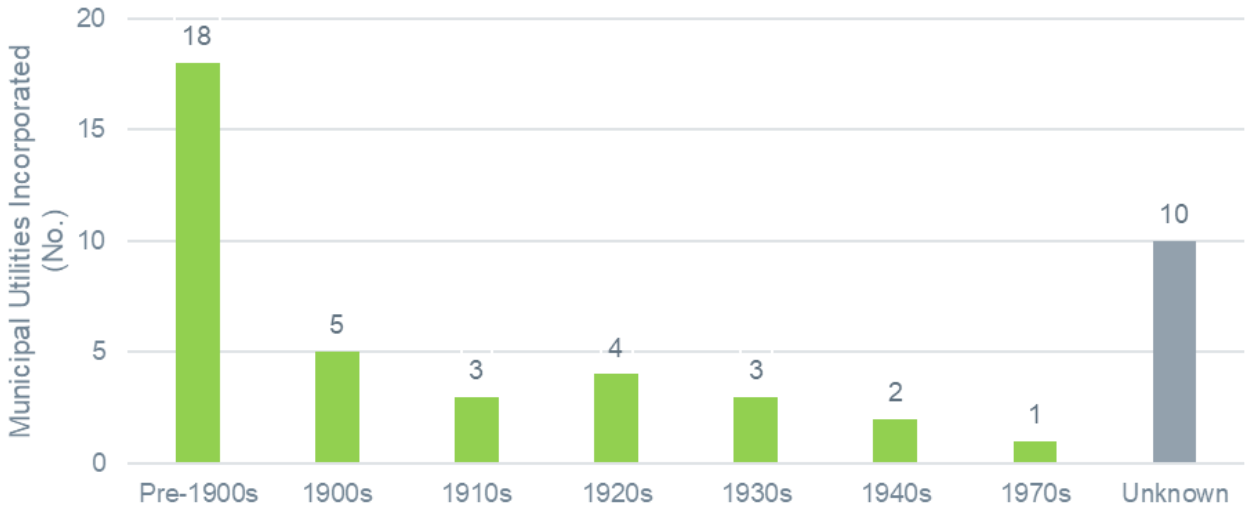
There are a number of municipalization issues, which are discussed below.

Most Existing MEUs are Long Established: The majority of the MEUs were established decades ago, often for the purpose of electrifying a new region, and were expanded over time. These legacy MEUs can have lower overall cost structures than what is achieved through the acquisition of an established IOU electric distribution system through condemnation. In Iowa, for example, there have been no new municipal electric utilities in decades. Concentric reviewed establishment years for 45 municipal utilities in Iowa that had publicly available financial statements. Of those 45, 34 (76%) were established in the 1940s or before, with approximately 40% of the municipal utilities established *before* the 1900s, as shown in Figure IX-2 below. The most recent successful municipalization effort was the City of Aurelia in 1974. MEUs long established, such as these, no longer have the initial debt burden that newly established MEUs have.

[51] The municipal utility in Hercules, CA was established in 2002 and sold back to Pacific Gas and Electric Company in 2014. Similarly, a municipal utility in Elk City, OK was established in 2004 and sold back to American Electric Power in 2010.

[52] Graphic based on data compiled by Concentric Energy Advisors.

Figure IX-2: Municipal Utilities Incorporated in Iowa by Time Period[53]



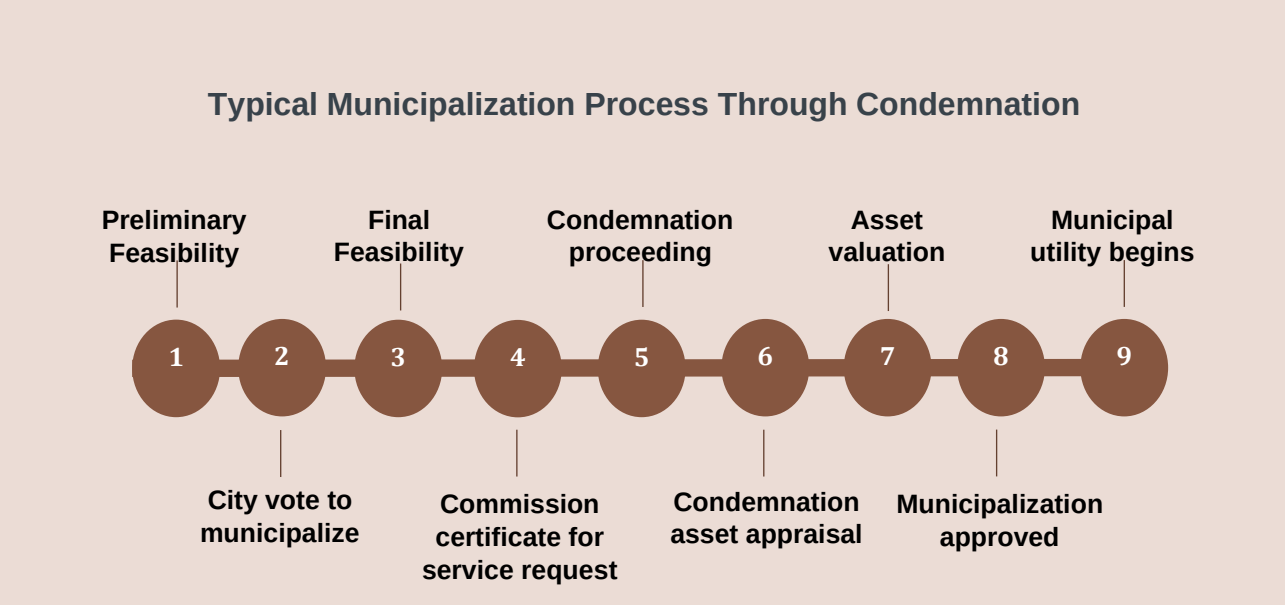
High Costs and Financial Uncertainties: Municipalization often involves a significant initial investment, with uncertainties in asset acquisition and startup expenses often overshadowing the initiative. For example, the City of Boulder, Colorado evaluated acquisition of Xcel Energy's distribution system within the city for a decade and a half, before halting the effort, after the City spent *over $10 million* in legal and consulting fees to municipalize.[54]

Economies of Scale and Access to Capital: Differences in the underlying cost structure between investor-owned utilities ("IOUs") and newly formed MEUs can affect the rates and available services to be provided by a MEU. Further, IOUs are often able to leverage economies of scale in operations to provide cost savings, address grid modernization efforts and cybersecurity threats, and have the ability to diversify risk across a broad customer base. MEUs are often unable to operate and manage the MEU at a similar cost structure, including the costs associated with storms and other one-time events, which can result in unanticipated rate increases borne entirely by the community. The average size of MEUs, which often serve a small, local community, is much smaller than that of the average IOU. By contrast, customers of larger IOUs such as Alliant Energy benefit from economies of scale in power purchases and other utility expenditures. Further, IOUs typically have greater access to capital to address grid infrastructure upgrades. For example, Alliant Energy invested $4 million in battery storage to support the system to enable further solar growth.

53 Graphic based on data compiled by Concentric Energy Advisors.

54 Meltzer, Erica. "Boulder's spending on municipal utility tops $10 million." March 5, 2016. Available at: https://www.dailycamera.com/2016/03/05/boulders-spending-on-municipal-utility-tops-10-million/

Lengthy Process: The lengthy process of municipalization can result in escalating acquisition and transaction costs, with the length of some efforts exceeding a decade. In addition, the actual costs of municipalization often exceed initial estimates, as acquisition costs for the system are refined throughout the municipalization process.



Oversight: There are significant differences in oversight between the two alternatives as it relates to oversight of customer service, pricing, key decisions, and other matters. Alliant Energy is regulated by the IUC with its staff of attorneys, economists, accountants, and engineers, who oversee quality of service, work with the utility to establish fair rates, and hold the utility accountable for large capital projects, expansion, and reliable service. The City will need to establish a governance organization to serve this same function in addressing key decisions and oversight of the quality of service provided by the municipal electric utility.