

Municipalization Preliminary Feasibility Study

City of Decorah, Iowa

February 5, 2025

PREPARED FOR

Alliant Energy



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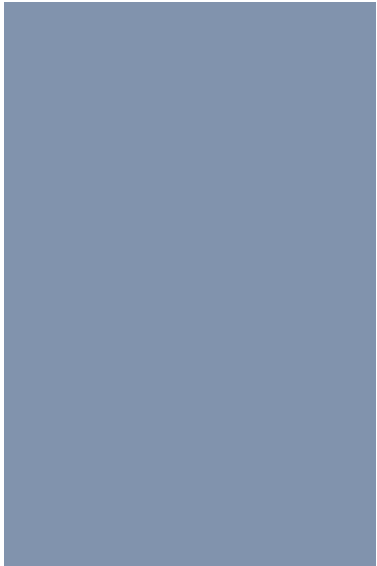
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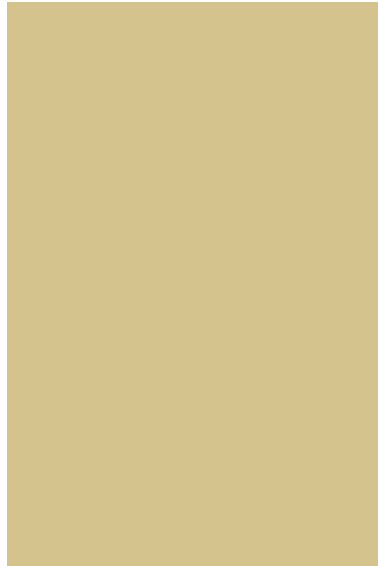
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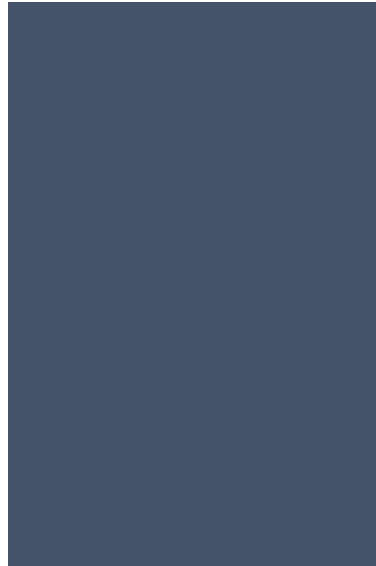
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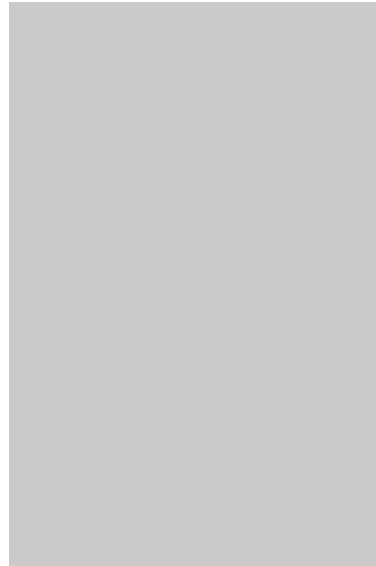
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Executive Summary

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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.

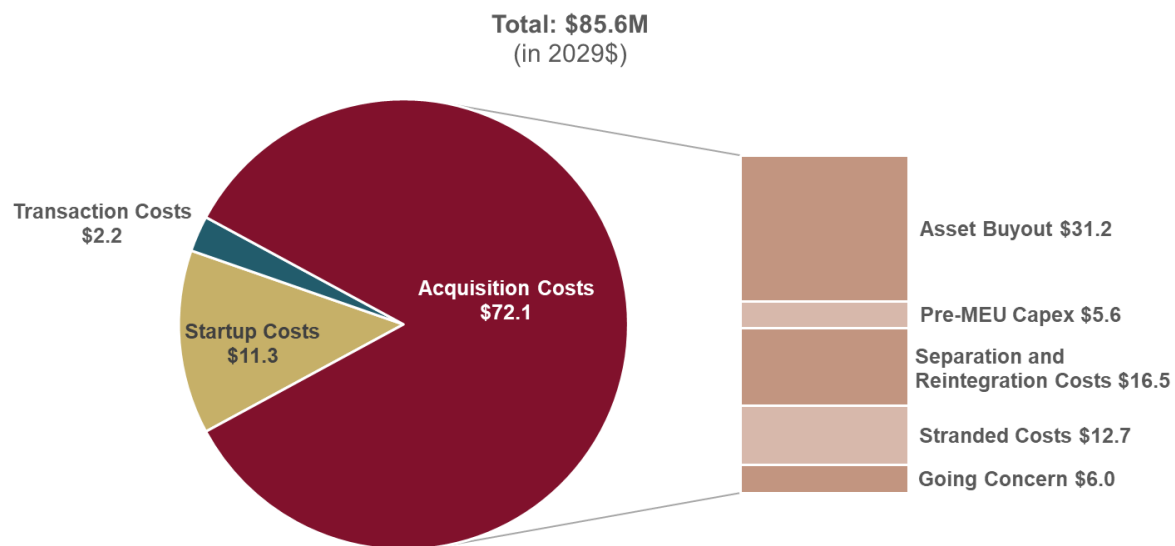
The key determinants of the rates that customers can expect to pay under the two alternatives are:

- (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.

Preliminary Feasibility Study – Costs to Form a Municipal Electric Utility

The *initial* municipalization costs total \$85.6 million in 2029.

Preliminary Estimate of Initial Municipalization Costs



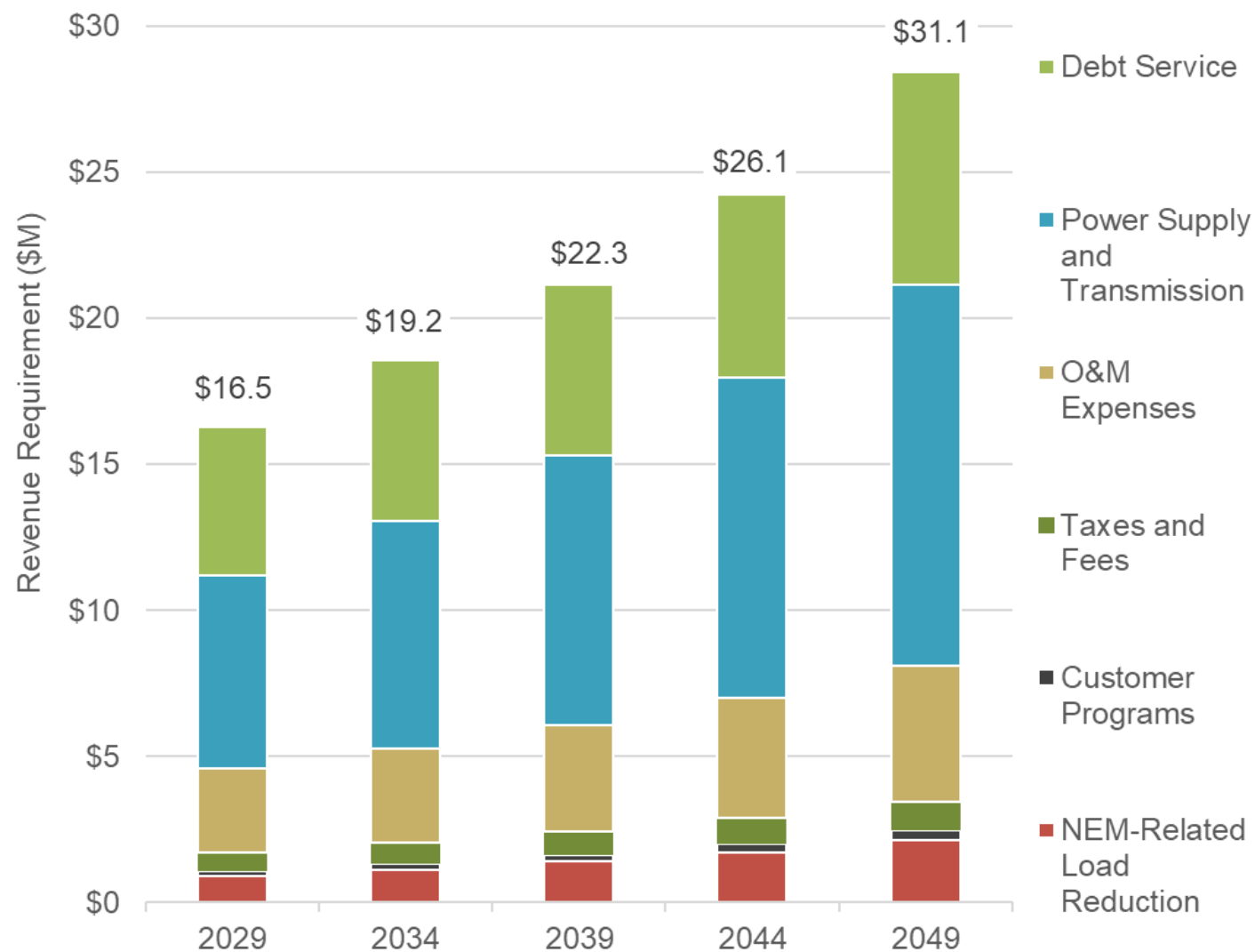
Note: Values may not sum to total due to rounding.

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.

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.

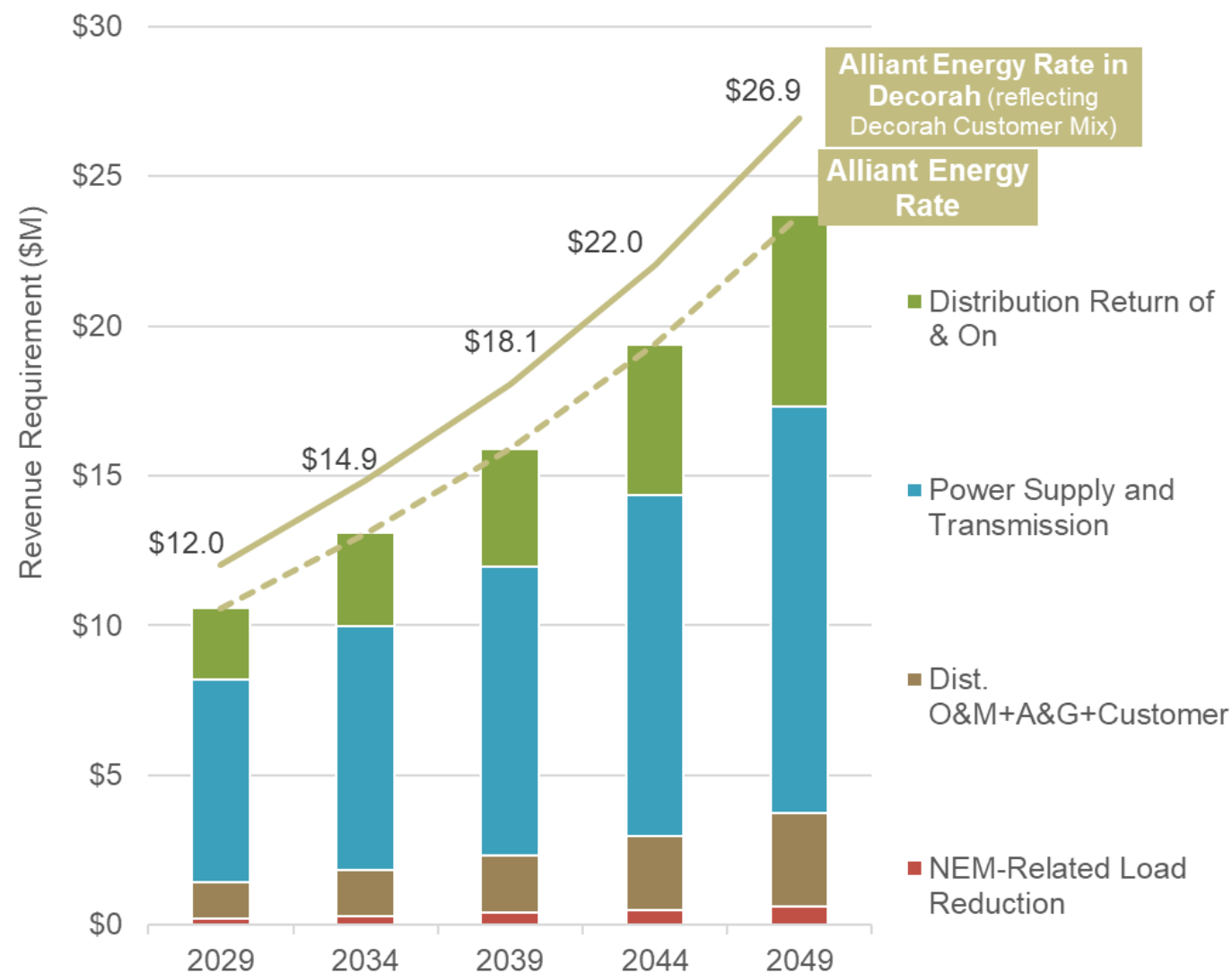
Preliminary Estimate of Ongoing Municipalization Costs



- Ongoing costs to run an 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.

Preliminary Feasibility Study – Alliant Energy Rates

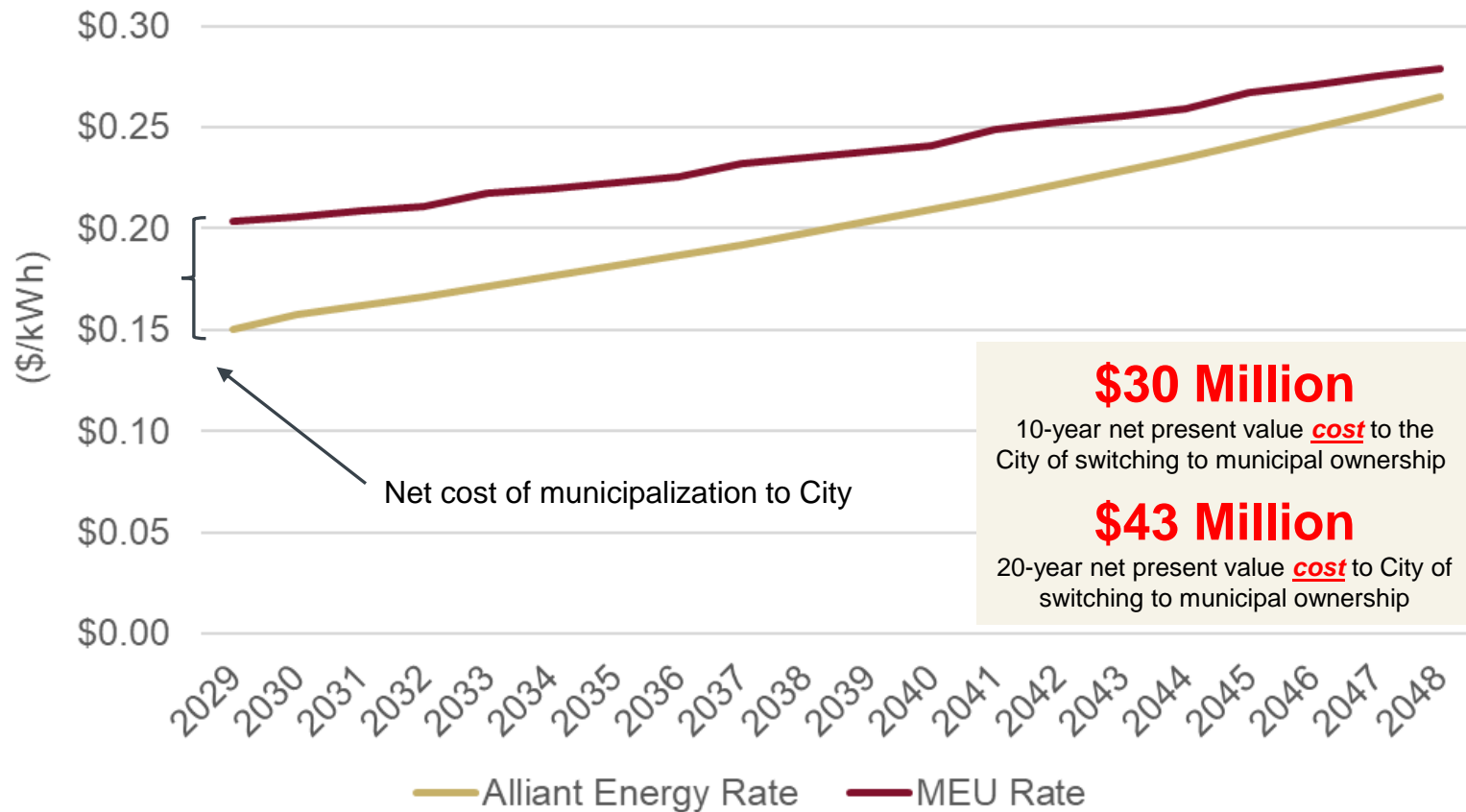
Preliminary Estimate of Alliant Energy’s Forecasted Revenue Requirement



- For comparison, Concentric developed an Alliant Energy revenue requirement buildup.
- Forecast includes five-year stay-out through 2029 on base rates.
- Forecasting Alliant Energy’s revenue requirement results in an estimate of \$12.0 million in 2029, escalating to \$26.9 million in 2049.

Preliminary Feasibility Study – MEU vs Alliant Energy Rates

Preliminary Estimate of MEU vs Alliant Energy “All-In” Rates

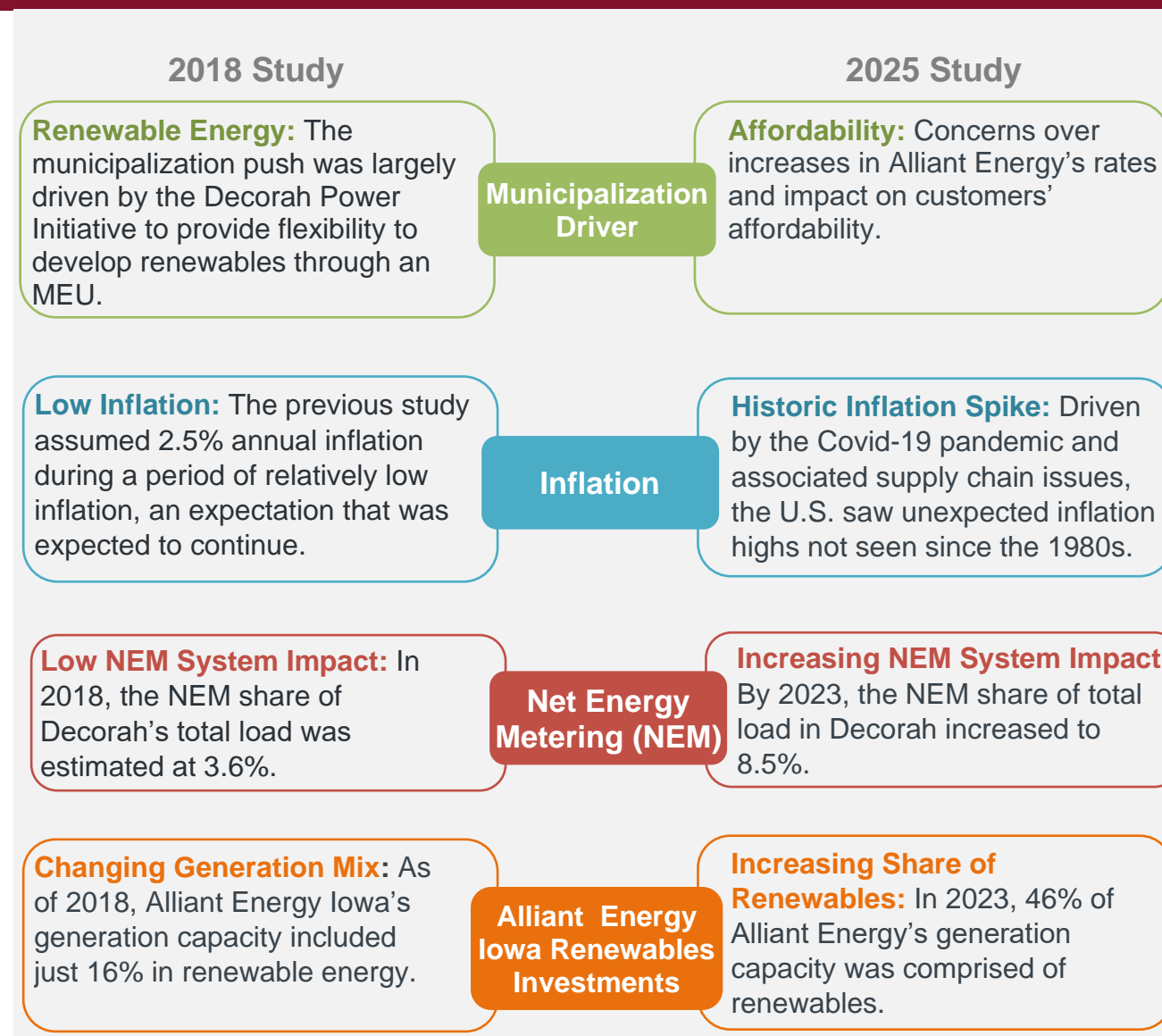


- MEU rates are expected to exceed those of Alliant Energy by \$0.05/kilowatt-hour (“kWh”) in 2029.
- The rates under the City are projected to continue to be higher than the Alliant Energy rates throughout the 20 years of the Forecast Period.
- The results indicate that municipalization would result in a substantial *net economic detriment* to Decorah, relative to remaining on Alliant Energy service.
- Of note, over a 20-year period, the MEU rates are expected to remain above those of Alliant Energy.

Introduction and Background

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Changes Since the 2018 Study



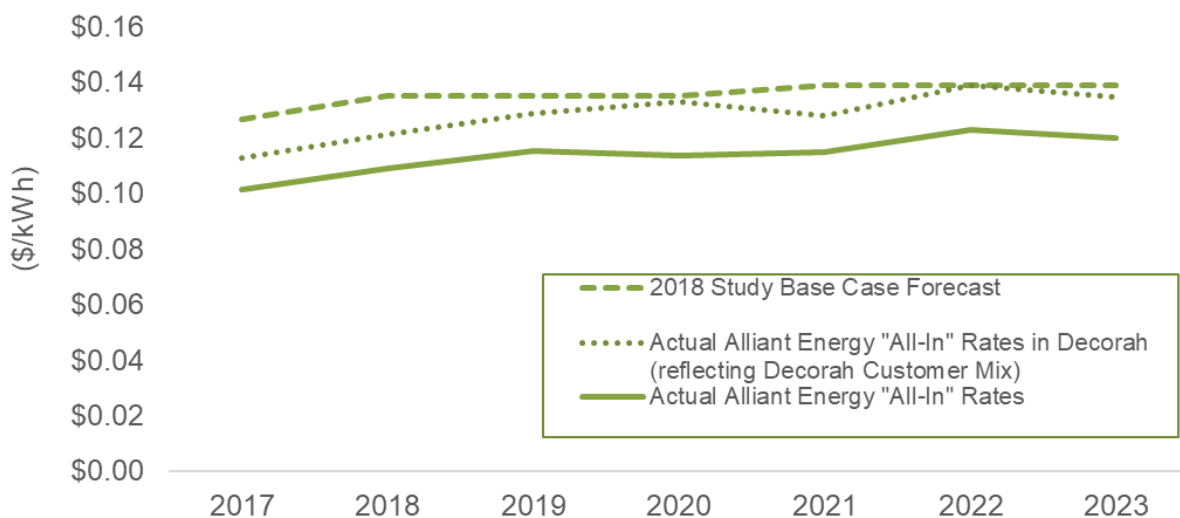
Note: Net energy metering, or NEM, is a measure of commercial or domestic load that is served by on-site solar or other renewable installations. When generating more electricity than the site is using, the system “sells back” energy to the utility. When the generation is not sufficient to serve the needed electricity at the site, the facility will need 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.

Changes Since the 2018 Study (Cont.)

Municipalization Driver: Affordability

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.

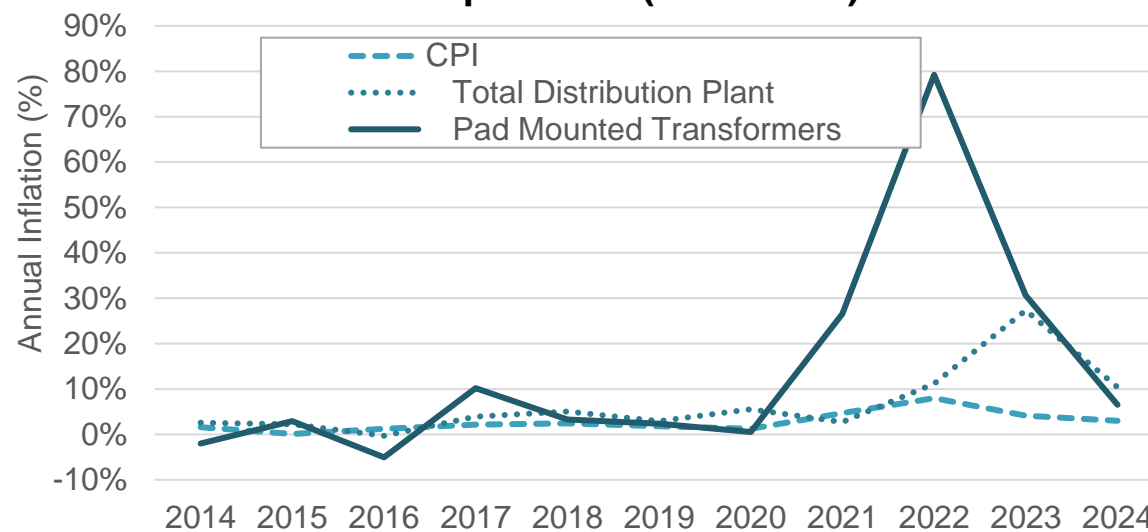
Average Alliant Energy "All-In" Electric Rates in Iowa



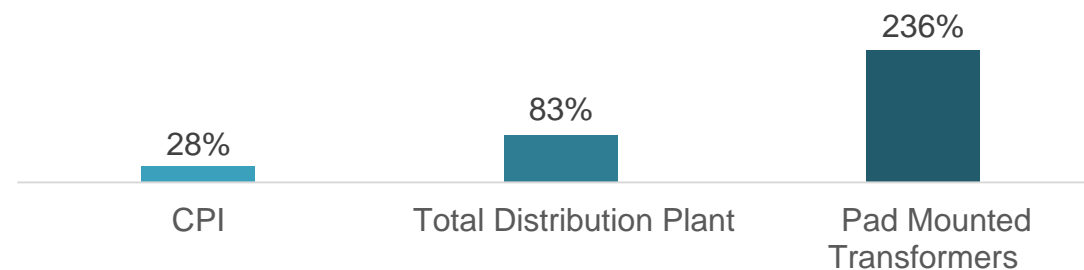
Inflation:

Since the 2018 Study, inflation rose to levels not seen since the 1980s due to the Covid-19 pandemic and subsequent supply chain constraints

Inflation Comparisons (2014-2024)



Cumulative Inflation (Jul. 2017 – Jul. 2024)



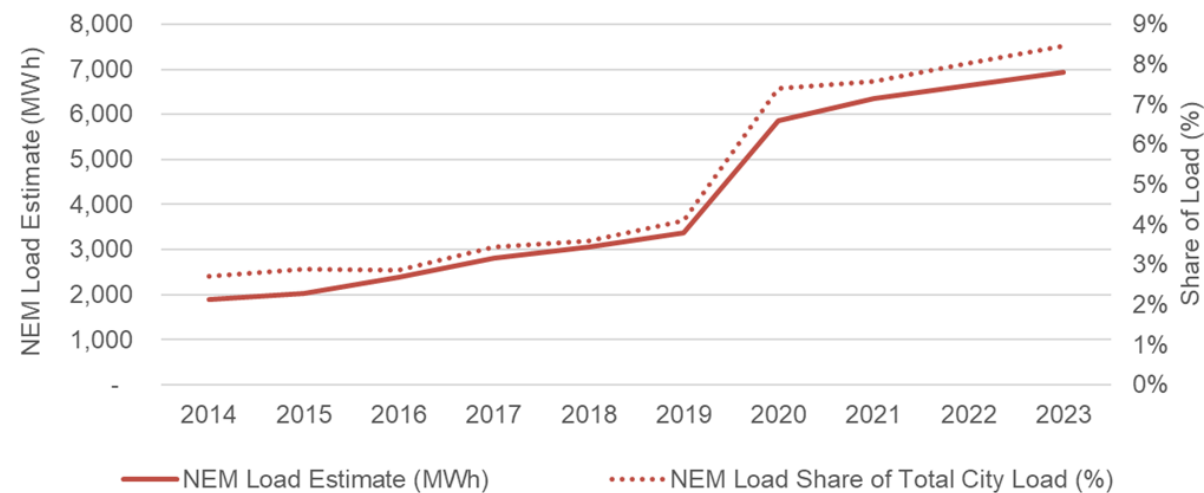
Changes Since the 2018 Study (Cont.)

NEM Cost Shifts

Estimated load share for Decorah’s NEM customers grew from 3.6% in 2018 to 8.5% in 2023, compared to Alliant Energy Iowa’s average NEM load share of 1.6% in 2023.

This means that 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

NEM Growth (2014-2023)



Alliant Energy Iowa Renewables Investment

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. This trend is in line with the City of Decorah’s continued focus on clean energy.

Alliant Energy Iowa Historical and Forecast Generation Capacity

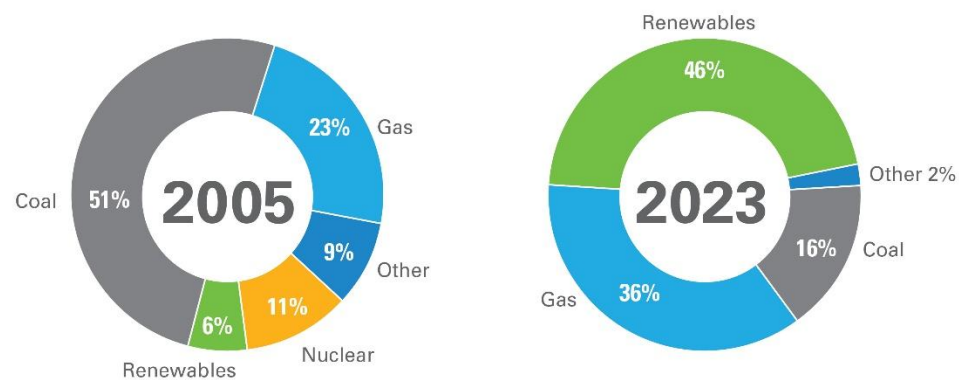


Chart percentages reflect approximate electricity generation capacity in megawatts (MW) determined from owned electric generation resources and various purchase power agreements (PPAs). This includes utility fixed-term contracts, Alliant Energy® renewable programs (Customer-Hosted Renewables, Community 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.

Feasibility Study

03

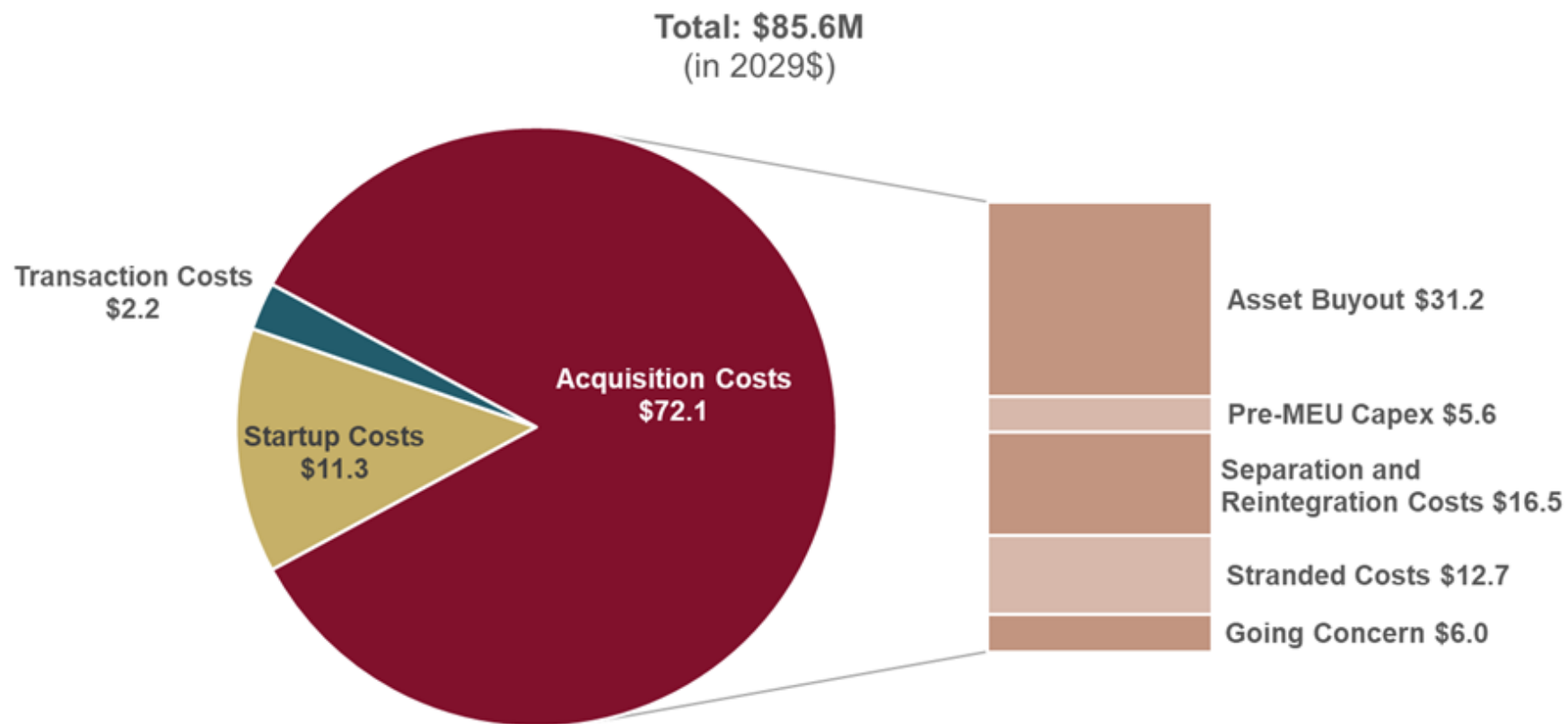
Decorah Projected Costs to Form an Electric Utility

Decorah Projected Costs to Operate an Electric Utility

Forecast of Alliant Energy's Revenue Requirement and Rates

Preliminary Feasibility Study Results

Preliminary Estimate of Initial Municipalization Costs



- 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.*

* 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/>

Note: Values may not sum to total due to rounding.

Decorah Projected Costs to Form an Electric Utility

Preliminary Estimate of Distribution System Assets

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

- 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 (i.e., the cost estimate to construct a new system today).
- 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.
- Concentric also compared the RCNLD estimate to an interpolated estimate of the 2018 Study value of \$20.0 million, escalated to 2029 dollars, based on the Handy Whitman Index Cost Trends of Electric Utility Construction in the North Central Region for Total Distribution (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.

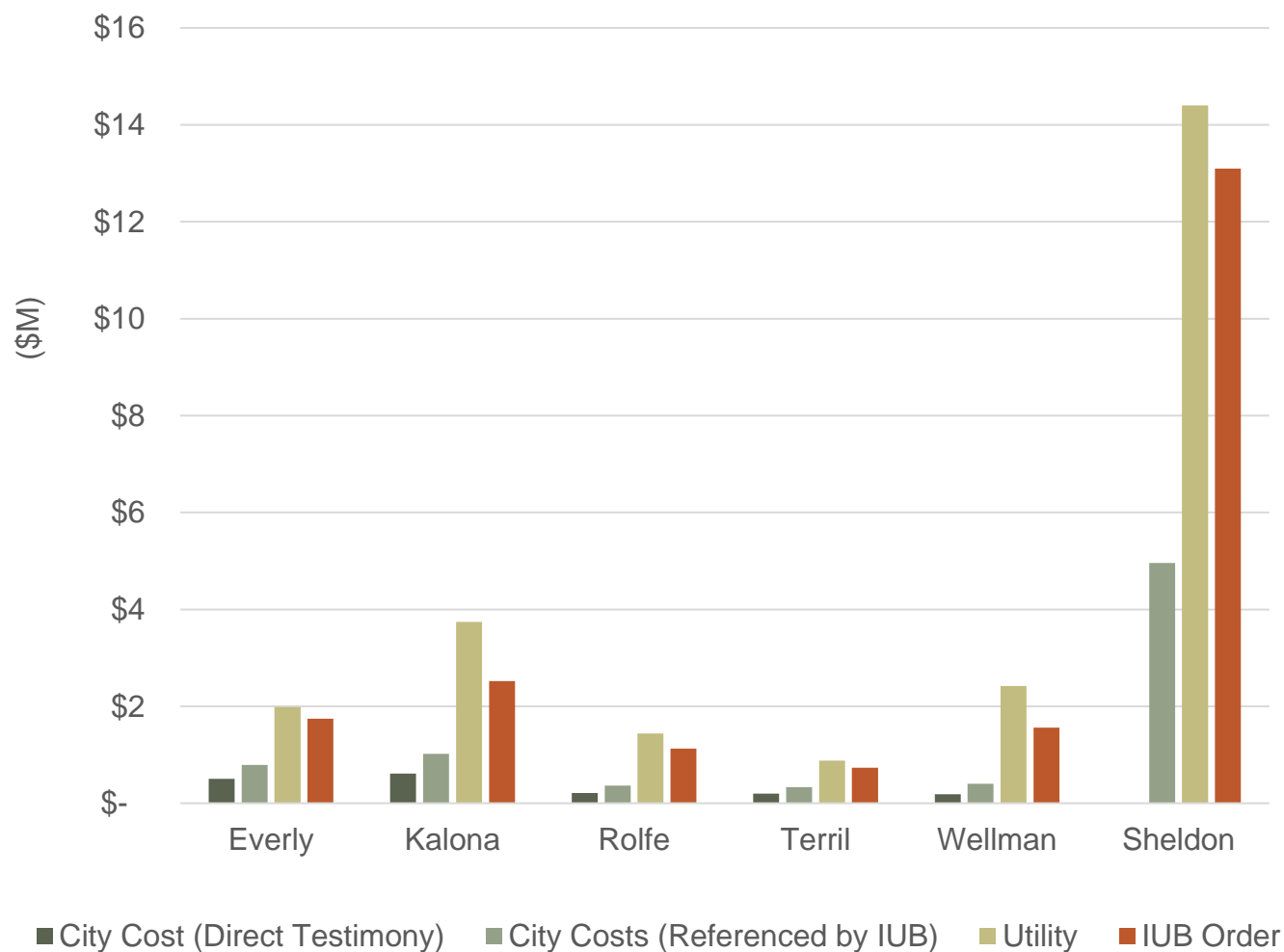
Decorah Projected Costs to Form an Electric Utility

Preliminary Estimate of Acquisition Costs



- **Pre-MEU Capex:** incremental capital investment is intended to reflect the capital additions that take place until the expected acquisition date (3.58% of asset value annually, based on current depreciation study rates).
- **Separation & Reintegration:** costs incurred to physically separate the municipal system from Alliant Energy’s integrated transmission and distribution system network and reintegration costs to reconnect existing Alliant Energy customers after separation.
- **Stranded Costs:** 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 (including the operations center and battery).
- **Going Concern:** the incremental value attributable to the fact that the assets sold by Alliant Energy to Decorah recognizes that the value of the business being acquired by Decorah is greater than a collection of physical assets.

Comparison of Valuation Estimates in Previous Municipalization Cases in Iowa



- Concentric’s methodology is consistent with IUC Precedent.
- In the most recent municipalization case attempt (including the cities of Everly, Kalona, Rolfe, Terril, and Wellman), the IUC determined in 2008 that the asset buyout and reintegration costs averaged approximately 76% of the utility’s estimate.
- Previously, in 1990, the IUC also determined the asset buyout, reintegration, and stranded costs totaled approximately 91% of the utility’s estimate.
- Note that the City of Sheldon had an electric customer count of approximately 2,280 in 1988 when it filed its case, or just 60% of the City of Decorah’s current customer counts on Alliant Energy’s electric service. In the Sheldon Order (1990), the IUC valued the asset buyout, reintegration, and stranded costs at \$13.1 million, which is estimated at \$62.0 million in 2024 dollars.¹

¹ Based on the Hand Whitman Index Cost Trends of Electric Utility Construction Total Distribution Plant Index category in the North Central Region. © 2025 Concentric Energy Advisors, Inc. All Rights Reserved

Decorah Projected Costs to Form an Electric Utility

Preliminary Estimate of Startup Costs

Startup Costs	(2029\$M)
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

- The City will also incur certain one-time startup costs that are necessary to operate the newly formed municipal electric utility.
- The total startup costs are estimated to be approximately \$11.3 million in 2029.

Preliminary Estimate of Transaction Costs

Transaction Costs	(2029\$M)
Legal/Consulting Costs	\$1.0
Flotation Costs	\$1.2
Total	\$2.2

- The City will incur legal, consulting, and financing costs to pursue the condemnation process and close the transaction.
- Legal and consulting costs are estimated to be \$1.0 million.
- Concentric estimated that financing or underwriting fees (known as flotation costs) would be approximately 1.5% percent of the borrowed amount, or \$1.2 million.

Decorah Projected Costs to Form an Electric Utility

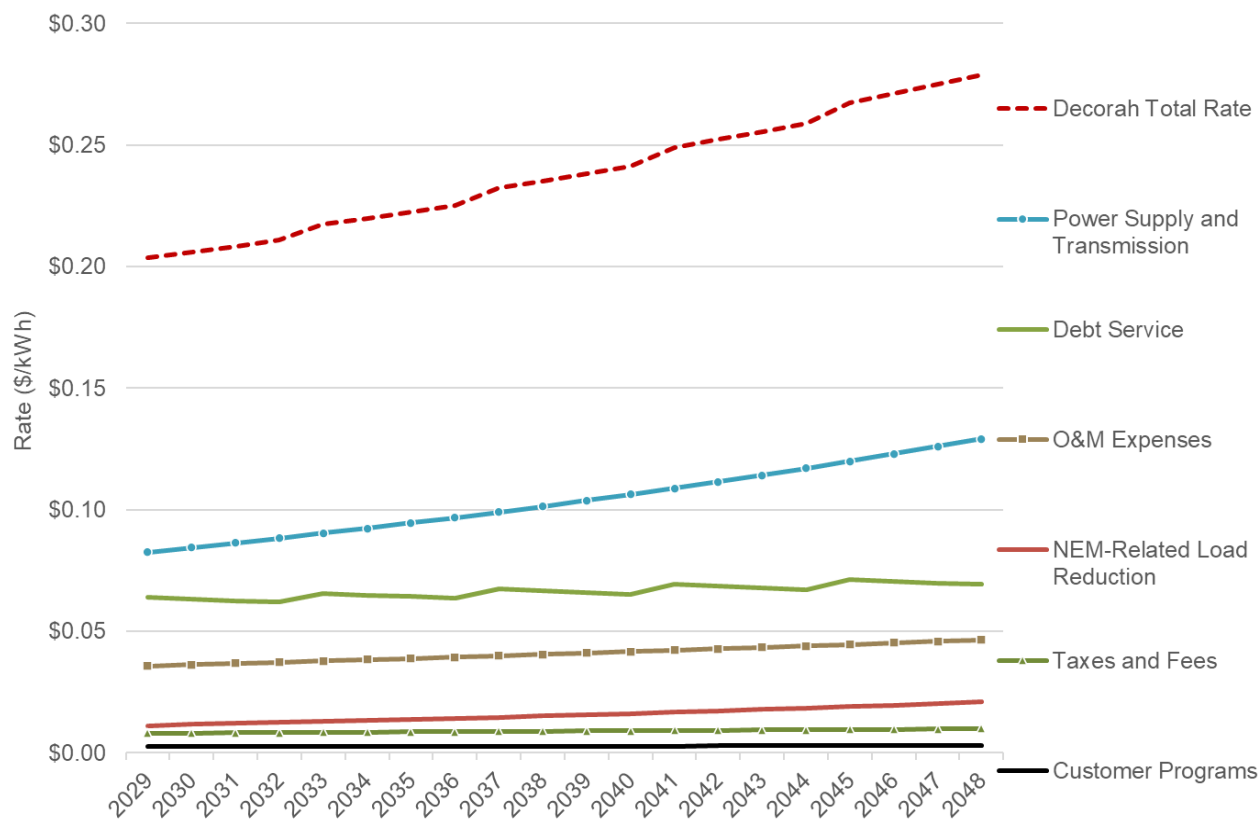
Decorah Projected Costs to Operate an Electric Utility

Forecast of Alliant Energy's Revenue Requirement and Rates

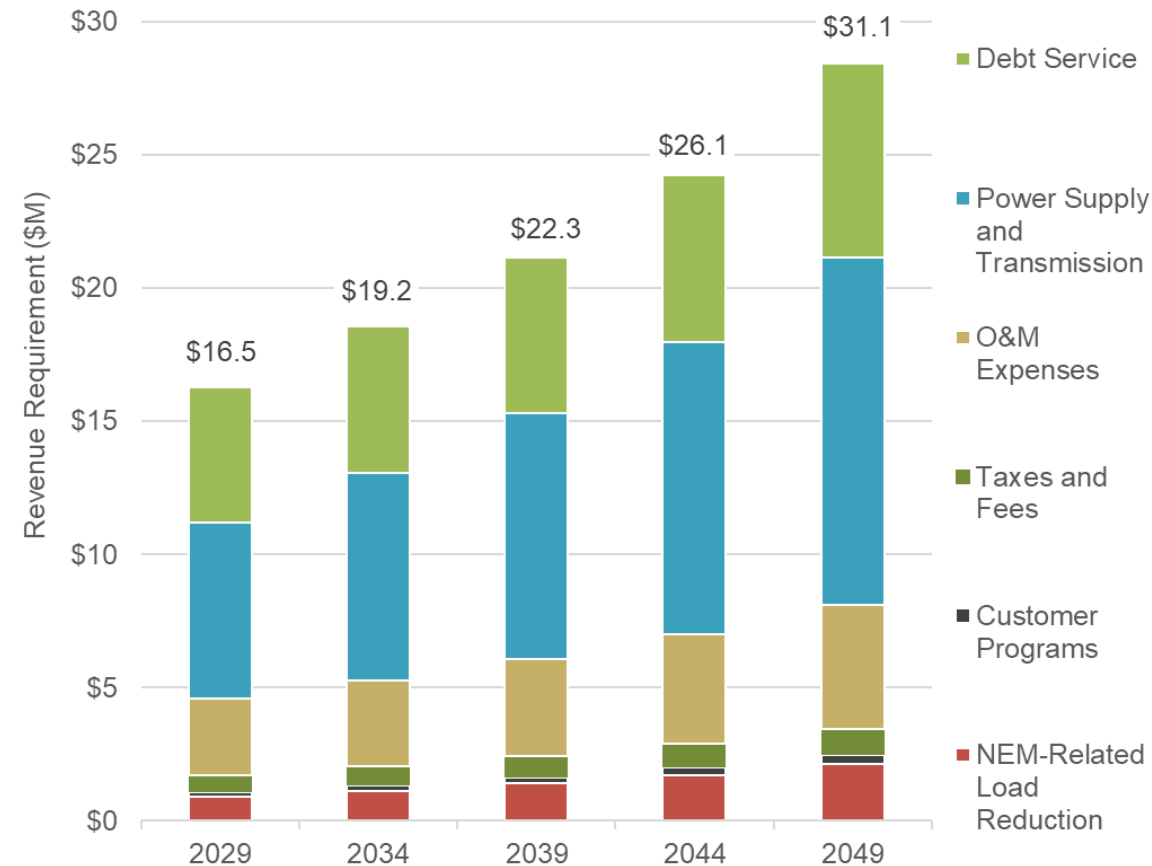
Preliminary Feasibility Study Results

Preliminary Estimate of Ongoing Municipalization Costs

“All-In” Rate (\$/kWh)



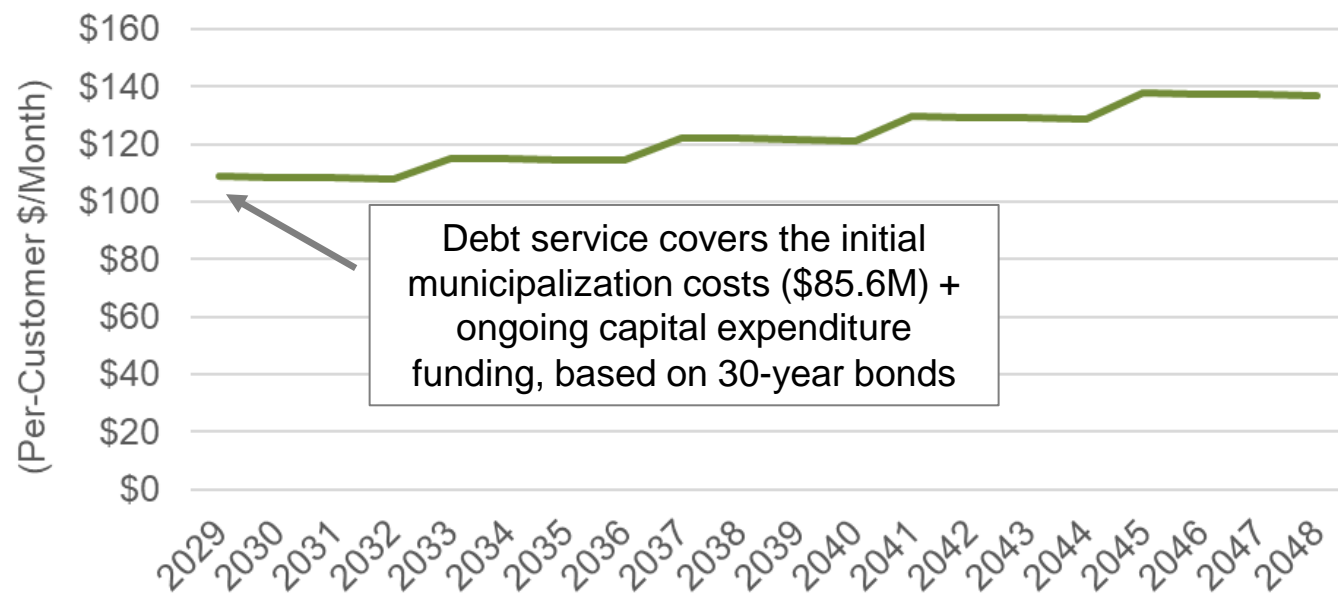
Revenue Requirement (\$M)



- Ongoing costs to run an 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.
- Concentric based the Decorah load forecast on the 1.06% annual compounded annual growth seen between 2014 and 2023, estimated at 80,000 MWh in 2029.

Decorah Projected Costs to Operate an Electric Utility

Preliminary Debt Service Monthly Customer Charge through Municipalization



Tax Exempt and Taxable Municipal Bond Yields

Bond Rate Assumptions	2025 Study	2018 Study
Tax Exempt Bond Rate (%)	3.9%	4.5%
Taxable Bond Rate (%)	4.8% to 5.4%	6.0%

- **Initial Borrowing Amount (\$85.6M):** The City will need to raise debt capital sufficient to fund acquisition costs (\$85.6 million in initial municipalization costs), as well as ongoing periodic funding for capital expenditures.
 - **Taxable Debt (\$36.8M):** The City will be required to finance the acquisition of utility property (i.e., \$36.8 million of the acquisition costs) with *taxable* revenue bonds due to a federal law prohibiting the use of tax-exempt debt to finance the acquisition of utility property from an investor-owned utility.
 - **Tax-Exempt Debt (\$48.8M):** 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.
- **Ongoing Capital:** Concentric assumed that the capital replacement program would be based on the depreciation rate of the assets.
- **Per-Customer:** Debt service costs alone are estimated at \$109 per customer per month. This is a significant cost to Decorah’s customers, and is expected to contribute to rate escalation above Alliant Energy’s rates going forward.

Decorah Projected Costs to Operate an Electric Utility

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

- **Power:** Replacement purchased power is one of the largest components of the revenue requirement for any electric utility. Some Decorah residents have expressed interest in working with MiEnergy to provide distribution system services for the municipal electric utility. Thus, estimated power supply costs are based on MiEnergy’s historical cost of purchased power.
- **Transmission:** 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.

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

- **Distribution:** Several data sources were evaluated to estimate non-fuel distribution operating expenses for a municipal electric utility in Decorah. 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
 3. MiEnergy’s 2023 Annual Report

Decorah Projected Costs to Operate an Electric Utility

Preliminary Estimate of Taxes and Fees

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

- As a private corporation, Alliant Energy pays property taxes on the assessed value of its assets located in Decorah.
- 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.
- 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.

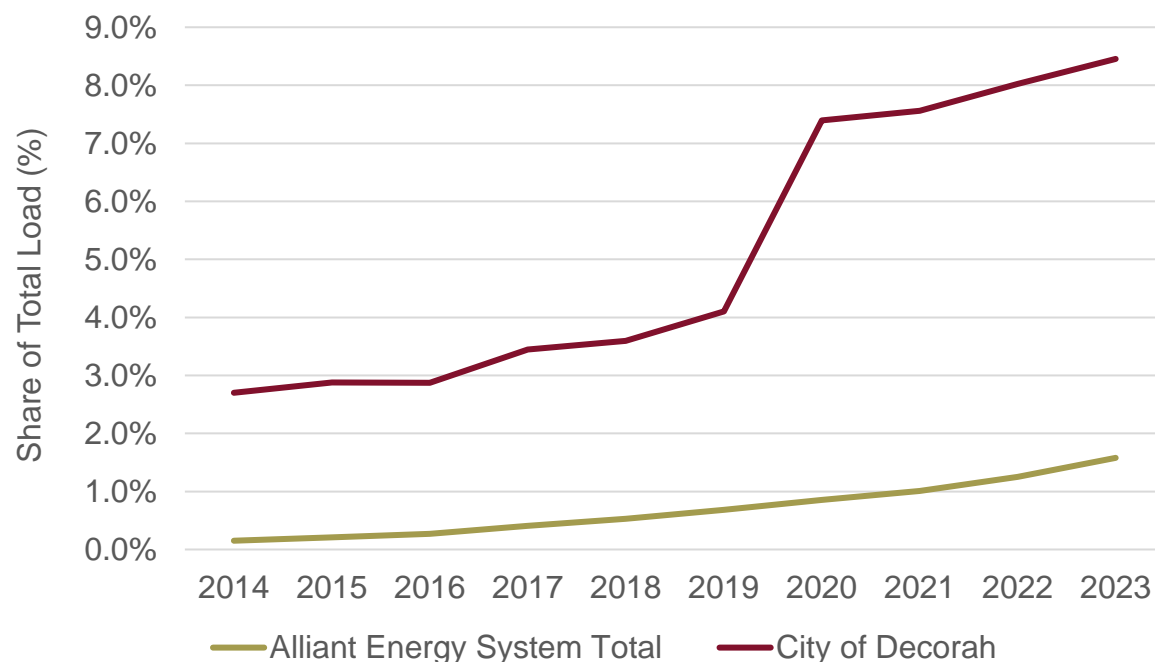
Preliminary Estimate Customer Program Costs

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

- 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.
- To calculate energy assistance, based on Alliant Energy information, the Company receives \$2 million at the corporate level to provide energy assistance. Concentric calculated energy assistance program costs in Decorah of \$7,724 in 2023. Concentric then escalated this amount by 2.2% annual inflation over the forecast period.

Decorah Projected Costs to Operate an Electric Utility

Preliminary Estimate of NEM-Related Load Reduction

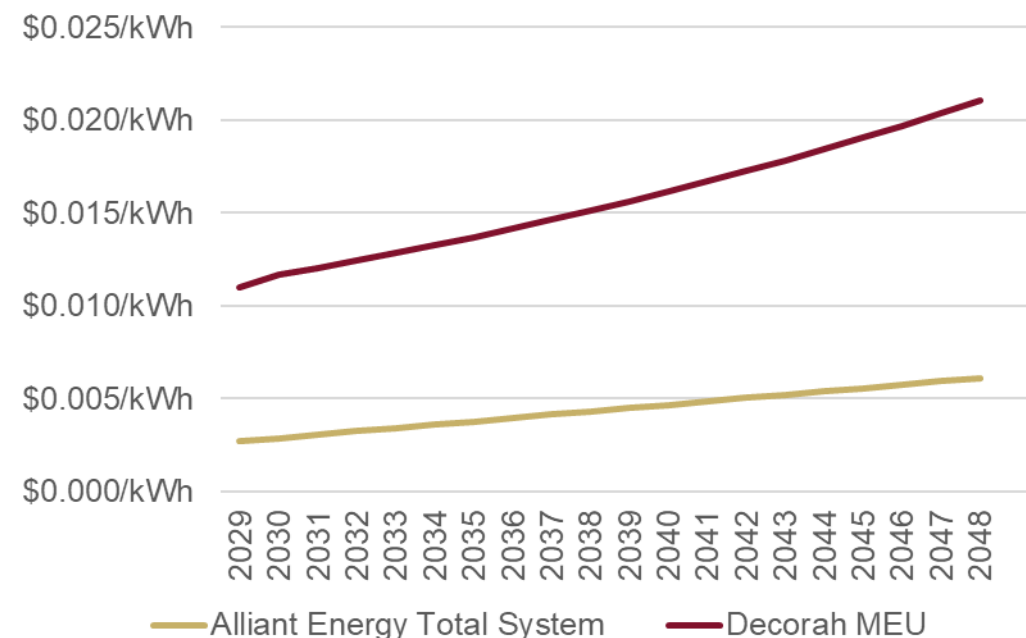


- The penetration of NEM solar systems in Decorah are much higher than the Alliant Energy system average.
- If Decorah were a state, it would have ranked 4th in NEM penetration in 2023*.

2023 NEM Generation as Share of Total Load		State Rank
Hawaii	16.2%	1
California	13.3%	2
Arizona	9.0%	3
City of Decorah	8.5%	4
Rhode Island	8.4%	5
Massachusetts	7.8%	6

* NEM data from 2023 EIA Form 861

Comparison of NEM on Average Rates



- The impact of NEM credits on Decorah rates will be much larger due to the smaller customer base.

Average Variable Rate	\$0.143/kWh
- <u>Avoided Energy</u>	<u>(\$0.033)/kWh</u>
= Net NEM Credit	\$0.110/kWh
<u>x Decorah NEM Generation</u>	<u>8,004,056 kWh</u>
= Total Credits	\$880,446
<u>÷ Decorah Net Sales</u>	<u>80,040,562</u>
NEM Rate Impact	\$0.011/kWh

Decorah Projected Costs to Form an Electric Utility

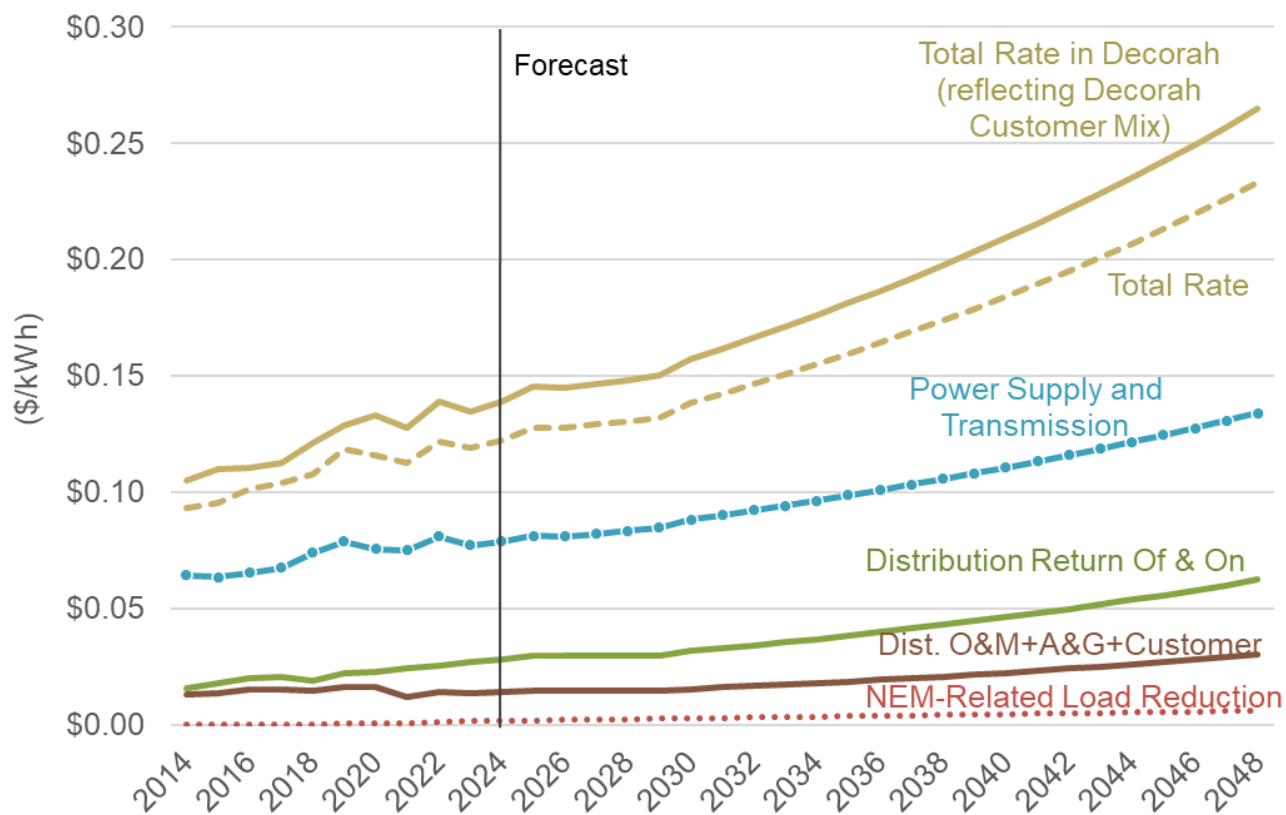
Decorah Projected Costs to Operate an Electric Utility

Forecast of Alliant Energy's Revenue Requirement and Rates

Preliminary Feasibility Study Results

Forecast of Alliant Energy's Revenue Requirement and Rates

Preliminary Estimate of Alliant Energy's "All-In" Rates

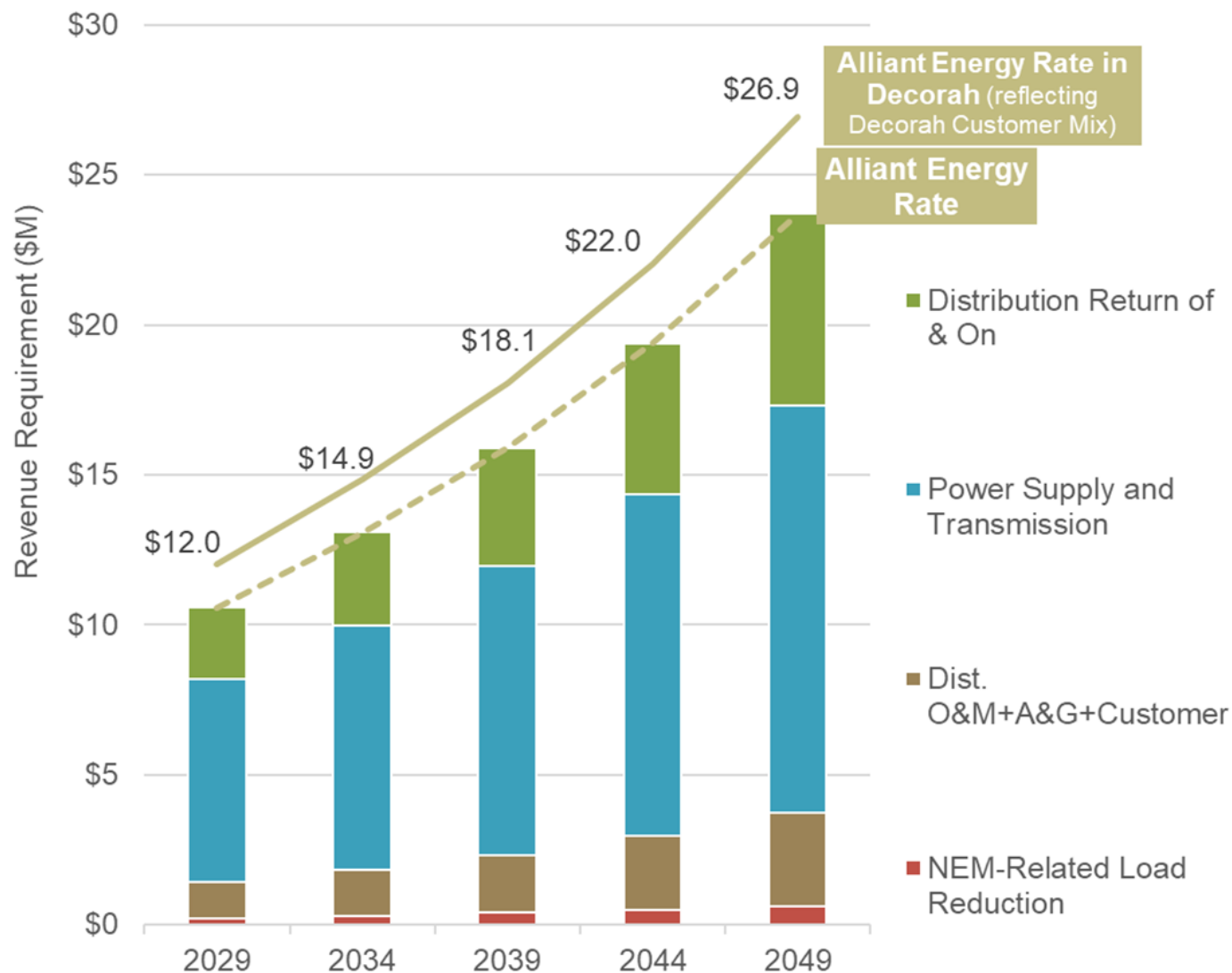


Importantly, this chart does not indicate that Alliant Energy's customers within Decorah pay higher rates than in other Alliant Energy jurisdictions. Rather, this simply reflects the different customer usage patterns in Decorah, relative to the Alliant Energy system average (i.e., higher residential customer share of total customers in Decorah).

- Concentric calculated the functionalized rates for Alliant Energy from 2014 to 2023 into functionalized rate categories (generation capacity, fuel and purchased power, transmission, distribution, and administrative and general categories), as well as developing an estimate for NEM-related load reduction, based on the estimated NEM-related load assumed for the City Option.
- Concentric utilized annual data from FERC Form 1 to disaggregate total cost into their functional categories.
- Alliant Energy system-wide annual sales volumes, which 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, and kept base rates were frozen through 2029.
- 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.
- Concentric adjusted the forecast to reflect Decorah's customer mix and usage patterns (i.e., the City generally has less industrial load than the Alliant Energy system average), so on a \$/kWh, Decorah's rates are slightly above the system average (13.6% higher than system average for 2021-2023, which was applied to the forecast).

Forecast of Alliant Energy's Revenue Requirement and Rates

Preliminary Estimate of Alliant Energy's Revenue Requirement



- Applying the same approach taken to estimate the Decorah load forecast for the MEU, Concentric based the Decorah load forecast on the 1.06% annual compounded annual growth seen between 2014 and 2023. Decorah load is estimated to total 80,000 MWh in 2029.
- 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, growing to \$26.9 million in 2049.

Decorah Projected Costs to Form an Electric Utility

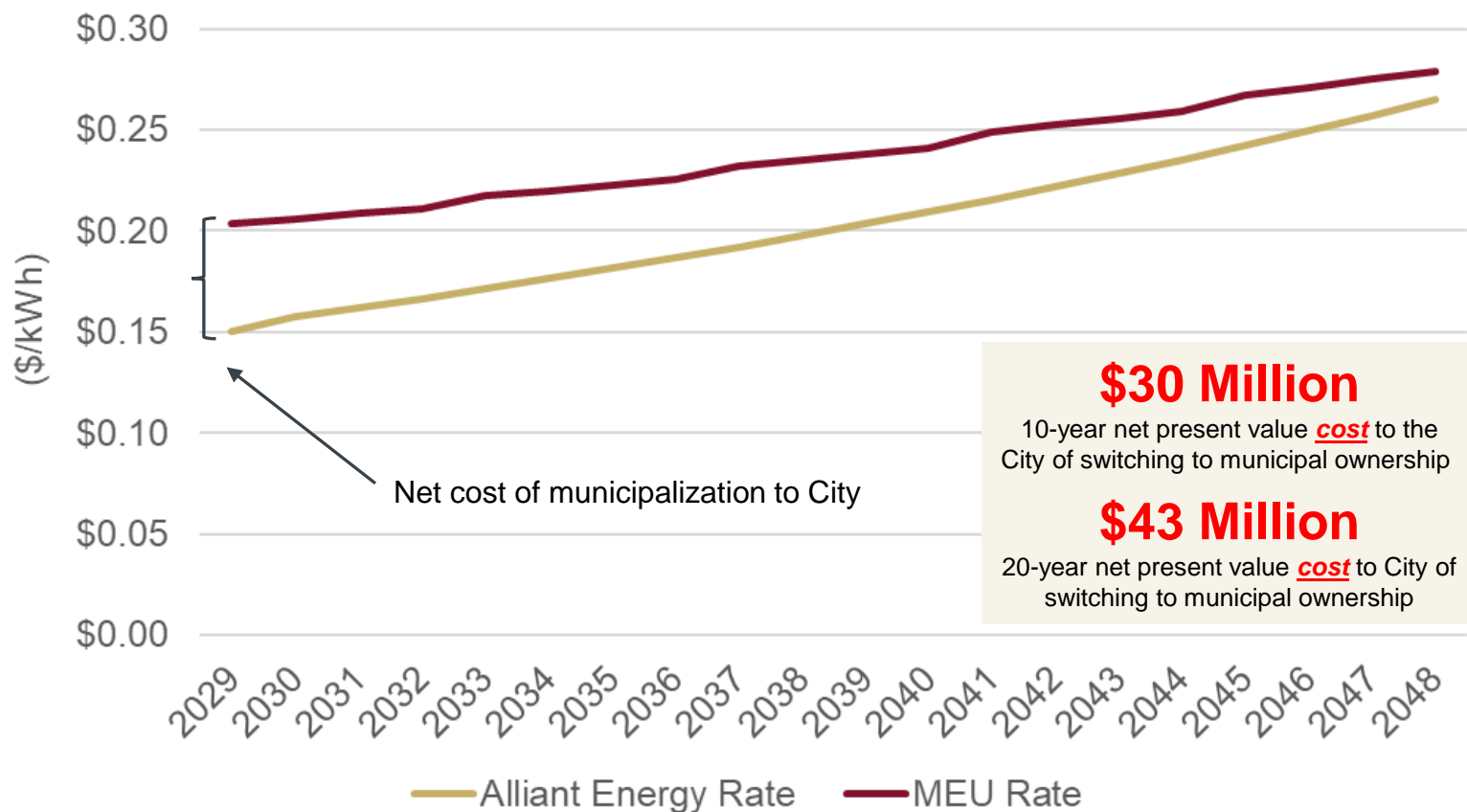
Decorah Projected Costs to Operate an Electric Utility

Forecast of Alliant Energy's Revenue Requirement and Rates

Preliminary Feasibility Study Results

Preliminary Feasibility Study Results

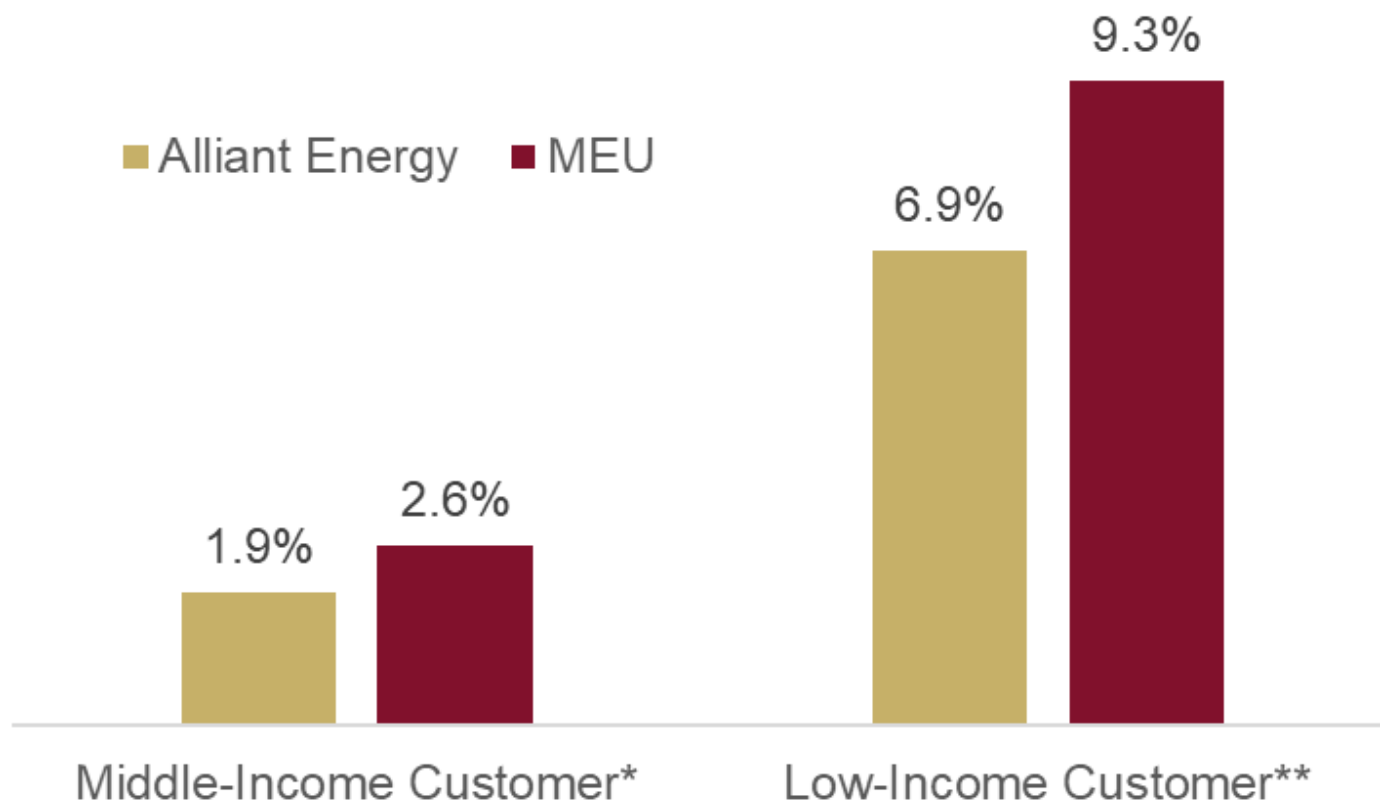
Preliminary Estimate of MEU vs Alliant Energy “All-In” Rates



Of note, over a 20-year period, the MEU rates are expected to remain above those of Alliant Energy.

- MEU rates are expected to exceed those of Alliant Energy by over \$0.05/kWh in 2029.
- 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.

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



- Affordability is increasingly a concern, particularly among low-income customers.
- 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).
- While middle-income 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.

* 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.

Sensitivity Cases

04

Scenario Assumptions

Key Scenario Assumptions

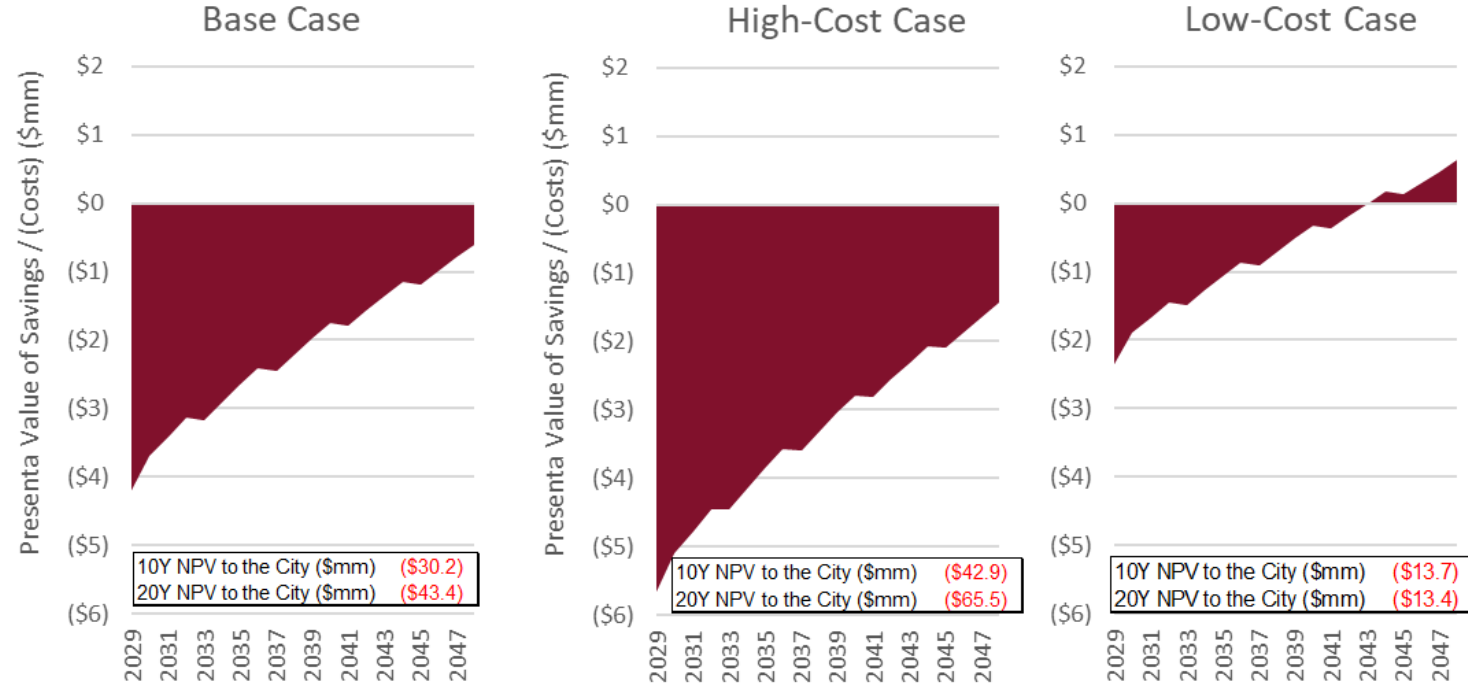
Assumption	Base Case	High-Cost Case	Low-Cost Case
MEU Power Supply Cost (%)	N/A	+10.0%	-10.0%
MEU Transmission Cost (%)	N/A	+10.0%	-10.0%
MEU Non-Fuel O&M Costs (2029\$/customer)	\$730	\$856	\$425
MEU NEM Load Share of Decorah Total Load (%)	10.0%	12.0%	8.0%
MEU Customer Programs (%)	N/A	+10.0%	-10.0%
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)	\$1.0	\$2.0	\$0.5
MEU Flotation Costs (\$M) ¹	\$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 (%) ²	N/A	+0.5%	-0.5%

- There are inherent uncertainties associated with projecting costs and rates over such an extended period.
- Concentric developed alternative scenarios to reflect changes in 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”).
- 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).

¹ Calculated as 1.50% of remaining acquisition costs.

² 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.

MEU vs Alliant Energy Cost of Service Scenario Results



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.

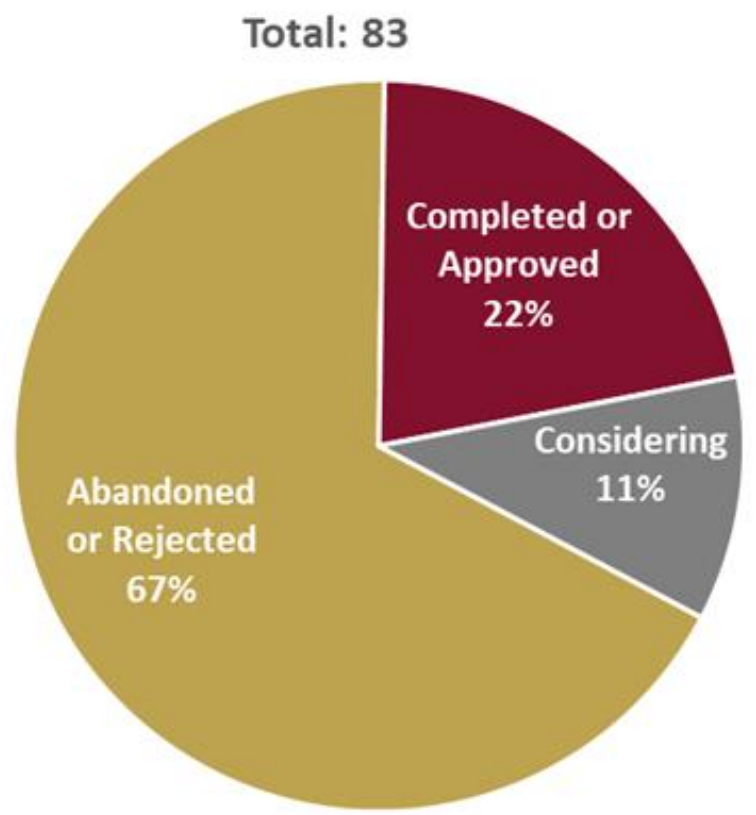
- The figures to the left show the *present value* of costs or savings to the City from municipalization under the three cases.
- In all cases, municipalization is a net cost to the City, except in year 20 of the Low-Cost Case.
- The figures show the present value of the costs to the municipal utility each year over the 20-year forecast period. For example, in Year 1 of municipalization (2029), under the Base Case, the City will 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 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.

Other Factors to Consider

05

Municipalization Outcomes

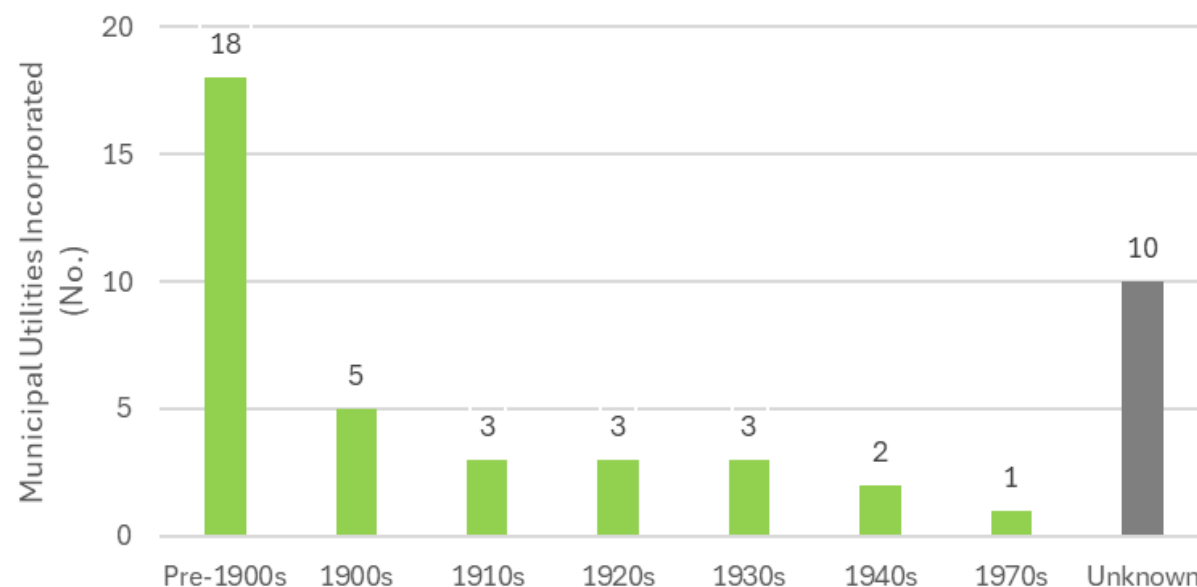
United States Municipalization Outcome Statistics (2000-2025)



- Municipalization over the past couple of decades has been a challenge.
- Since 2000, 83 communities have considered or are currently considering municipalization, and just 22% have municipalized, with 2 of those communities subsequently selling the electric utility back to the IOU.
 - 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.

Municipalization Considerations

Municipal Utilities Incorporated in Iowa by Time Period



High Costs and Financial Uncertainties:

Municipalization often involves a significant initial investment (e.g., the City of Boulder, Colorado evaluated municipalization for over a decade, spending \$10 million in legal fees along the way, only to abandon the effort).

Economies of Scale and Access to Capital:

Differences in the underlying cost structure between IOUs and newly formed MEUs can affect the rates and available services to be provided by a MEU.

Lengthy Process: The lengthy process of municipalization can result in escalating acquisition and transaction costs, with the length of some efforts exceeding a decade.

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. The most recent successful municipalization effort was the City of Aurelia in 1974.
- 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.
- Of the 45 municipal electric utilities Concentric reviewed, 34 (76%) were established in the 1940s or before, with approximately 40% of the municipal utilities established *before* the 1900s. These MEUs no longer have the initial debt burden that newly established MEUs have.

Questions?

Please submit any follow-up questions to Decorah@alliantenergy.com

Appendices

06

Appendix 1: Acronyms and Defined Terms

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

Appendix 2: Recent Concentric Experience

*Recent Concentric
Municipalization Advisory Roles*

Client	Year	Advisory Work
Alliant Energy	2013, 2018, 2024-2025	Multiple Feasibility Studies
Westar Energy	2019	Feasibility Study
Black Hills Energy	2019	Feasibility Study
Confidential Client	2019	Privatization (Reverse Municipalization) Report
Confidential Client	2020	Statewide Public Power Advisory and Analysis
San Diego Gas & Electric	2023	High-Level Valuation Report and Analysis
Confidential Client	2024-2025	High-Level Valuation Report and Analysis

Concentric Experience

Depth of Knowledge: Through a range of successful engagements and ongoing municipalization research and analysis, Concentric has a strong understanding of the key factors affecting municipalization.

Expertise: Deep bench of experts to rely on with a range of expertise relevant to municipalization and stakeholder engagement.

Strong Independent Analysis: Proven expert analytical approach to articulate the issues of municipalization, as well as a database on municipalizations since 2000.

Effective Communication: Seasoned experts to address the core issues of municipalization with fact-based analysis.