



2012

Energy Price Outlook *WEBINAR*

**Presentation to Interstate Power and Light's
Commercial and Industrial Customers
January 31, 2012**

**Susan Koch – Manager, Account Management
and Economic Development
Erik Madsen – Director, Regulatory Affairs**



Overview of today's presentation

- 2012 Bill summary
 - Base Rates and Service Charges
 - Fuel cost outlook
 - Transmission rider
- Outlook: Beyond '12
- Q&A



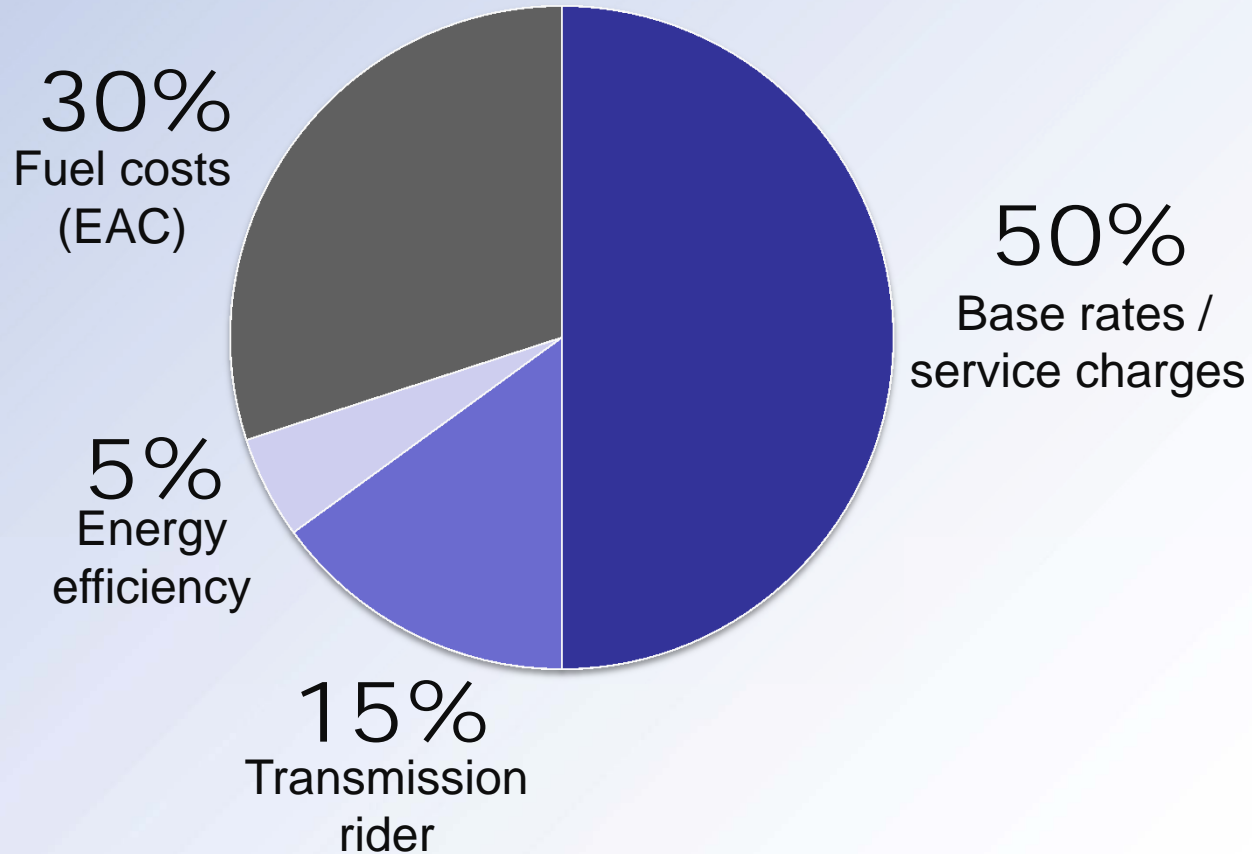
2012 bill summary

- Energy prices in 2012 will be similar, maybe even slightly lower, than 2011.
- Any changes in bill amounts will be largely driven by customer usage



Bill breakdown

- Components of your bill





Bill breakdown

- Your bill consists of three main pieces
 - Rates/service charges
 - Fuel costs
 - Transmission rider

**Will remain the same
for at least 3 years
(2011, 2012, 2013)**



Bill breakdown

- Your bill consists of three main pieces
 - Rates/service charges
 - Fuel costs
 - Transmission rider

- Expect fuel costs to be lower in 2012
- Tax benefit rider credit increasing



Bill breakdown

- Your bill consists of three main pieces
 - Rates/service charges
 - Transmission rates are marginally higher for 2012
 - Expect new rate to begin in the next several weeks
 - Fuel costs
 - Transmission rider



Base Rates / Service Charges

- Final rates implemented February 25, 2011
- Remain the same over at least 3 year period – 2011, 2012 and 2013
- Base rates also include the energy efficiency charge
 - Currently expecting a small change to take effect in April 2012.



Fuel Costs (EAC)

- Several factors at play
- Purchased power and fuel costs for power production continue to be lower than in recent years.
- Tax Benefit Rider will see an increased benefit for customers in 2012
 - 2011 - \$0.00504/kWh *credit to EAC*
 - 2012 - \$0.00568/kWh *credit to EAC*



Tax Benefit Rider (TBR)

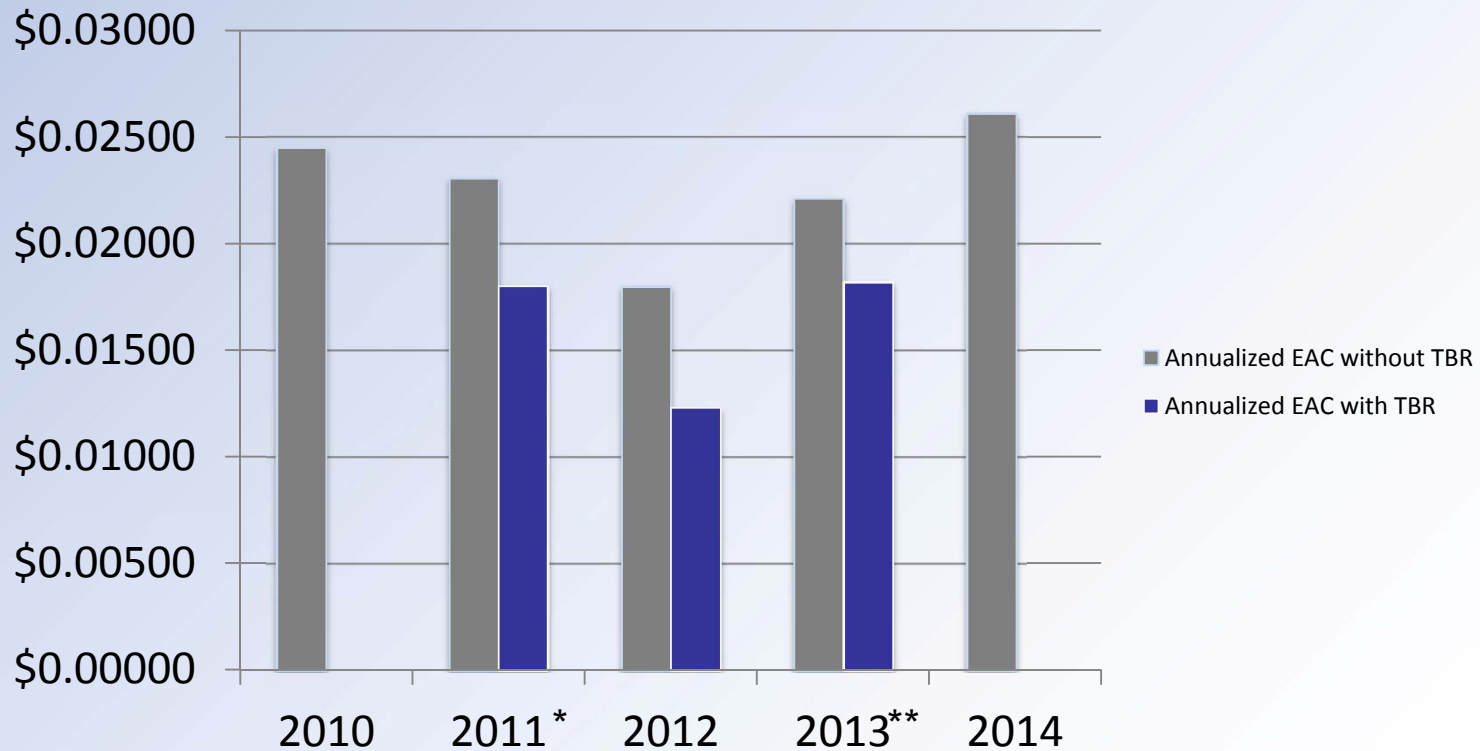
- Tax Benefit Rider is a credit reflected in monthly fuel cost factors
- Reflects ‘refunds’ received via application to the IRS
- Returns tax amounts sustained by the IRS directly back to customers.

	2011	2012	2013	Total
Total Refund	\$64 mil.	\$81 mil.	\$56 mil.	\$201 mil.
Refund per kWh	\$0.00504	\$0.00568	TBD	--



Fuel Costs (EAC)

Impacts of Tax Benefit Rider (TBR) on the EAC

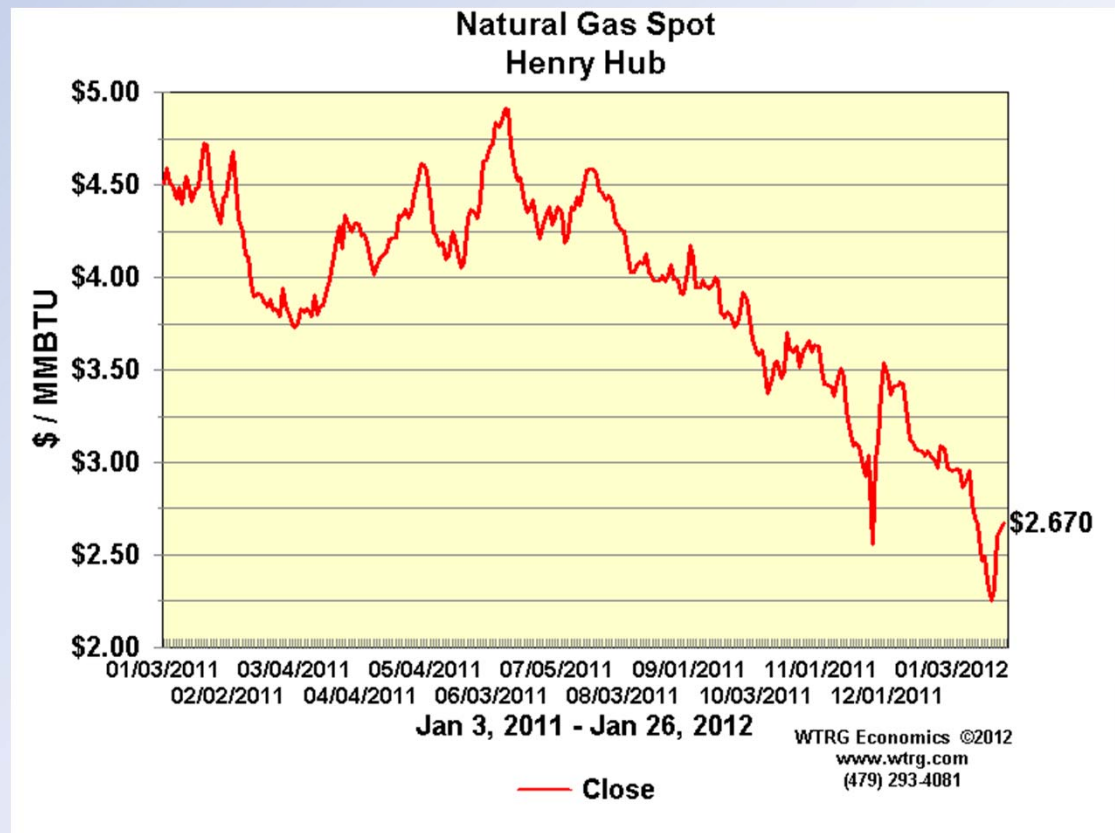


*TBR started in February 2011. **Estimated value of TBR in 2013



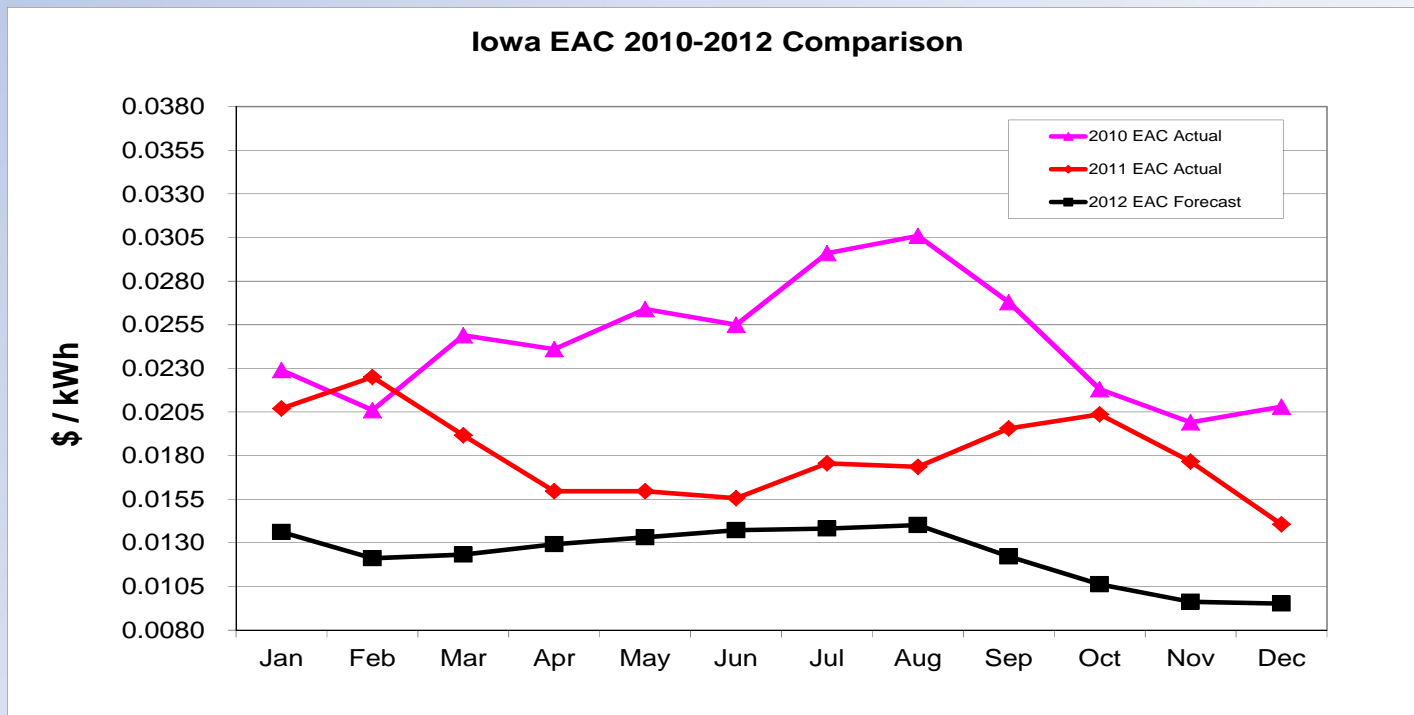
Fuel Costs (EAC)

Natural gas price trend Jan. 2011 - Jan. 2012





Fuel Costs (EAC)



EAC annual average comparison (/kWh)

2010 Actual	2011 Actual	2012 Forecast
\$0.02450	\$0.01803	\$0.01232



Transmission Rider (RTS Rider)

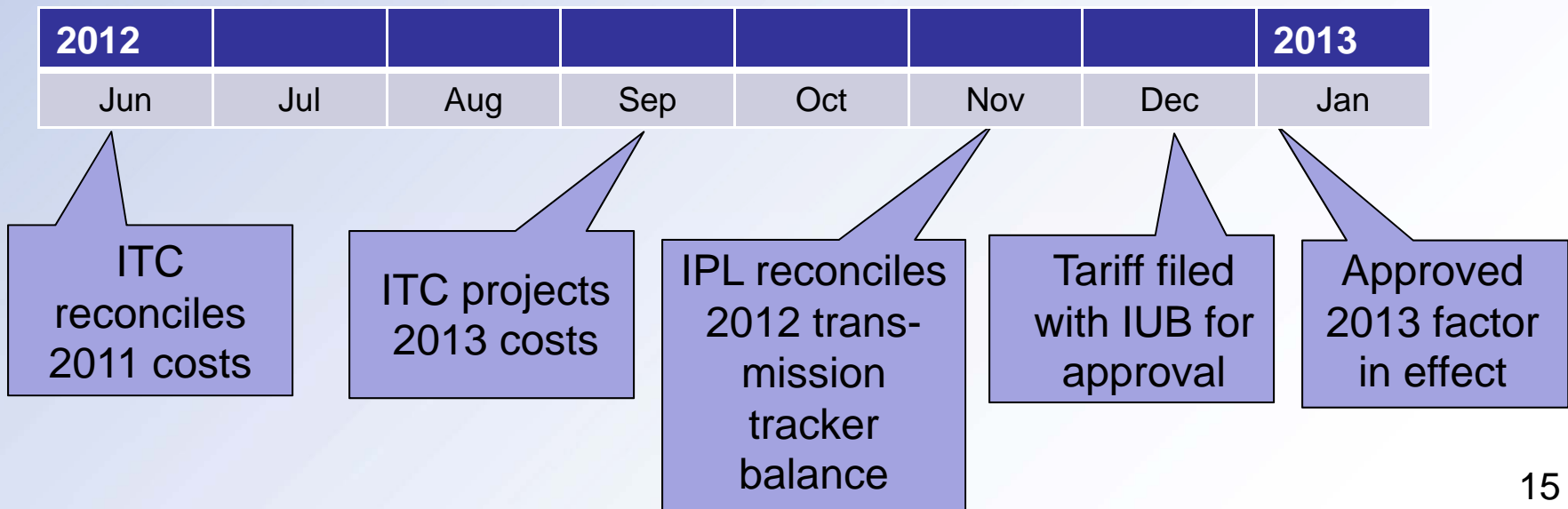
- Inputs for the 2012 Rider calculation resulted in an increase in the RTS.
- 2011 and proposed 2012 RTS factors

	2011	2012
General Service	\$0.01652 / kWh	\$0.01878 / kWh
Large General Service	\$5.13 / kW	\$5.59 / kW



Transmission Rider (RTS Rider)

- Expect implementation of 2012 rider to occur in the next several weeks, but in future years, it should be January 1
- Expected schedule for 2013 rider calculation and implementation:





2012 in summary

- No change in base electric rates and service charges
- Annual transmission rider adjustment expected to be effective in February 2012
- Fuel costs (EAC) will change monthly, expected to be lower this year
- Any significant changes in your monthly bills in 2012 will be driven mostly by usage, rather than unit cost



Future price challenges

- Base Rates
 - Environmental regulations/generation shifts
 - Potential new generation and infrastructure upgrades
- Fuel costs bottoming out in 2012, rise in EAC expected in 2013, 2014
- Transmission infrastructure upgrades will continue to put pressure on costs
- Still encourage our customers to plan for increases of up to five percent annually – but a number of factors will determine timing and size of impacts



How can we help?

- What questions do you have?
- Do you need further details on anything shared today?
- Was this helpful?

The operator will explain how to ask a question.



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