

The three components of energy service

Generation

Electricity is created, or generated at power plants. Power plants can be fueled by coal, natural gas, uranium, wind, sun or a host of other fuels. While the fuel source is different, the end product of each is electric energy. Such energy is typically measured in kilowatts. Power plants can be viewed as kilowatt producing factories where electricity is manufactured.



Transmission

Like any other product, once electricity is manufactured, it must be transported to the customers. In most cases, the product you buy does not come directly from the factory to your home, but stops first at some form of distribution center. The transmission system is like that. Kilowatts of electricity are moved from the power plants to distribution centers, called transmission substations, on the larger poles and wires you see dotting the landscape. Because large numbers of kilowatts need to be moved, they are transported at high voltage, generally 135,000 volts or higher. At the substation, the voltage is reduced, or “transformed” as it passes through a large transformer. The kilowatts are then sent out over medium-sized lines.



Distribution

The medium-sized wires move kilowatts from the transmission substation either directly to customers, or more often, to smaller substations. Voltage is reduced at these substations and kilowatts are sent out via smaller wires. Before connecting to homes and most businesses, the kilowatts pass through another transformer that reduces the voltage to a level that can be used by electrical devices.



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Interstate
Power and Light

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You may notice a change in your bill

Keys to understanding your “unbundled” energy bill

While electricity is a critical part of our every day lives, we generally take it for granted. We flip the switch and the lights come on. Where electricity comes from and how it gets to our homes and businesses is a mystery to most of us.

The electricity that Interstate Power and Light Company (IPL) creates and delivers to our customers is a highly technical operation, but the process can be “unbundled” or broken down into several parts. The major unbundled parts are generation, transmission and distribution. They are not all that different from the way many other products are manufactured and distributed.

The purpose of this brochure is to introduce you to the unbundled information that is included on your electric bill. It also provides an explanation of the major unbundled parts that make up what you pay for your electric service from IPL.

The Minnesota Public Utilities Commission started the initiative to include unbundled services on customer bills to help further educate customers on the costs incurred to provide electrical service. IPL provides the services for each unbundled part to its customers in Minnesota. However, in some states, customers receive these services separately from different entities. Including unbundled information on bills is intended to help all electric customers become better informed consumers.

We hope this information helps take some of the mystery out of how your electric service is provided and how the individual unbundled parts contribute to the prices you pay.

How much do you pay for “unbundled” services?

The message area on your bill has a breakdown, by percentage, for unbundled services: generation, transmission and distribution. This breakdown is calculated separately for four general groups of customers; residential, general service, farm and large power and light. If you are a residential customer, the percentage shown on your bill is exactly the same as your neighbors.

Generally, large power and light customers use higher volumes of electricity than general service and farm customers, and general service and farm customers generally use higher volumes of electricity than residential customers. This impacts the cost to provide service to each and may result in differences in the percentage calculated for each

group of customers.

Other costs of doing business play a role in providing each of these unbundled parts and are spread across each proportionately. These include the wages and benefits of employees who provide general business service to the company, like human resources and accounting, the cost of office buildings and other normal costs of doing business such as federal and state income taxes.

A detailed list of all the items that make up the cost of each individual part of your electric service would fill up a good-sized book. Below is a sample of the new bill along with examples of some of the items that make up these costs.

- A** The cost to **generate** the kilowatts at a power plant include things like the cost of the power plant (depreciation), the wages and benefits of the employees who work at the plant, the cost of maintaining that plant, costs to install and maintain equipment to control emissions, and the fuel that is used in the plant to generate the power.
- B** The type of costs that make up the **transmission** part includes things like the cost of the transmission towers and wires; the transformer and other equipment within the transmission substations; the wages and benefits of the people who install, maintain and operate the transmission system; the costs of computer systems to control the operation of the transmission system; and the cost of leases and easements paid to people who have transmission facilities located on their property.
- C** **Distribution** costs include poles, wires and transformers that connect your home or business to the distribution substation; the wages and benefits of the employees who install and maintain that equipment and the trucks and tools they use in the process; the cost to trim trees so they do not interfere with the operation of the system; the costs involved in staffing a 24-hour call center to answer customer questions; costs associated with installing and reading meters and billing system costs.

ALLIANT ENERGY
Interstate Power and Light Company

NAME **ROBERT JONES**
SERVICE ADDRESS **312 ABC LANE**

METER NUMBER: 00227138
READING PERIOD: FROM 03/12 TO 04/11
NO. DAYS: 30
METER READINGS: CURRENT 6146, PREVIOUS 5436

ELECTRIC SERVICE METER 00227138
710 KWH / 30 DAYS = 23.667 KWH PER DAY
ENERGY COST 710 KWH X \$.0748 = \$59.92
BASIC SERVICE CHARGE \$ 1.643 X 30 DAYS = \$49.29
CURRENT CHARGES THIS METER
AVG TEMPERATURE 36 F
PROJECT CARE PLEDGE AMOUNT \$ 1.00
AMOUNT OF PREVIOUS BILL RECEIVED 03/21 THANK YOU
CONTRIBUTION RECEIVED 03/21
BALANCE BEFORE THIS BILL

BILLING PERIOD: THIS MONTH, LAST MONTH, LAST YEAR
POWER OUT? CALL OUR TOLL-FREE OUTAGE REPORTING SERVICE AT 1-877-740-5050.
MAXIMUM LATE PAYMENT ASSESSMENT OF \$.96 IF NOT PAID BY MAY 13, BASED ON 1.5% OF THE UNPAID BALANCE, EXCLUDING PROJECT CARE.
YOUR ELECTRIC BILL CONSISTS OF APPROXIMATELY 67.3% GENERATION, 7.3% TRANSMISSION, AND 25.4% DISTRIBUTION COSTS. INDIVIDUAL USAGE MAY RESULT IN PERCENTAGES THAT VARY FROM THESE AVERAGES.

DEPOSIT ON FILE \$0.00
AVERAGE DAILY COST (EXCLUDING SALES TAX)
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SAMPLE