

ALLIANT ENERGY
Fourth Quarter 2012 Earnings
FEBRUARY 14, 2013 – FINAL

CONFERENCE CALL OPERATOR:

Thank you for holding, ladies and gentlemen, and welcome to Alliant Energy's year-end 2012 earnings conference call. At this time, all lines are in a listen-only mode. Today's conference is being recorded. I would now like to turn the call over to your host, Susan Gille, Manager of Investor Relations at Alliant Energy.

Susan Gille:

Good morning. I would like to thank all of you on the call and on the web cast for joining us today. We appreciate your participation.

With me here today are Pat Kampling, Chairman, President and Chief Executive Officer, Tom Hanson, Senior Vice President and CFO, and Robert Durian, Controller and Chief Accounting Officer as well as other members of the senior management team. Following prepared remarks by Pat and Tom, we will have time to take questions from the investment community.

We issued a news release this morning announcing Alliant Energy's year end 2012 earnings and affirmed 2013 earnings guidance. This release, as well as supplemental slides that will be referenced during today's call, are available on the investor's page of our website at www.alliantenergy.com.

Before we begin, I need to remind you that the remarks we make on this call and our answers to your questions include forward-looking statements. These forward-looking statements are subject to risks that could cause actual results to be materially different. Those risks include, among others, matters discussed in Alliant Energy's press release issued this morning and in our filings with the Securities and Exchange Commission. We disclaim any obligation to update these forward-looking statements.

In addition, this presentation contains non-GAAP financial measures. The reconciliations between the non-GAAP and GAAP measures are provided in the supplemental slides which are available on our website at www.alliantenergy.com.

At this point, I'll turn the call over to Pat.

PAT KAMPLING:

Good morning and thank you for joining us today to review the year-end 2012 results.

I am pleased to report that 2012 was a year that all Alliant Energy employees should be proud of, and investors should be pleased with. Not only did we deliver solid financial results but we also made noteworthy improvements in reliability, customer service, generation availability, and safety. Nothing is more important than the safety of our employees and 2012 was our safest year on record. Recordable injuries decreased 39% and lost time accidents decreased 36% and I am very proud of our collective focus and commitment to make sure our employees go home safely each and every day.

Let's start with our financial results. As we have previously discussed, the hot summer weather certainly contributed to higher earnings. However, excluding the impacts of weather, our non-GAAP 2012 earnings were 5% higher than the same measure for 2011, and the midpoint of our 2013 earnings guidance is forecasted to result in a weather normalized growth of 6% over calendar year 2012. This is consistent with our 5 year, 5 to 7 percent weather normalized long-term earnings growth objective. We are updating our base year for our long-term growth projection to the 2012 non-GAAP weather normalized earnings of \$2.93 per share. We also increased our common dividend target to \$1.88 per share annually, which is a 4% increase over the 2012 dividend rate. Our long-term objective is to maintain the targeted dividend in the range of 60 to 70% of consolidated earnings.

2012 was also was one of the largest capital deployment years in company history, totaling \$1.2 billion. Included in this capital was the acquisition of the Riverside Energy Center, completion of the Franklin County wind farm, the installation of the SCR at Edgewater Unit 5, and the beginning of construction of bag houses and scrubbers at our Ottumwa and Columbia facilities. Construction is proceeding well at these facilities and also at MidAmerican's Neal 3 and 4 units. The expected in service dates for most of these environmental controls is 2014, but the Neal 4 project will be in service later this year.

In 2012, we also deployed approximately \$200 million in our electric and gas distribution system and continue to see the reliability improvements from our investments.

On the regulatory front, we recently received the IUB's order for the new 11 year, DAEC PPA which is effective with the expiration of the current contract in February 2014. All costs of the new DAEC PPA will flow through the energy adjustment clause.

Issues were raised in the docket about the potential double recovery of the DAEC capacity costs if IPL does not file a new base rate case in 2014, since \$135 million of DAEC capacity payments were included in 2009 base rates, which was the last base rate case, and starting in February 2014 all DAEC payments will flow through the energy adjustment clause.

The IUB acknowledges IPL's commitment to work with the consumer advocate and large customer groups to resolve this issue before the EAC tariff changes. However, if the parties cannot resolve this issue, IPL will file a general rate case proceeding in the first quarter of 2014 along with a refund obligation with an effective date of the new DAEC agreement of February 22, 2014. Any required refund would be based upon the IUB's final rate order in late 2014 and applied retroactively to February 22, 2014.

We would like to extend the current three year base rate freeze that expires at the end of this year, until the proposed Marshalltown generating plant is placed in service which is currently expected in the second quarter of 2017.

We are developing a rate stabilization plan that will avoid the need for multi-year rate cases and eliminate base rate volatility for our customers. To stabilize rates for our electric customers during the 2014 through March 2017 time period, we will propose using the remaining funds available from the tax benefit rider. At the end of 2013, there will be an additional \$230 million available to refund to electric customers.

We remain committed and look forward to working with the Office of Consumer Advocate, industrial groups, and other interested parties to reach agreement on a rate stabilization plan by February 2014.

If a rate stabilization agreement cannot be reached, the base rate case filed in early 2014 would include recovery a return on and of rate base additions of approximately \$500 million and other changes in revenue requirements since our base 2009 test year case. We also anticipate that we would likely need additional rate cases before 2017, since electric rate base is expected to increase in late 2014 and 2015. As we discussed in the past, the DAEC capacity payments in base rates would offset the increase in revenue requirements.

In November 2012, IPL filed applications with the Iowa Utilities Board for advanced rate making principles and site approval for the proposed Marshalltown generating plant. Our proposed advanced ratemaking principals include a fixed cost cap of \$700 million dollars, excluding AFUDC and transmission upgrades, and a return on common equity of 11.25 percent with no application of double leverage. We expect a decision from the IUB by the end of this year, and we have included the regulatory milestones related to these filings in **supplemental slide 9** for reference. One of the milestones is intervener testimony which is scheduled to be filed today.

In July 2012, we filed a construction authorization request with the PSCW for a scrubber and baghouse at Edgewater 5. We are expecting a decision from the PSCW on this matter soon after the hearing on March 5th. Construction of this approximately \$410 million project is expected to begin in 2014 and be completed in 2016.

In Wisconsin, we participate in transmission ownership through our 16% interest in ATC. MISO's transmission owner's agreement requires that a projects running between the facilities of two transmission-owning members must be shared equally, unless the parties

agree otherwise. In recent rulings, FERC has directed ATC to negotiate conditions for the shared ownership for two projects, one with ITC and the other with Xcel. 2015 would be the first year we would see any impact to earnings generated from our ATC ownership if appeals are unsuccessful and if other projects do not fill a part or all of the void left in the capital expenditure plan as a result of these FERC decisions.

Let me summarize the key messages for today:

- We will continue to meet our 5 to 7 percent earnings growth and 60 to 70% common dividend payout target
- We are making great progress transforming our generation portfolio to one that is balanced, with lower emissions and has the flexibility to comply with all existing and currently proposed environmental regulations.
- We are focused on working safely, providing excellent customer service and improving reliability
- And finally, we will manage our company focusing on operational and financial discipline with a goal of earning our authorized returns while minimizing customer rate volatility and increases.

Thank you for your interest in Alliant Energy and I will now turn the call over to Tom.

TOM HANSON:

Good morning everyone. Today, we released our 2012 non-GAAP earnings from continuing operations of \$3.05 per share, which is a \$0.10 per share increase over 2011 non-GAAP results. The growth in non-GAAP earnings is primarily a result of income taxes at IPL due to tax planning strategies, lower operation and maintenance expenses, higher WPL retail fuel recoveries, and higher AFUDC related to emission control projects. These positive EPS drivers were partially offset by higher depreciation expense, higher capacity charges for nuclear purchased power agreements, and record warm weather in the first quarter, negatively impacting electric and gas sales. 2012 weather resulted in positive earnings of 12 cents per share, 4 cents lower than the 2011 weather impact of 16 cents per share. Comparisons between 2012 and 2011 earnings per share are detailed on [supplemental slides 2, 3 and 4](#).

The 2012 results reflect no material changes in weather normalized sales over 2011. And in 2013, we are also forecasting no material changes in weather normalized sales over 2012. Sales trends between 2011 and 2012 weather normalized actuals and 2013 estimates are illustrated on [supplemental slide 5](#).

The electric tax benefit rider resulted in no earnings impact for 2012, just like it had no earnings impact in 2011. The actual quarterly earnings impact of the 2012 electric tax benefit rider, as well as the projected quarterly earnings impact of the 2013 electric and gas tax benefit riders, are provided in [supplemental slide 6](#).

Turning to our financing plans, cash flows from operations are expected to stay strong since we do not expect to make any material federal income tax payments until 2015,

and, the 2013 cash flows will be partially offset with credits to customer's bills in accordance with IPL's tax benefit riders.

Due to our current net operating loss position, the extension of bonus depreciation is not expected to impact our financing plans prior to 2015. With the extension of bonus depreciation, we project approximately \$150 million of cash in 2015. Also, if you look at bonus depreciation in isolation, we are forecasting a reduction of our previously released rate base estimates by approximately \$20 million and \$60 million in 2014 and 2015, respectively. These forecasted rate base amounts are projected to be evenly split between IPL and WPL.

Last week we announced the redemption of IPL's \$150 million 8 3/8% preferred stock. Our current 2013 financing plan anticipates issuing long term debt and/or preferred stock of up to \$500 million at IPL. Yesterday we announced the redemption of WPL's \$60 million of preferred stock. We currently have no plans to replace the preferred stock at WPL. The impact of these financings is included in the 2013 guidance. However, the one-time charges related to these redemptions are excluded from our 2013 guidance. We believe that with our strong cash flows and financing plan, we can maintain our targeted liquidity, capitalization ratios and credit metrics. Therefore, we do not plan to issue any material new common equity in 2013. We will continue to assess our future common equity needs based on the pending regulatory approvals for the Edgewater 5 scrubber and baghouse and Marshalltown generating plant, which we expect later this year.

Now let's review our 2013 guidance range of \$2.95 to \$3.25 earnings per share. A walk from 2012 non-GAAP weather normalized actuals to the 2013 estimated guidance mid-point is shown on [supplemental slide 7](#). The 2013 guidance assumes normal weather, continued cost controls, and approval from the IUB for the proposed \$0.13 per share revenue requirement adjustment associated with the tax benefit rider. The 2013 guidance also reflects the impacts of WPL's previously announced electric retail rate freeze and gas rate decrease and IPL's electric base rate freeze, and settlement of its gas rate case.

The WPL rate freeze reflected electric rate base growth as a result of the Riverside acquisition and placing the Edgewater 5 SCR in-service at the end of 2012. The increase in electric revenue requirement for 2013 from these rate base additions was completely offset by the impact of lower purchased power capacity costs from the Riverside PPA and lower conservation expense resulting in no change to WPL's retail electric customer's base rates in 2013. However, WPL expects increased earnings from the reduction in purchased power capacity and conservation costs. The 2013 guidance also reflects a decrease in earnings from the reduction in WPL's gas base rates effective January 1st of this year. Our 2013 guidance range forecasts WPL earning its authorized return on common equity of 10.4%.

Now let's turn our focus to IPL. IPL is in the last year of its current electric base rate freeze. We forecast IPL to benefit from a proposed increase in electric revenues due to a proposed revenue requirement adjustment from the electric tax benefit rider amounts, expected higher AFUDC from its environmental control projects currently under

construction, and continued cost controls. These benefits are expected to be partially offset by higher depreciation expense.. Our 2013 guidance range forecasts IPL earning slightly less than its authorized return on common equity of approximately 10%.

As stated in our third quarter 2012 call, IPL's revenue requirement adjustment proposed for 2013 under the tax benefit rider is based upon tax planning strategies which lead to the establishment of the electric tax benefit rider. If we had followed traditional Iowa rate making practices in IPL's last electric rate case, these tax planning strategies would have reduced customer rates due to the tax benefits generated and increased customer rates due to the rate base impact from changes in deferred taxes resulting in a net decrease in customer rates. Due to the materiality and uncertainty of these tax planning strategies, the IUB issued a 2010 accounting order to temporarily suspend the traditional Iowa rate making practices until IRS certainty was reached. In 2012, we reached agreement with the IRS on the benefits of these strategies through the 2011 tax year. Thus, IPL submitted a proposal to the IUB in November 2012 to finalize the impact for these strategies in two ways. First, IPL proposed the final amount of the tax benefits from the IRS audit of these strategies to be reflected in the regulatory liability account available for the tax benefit riders. At the end of 2013, IPL expects to have approximately \$265 million dollars remaining in the regulatory liability account. Second, the increase to electric rate base is proposed as a reduction to the regulatory liability account resulting in 13 cents of additional earnings in 2013 as illustrated on [supplemental slide 7](#). We anticipate a decision from the IUB on this matter before the end of the first quarter of this year.

Given the changes expected in income taxes in 2013, [supplemental slide 8](#) has been provided to assist you in modeling our forecasted 2013 effective tax rates for IPL, WPL and AEC. As you can see from the walk, we are expecting lower effective tax rates in 2013 due to increased tax benefit rider billing credits and additional production tax credits.

Turning to our regulatory calendar, we have several regulatory dockets of note in 2013 in addition to the pursuit of a rate stabilization plan, which are summarized on [slide 9](#).

We expect three noteworthy decisions from the IUB in 2013. The first is a decision on the finalization of the electric tax benefit rider discussed earlier. The second relates to a decision regarding settlements reached with the OCA related to the Emission Plan and Budget filings submitted by IPL and MidAmerican in April 2012. And the third is the construction authorization and rate making principles for the proposed Marshalltown Generating Plant. The hearing for the Marshalltown project is scheduled for May 21st. In Wisconsin, we expect a decision from the PSCW during the first half of 2013 regarding the Edgewater 5 scrubber and baghouse project. The hearing on this project is scheduled for March 5.

We very much appreciate your continued support of our company. At this time, I will turn the call back over to the operator to facilitate the question and answer session.

CONFERENCE CALL OPERATOR:

Thank you, Mr. Hanson. At this time, the company will open up the call to questions from members of the investment community. Alliant Energy's management will take as many questions as they can within the one-hour time frame for this morning's call.

(OPERATOR PROVIDES INSTRUCTIONS ON HOW TO ASK A QUESTION)

(Q&A SESSION)

CONFERENCE CALL COORDINATOR/OPERATOR:

Ms. Gille, there are no further questions at this time.

Susan Gille:

With no more questions, this concludes our call. A replay will be available through February 21, 2013 at 888-203-1112, for US and Canada, or 719-457-0820 for international. Callers should reference conference ID 8244179.

In addition, an archive of the conference call and a script of the prepared remarks made on the call will be available on the investor's section of the company's Web site later today. We thank you for your continued support of Alliant Energy and feel free to contact me with any follow-up questions.

The accompanying conference call script includes forward-looking statements. These forward-looking statements can be identified as such because the statements include words such as "expected," "proposed," "scheduled," "approximately," "forecast," "plan," "project," "believe," "assumes," "anticipate," or other words of similar import. Similarly, statements that describe future financial performance, including future earnings and growth, earnings guidance, or plans or strategies, including our generation plans, construction plans, financing plans and regulatory plans and strategies, are forward-looking statements. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those currently anticipated. Actual results could be affected by the following factors, among others:

- federal and state regulatory or governmental actions, including the impact of energy, tax, financial and health care legislation, and of regulatory agency orders;
- IPL's and WPL's ability to obtain adequate and timely rate relief to allow for, among other things, the recovery of operating costs, fuel costs, transmission costs, deferred expenditures, capital expenditures, and remaining costs related to generating units that may be permanently closed, earning their authorized rates of return, and the payments to their parent of expected levels of dividends;
- the ability to continue cost controls and operational efficiencies;
- the impact of IPL's retail electric base rate freeze in Iowa through 2013;
- the impact of WPL's retail electric and gas base rate freeze in Wisconsin through 2014;
- the ability to achieve agreement with consumer advocate, large customer groups, and other interveners on a rate stabilization plan at IPL;
- weather effects on results of utility operations including impacts of temperature changes and drought conditions in IPL's and WPL's service territories on customers' demand for electricity and gas;
- the state of the economy in IPL's and WPL's service territories and resulting implications on sales, margins and ability to collect unpaid bills;
- developments that adversely impact Alliant Energy's, IPL's and WPL's ability to implement their strategic plans, including unanticipated issues with new emission control equipment for various coal-fired generating facilities of IPL and WPL, IPL's construction of its proposed natural gas-fired electric generating facility in Iowa, IPL's new purchased power agreement with NextEra Energy Resources, LLC, Alliant Energy Resources, LLC's selling price of the electricity output from its new 100 megawatt Franklin County wind project, and the potential decommissioning of certain generating facilities of IPL and WPL;

- issues related to the availability of generating facilities and the supply and delivery of fuel and purchased electricity and the price thereof, including the ability to recover and to retain the recovery of purchased power, fuel and fuel-related costs through rates in a timely manner;
- the impact that fuel and fuel-related prices may have on IPL's and WPL's customers' demand for utility services;
- the ability to defend against environmental claims brought by state and federal agencies, such as the U.S. Environmental Protection Agency, or third parties, such as the Sierra Club;
- issues associated with environmental remediation efforts and with environmental compliance generally, including changing environmental laws and regulations and litigation associated with changing environmental laws and regulations;
- the ability to recover through rates all environmental compliance and remediation costs, including costs for projects put on hold due to uncertainty of future environmental laws and regulations;
- the direct or indirect effects resulting from terrorist incidents, including cyber terrorism, or responses to such incidents;
- impacts of future tax benefits from deductions for repairs expenditures and mixed service costs and temporary differences from historical tax benefits from such deductions that are included in rates when the differences reverse in future periods;
- any material post-closing adjustments related to any past asset divestitures, including the sale of RMT, Inc.;
- continued access to the capital markets on competitive terms and rates, and the actions of credit rating agencies;
- inflation and interest rates;
- changes to the creditworthiness of counterparties with which Alliant Energy, IPL and WPL have contractual arrangements, including participants in the energy markets and fuel suppliers and transporters;
- issues related to electric transmission, including operating in Regional Transmission Organization (RTO) energy and ancillary services markets, the impacts of potential future billing adjustments and cost allocation changes from RTOs and recovery of costs incurred;
- unplanned outages, transmission constraints or operational issues impacting fossil or renewable generating facilities and risks related to recovery of resulting incremental costs through rates;
- Alliant Energy's ability to successfully pursue appropriate appeals with respect to, and any liabilities arising out of, the alleged violation of the Employee Retirement Income Security Act of 1974 by Alliant Energy's Cash Balance Pension Plan;
- current or future litigation, regulatory investigations, proceedings or inquiries;
- Alliant Energy's ability to sustain its dividend payout ratio goal;
- employee workforce factors, including changes in key executives, collective bargaining agreements and negotiations, work stoppages or additional restructurings;
- impacts that storms or natural disasters, including forest or prairie fires, in IPL's and WPL's service territories may have on their operations and recovery of, and rate relief for, costs associated with restoration activities;
- access to technological developments;
- material changes in retirement and benefit plan costs;
- the impact of incentive compensation plans accruals;
- the effect of accounting pronouncements issued periodically by standard-setting bodies;
- the impact of changes to governmental incentives for wind projects;
- the impact of adjustments made to deferred tax assets and liabilities from state apportionment assumptions;
- the ability to utilize tax credits and net operating losses generated to date, and those that may be generated in the future, before they expire; and
- the ability to successfully complete tax audits, changes in tax accounting methods and appeals with no material impact on earnings and cash flows.

These factors should be considered when evaluating the forward-looking statements and undue reliance should not be placed on such statements. Without limitation, the expectations with respect to projected earnings are forward-looking statements and are based in part on certain assumptions made by Alliant Energy, some of which are referred to in the forward-looking statements. Alliant Energy cannot provide any assurance that the assumptions referred to in the forward-looking statements or otherwise are accurate or will prove to be correct. Any assumptions that are inaccurate or do not prove to be correct could have a material adverse effect on Alliant Energy's ability to achieve the estimates or other targets included in the forward-looking statements. The forward-looking statements included herein are made as of the date hereof and Alliant Energy undertakes no obligation to update publicly such statements to reflect subsequent events or circumstances.