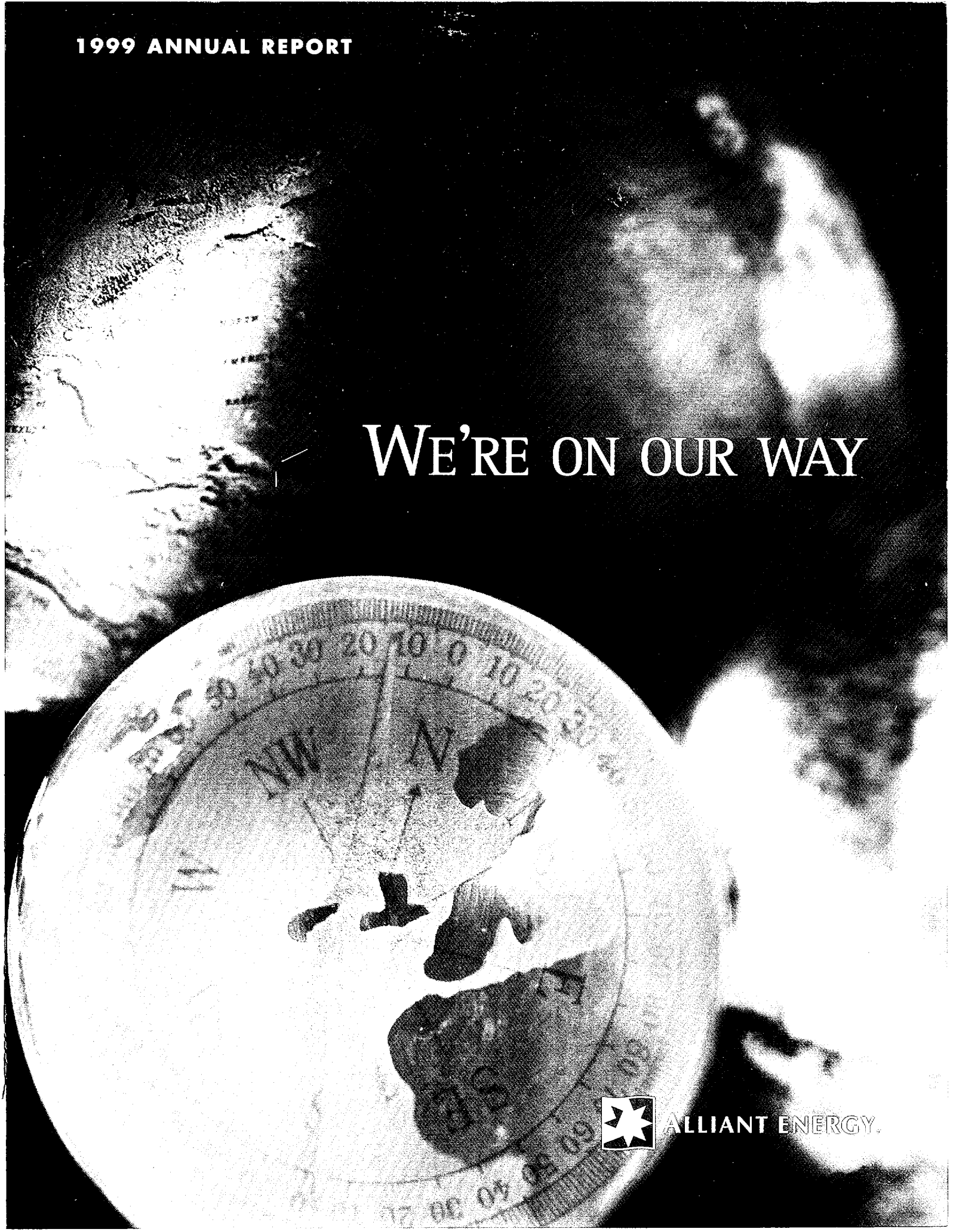
1999 ANNUAL REPORT

WE'RE ON OUR WAY



ALLIANT ENERGY.

ABOUT US

Alliant Energy Corporation is a growing energy-services provider with operations both domestically and internationally. Headquartered in Madison, Wis., Alliant Energy provides electric, natural gas, water and steam services to more than two million customers worldwide. Alliant Energy Resources, Inc., the home of the company's nonregulated businesses, has operations and investments throughout the United States as well as in Australia, Brazil, China, Mexico and New Zealand.

OUR VISION

Creating energy and environmental partnerships and solutions that increase the comfort, security and productivity of our customers around the world.

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Alliant Energy's *1999 Financial Information* is packaged together with this annual report.

LNT Listed NYSE

The common stock of Alliant Energy Corporation is publicly traded on the New York Stock Exchange under the symbol LNT.

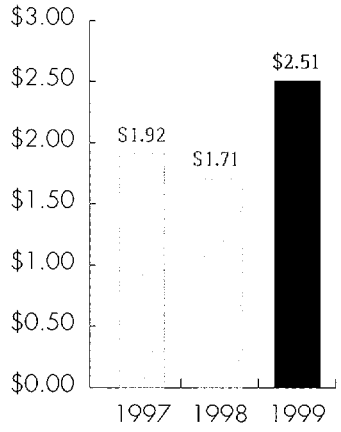
ALLIANT ENERGY

FINANCIAL HIGHLIGHTS

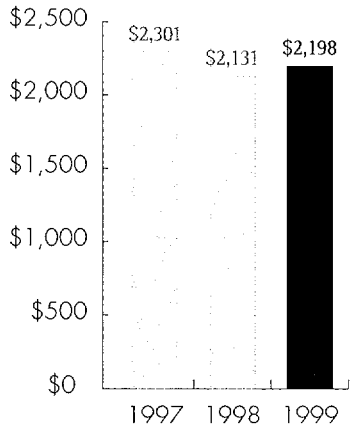
(Dollars are in millions except for per share data)	**1999**	1998	Change
OPERATING RESULTS:			
Operating revenues	**$2,198**	$2,131	3%
Operating income	**$377**	$283	33%
Net income before merger-related charges	**$197**	$131	50%
Net income	**$197**	$97	103%
Return on average common equity before merger-related charges	**10.45%**	8.01%	30%
Return on average common equity	**10.45%**	5.98%	75%
Utility electric sales from ultimate customers (thousands of MWh)	**25,320**	24,487	3%
Total utility electric sales (thousands of MWh)	**31,048**	31,834	(2%)
Utility gas sold and transported (thousands of dekatherms)	**101,575**	104,034	(2%)
Construction and acquisition expenditures	**$479**	$372	29%
Total assets at year-end	**$6,076**	$4,959	23%
PER SHARE DATA:			
Earnings per average common share before merger-related charges (basic and diluted)	**$2.51**	$1.71	47%
Earnings per average common share (basic and diluted)	**$2.51**	$1.26	99%
Average number of common shares outstanding (in thousands)	**78,352**	76,912	2%
Book value at year-end	**$27.29**	$20.69	32%

The financial data should be read in conjunction with the audited financial statements and related notes of Alliant Energy Corporation which are contained in *1999 Financial Information*. The reported financial data are not necessarily indicative of future operating results or financial position.

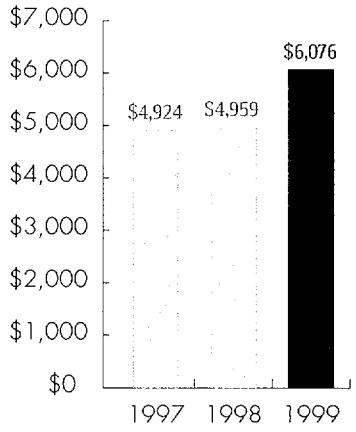
Earnings per average common share (basic and diluted) *



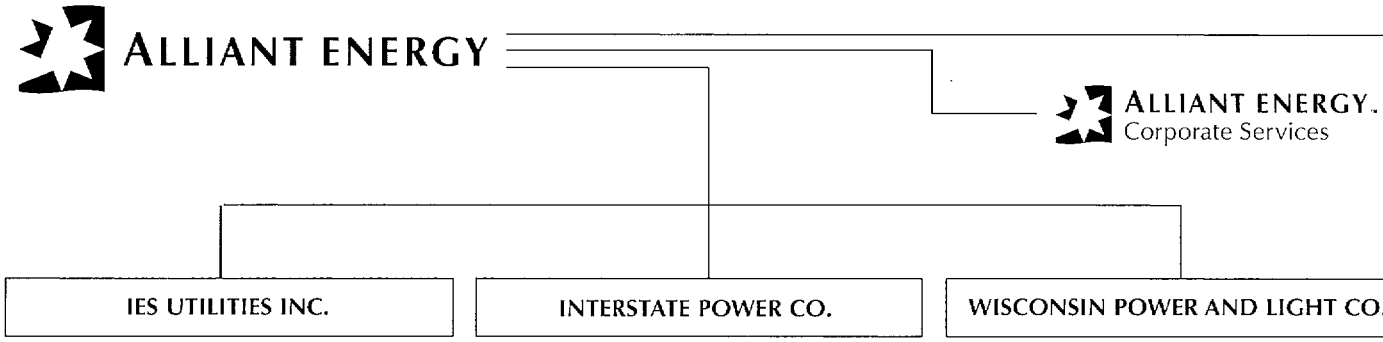
Operating revenues (in millions)



Total assets at year-end (in millions)

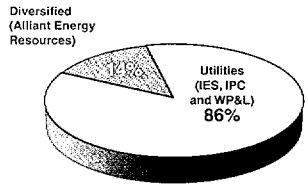


* The 1997 and 1998 financial results reflect earnings per average common share before merger-related charges.

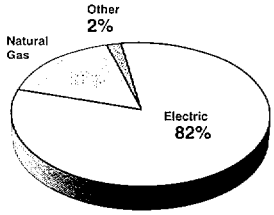


UTILITY OPERATIONS

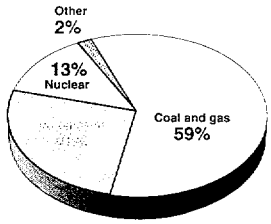
Alliant Energy subsidiaries, IES Utilities Inc., Interstate Power Co. and Wisconsin Power and Light Co., serve more than 1.3 million customers in Iowa, Illinois, Minnesota and Wisconsin. Using a mix of fossil fuel, hydroelectric, nuclear, biomass and wind sources, we manufacture and market electric energy from 31 generation locations across the Midwest. Our customers enjoy some of the lowest electricity costs in the Midwest and in the nation.



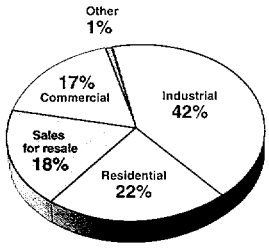
SOURCES OF CORPORATE REVENUE



SOURCES OF UTILITY OPERATING REVENUE



SOURCES OF ELECTRIC ENERGY



ELECTRIC SALES MIX

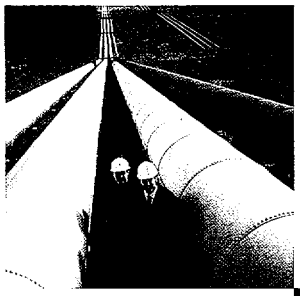
SERVICE TERRITORY
More than 1,000 communities in Iowa, Wisconsin, Minnesota and Illinois.

Maximum peak hour demand	5,233 megawatts
Generating facilities	31
Miles of electric transmission line	9,797
Miles of electric distribution line	44,690
Miles of natural gas main	8,403
Utility electric sales from ultimate customers	25.32 million megawatt-hours
Total utility electric sales	31.05 million megawatt-hours
Utility gas sold and transported	102 million dekatherms

ALLIANT ENERGY.
Resources

DIVERSIFIED OPERATIONS

Alliant Energy **INTERNATIONAL**

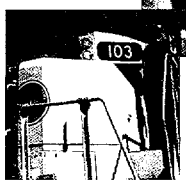


Alliant Energy International brings the experience and expertise of Alliant Energy to customers around the world. Currently Alliant Energy International has operations in China, New Zealand, Australia, Brazil and Mexico. From power generation to energy distribution, Alliant Energy International provides customers with customized energy solutions. Alliant Energy International builds partnerships around the globe, both with new international customers and with long-time United States customers who are expanding overseas. We also welcome our international partners by providing for their energy needs as they expand their operations into the United States.

Alliant Energy **TRADING**

Cargill-Alliant Energy is an energy-trading company capitalizing on the strengths of its parent companies, Alliant Energy and international commodity trader Cargill Incorporated. This joint venture was created to help a wide range of customers reliably reduce their electricity cost and better manage their energy risk. Other services include fuel supply management (coal, oil and natural gas), plant operations assistance and risk-management consulting. The alliance successfully combines Cargill's proven skills in commodity procurement and trading with Alliant Energy's experience in energy production and transportation.

Alliant Energy **INVESTMENTS**



Alliant Energy Resources invests in value-producing businesses, which support our strategic focus and benefit communities in our service area. Investments include wholly-owned operating companies as well as investments in financially strong businesses and investment portfolios. Holdings include:

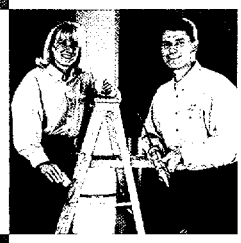
Oil and Natural Gas: Acquisition and development of natural gas and oil properties through Denver, Colo.-based Whiting Petroleum Corporation.

Real Estate: More than 100 affordable housing investments through Heartland Properties, Inc. and Capital Square Financial Corporation.

Transportation: The Cedar Rapids and Iowa City Railway Company, IEI Barge Services and Williams Bulk Transfer provide rail, barge and storage services in Eastern Iowa.

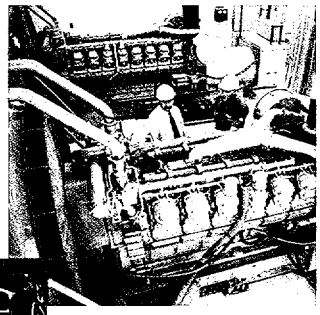
Telecommunications: Alliant Energy Resources holds shares of publicly traded McLeodUSA. The company's initial investment of approximately $30 million has appreciated in value to over $1 billion (as of Dec. 31, 1999).

Alliant Energy **MASS MARKETING**



Alliant Energy's Mass Marketing program lays the foundation for future success in a more competitive, "consumer choice" environment by offering energy-related products that enhance the comfort and security of residential and small-business customers. Key programs include the Security Blanket Appliance Protection Plan and the *PowerHouse Home Products Catalog*. The equity of the *PowerHouse* brand grows from its longstanding use in communications materials and a television program targeted toward residential utility customers.

Alliant Energy **INDUSTRIAL SERVICES COMPANY (ISCO)**



ISCO helps businesses worldwide to increase their productivity, profitability and operating efficiency through providing key core services including:

Energy Applications — facility-based energy solutions ranging from standby generation to steam production;

Energy Planning — consultation on smart energy procurement, pricing and use;

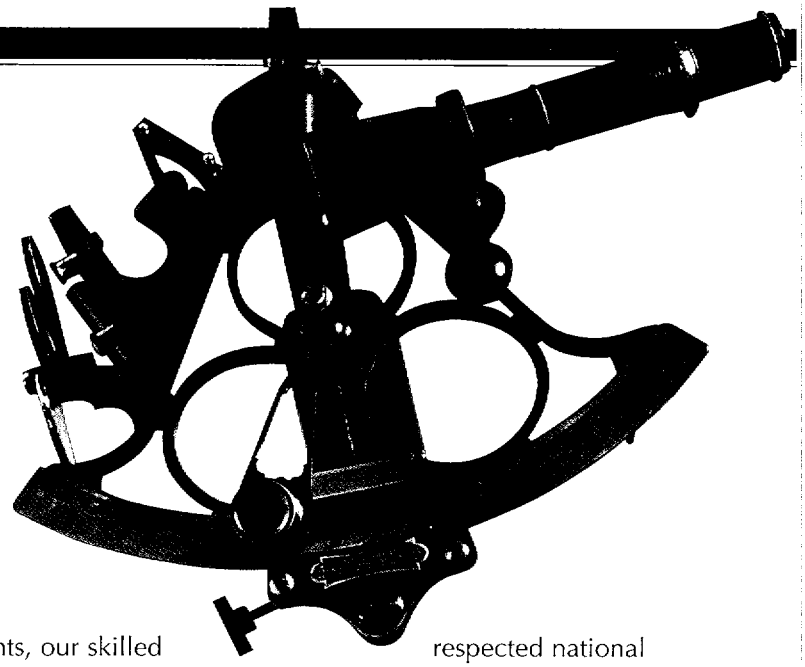
Energy Management — cost effective electricity for wholesale and industrial customers and custom services in the transportation, storage, peaking, balancing and supply management of natural gas.

Environmental engineering and consulting — Offered through RMT, Inc., an ISCO subsidiary. Services include: remediation planning and implementation, environmental compliance, air quality assessment, site analysis and strategic environmental planning.

Alliant Energy is an increasingly global company. The maps on this page highlight the states and countries in which our subsidiaries have customers or own properties.

LETTER TO SHAREOWNERS

"WE'RE ON OUR WAY"



DEAR FELLOW SHAREOWNERS:

1999 was the first full year of operation for Alliant Energy. It was, without question, a good one for your company. With accelerating change and growing uncertainty in the energy-services industry, Alliant Energy focused on achieving short-term successes, while strategically positioning the company for even greater rewards in the future.

As a changing company in a changing industry, we faced many challenges in 1999. The first, of course, was to prove that the merger — which created Alliant Energy in 1998 — was capable of generating value for shareowners.

In this first full year of operations after our three-way merger, our earnings nearly doubled from $1.26 to $2.51 per share. Even after factoring out gains from the sale of seven percent of our stock holdings in McLeodUSA, a Cedar Rapids, Iowa-based telecommunications company, and 1998 merger costs, our 1999 earnings grew almost 30 percent from the previous year.

Alliant Energy employees also met and overcame many operational challenges during the year. In July, when hot and humid weather pushed electric demand to new heights, our skilled utility workforce responded with creative solutions that ensured the availability of power to our 1.3 million customers in the Upper Midwest.

Benefiting from several years of planning, Alliant Energy's mission-critical operations also passed the Y2K date rollover with flying colors. The company was recognized as a leader in Y2K preparation, not only regionally, but nationally and internationally as well.

Amid ongoing organizational changes, new work rules, systems changes and operational challenges, your company's unceasing commitment to safety was never compromised. In fact, last year Alliant Energy and its employees received several prestigious safety awards for performance at both our Iowa and our Wisconsin facilities.

Another challenge in 1999 was to make sure that internal changes did not adversely affect our customer service. In this we succeeded as well. Our rates remained low and our service quality remained high. We provided some of the lowest-priced energy in the Midwest and in the nation. At the same time, well-respected national surveys in 1999 ranked Alliant Energy highly in both residential and business customer satisfaction.

While we met the challenges of the present, we also continued to focus on the future. Our business strategy for the long term is straightforward. We will continue to reshape and grow our core utility business while at the same time, use our knowledge and experience to pursue faster-growing, less-regulated businesses. Our success in 1999 clearly validated this prudent approach.

The world truly did not stand still while we sought to implement new strategies and directions in 1999. We confronted many challenges and, for the most part, we overcame them.

Until just a few months ago, for example, Alliant Energy's strategic growth capability was limited by constraints under Wisconsin law. With help from many of you, our shareowners, as well as our employees and others, we worked with policymakers to substantially relax limits on utility holding companies' ability to invest in diversified businesses.

Our earnings from those diver-

sified businesses also soared in 1999. Net income from diversified businesses, including $25.3 million from the McLeodUSA stock sale, jumped to $37.8 million compared to a net loss of $8.9 million in 1998.

In the course of the year, other significant milestones also were achieved. Our investment in McLeodUSA grew more than threefold and was valued at over $1 billion at year's end. This strategic asset will afford us financing and growth flexibility that other energy companies lack.

Our domestic non-utility businesses, such as Whiting Petroleum Corporation, Cargill-Alliant Energy, the Cedar Rapids and Iowa City Railway Company, RMT, Inc. and Heartland Properties, Inc. also increased their profitability substantially over 1998 levels.

Our focus is not all short-term, however. Around the world, our holdings are establishing valuable footholds in markets where energy demand is expected to outstrip growth in the United States. In New Zealand, we realigned our holdings by selling, at a substantial profit, electric-distribution investments and strategically invested our returns in the more profitable generation and retail sectors. In Australia, we now own a 22-percent interest in Southern Hydro, a peaking hydroelectric generation station. And in Mexico, we captured a valuable opportunity to apply our energy and environmental expertise and develop the complete energy infrastructure for a new resort community now under construction.

WE ACHIEVED EXCEPTIONAL AND NOTEWORTHY RESULTS WHILE POSITIONING OURSELVES FOR FUTURE GROWTH AND EVEN GREATER SUCCESS.

In early 2000, we announced another exciting venture — our $347 million investment in a number of Brazilian distribution companies. By following our time-tested strategy of developing partnerships with local experts, we have invested in four electric distribution companies, serving more than 800,000 customers. With energy demand in Brazil projected to grow by six to eight percent annually, this investment should serve us well over time.

In summary, 1999 was a challenging year, but a very good one. We achieved exceptional and noteworthy results while, at the same time, positioned ourselves for future growth and even greater success.

We appreciate your continuing support and look forward to communicating the details of our journey in the years ahead.

Lee Liu
Chairman of the Board

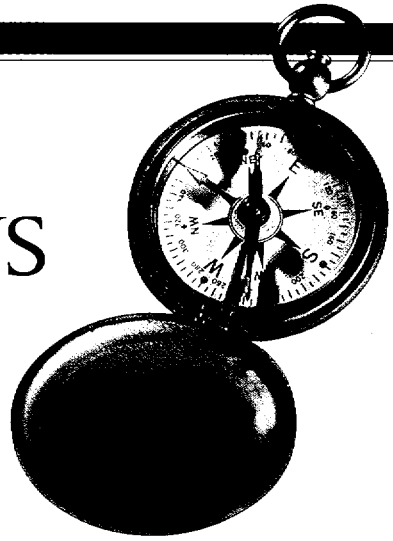
Wayne H. Stoppelmoor
Vice Chairman of the Board

Erroll B. Davis Jr.
President and
Chief Executive Officer

Left to right: Wayne Stoppelmoor, Lee Liu and Erroll Davis

BUSINESS REVIEW

UTILITY OPERATIONS



We're on, for you. Alliant Energy field staff maintain nearly 55,000 miles of electric transmission and distribution lines and more than 8,000 miles of natural gas main.

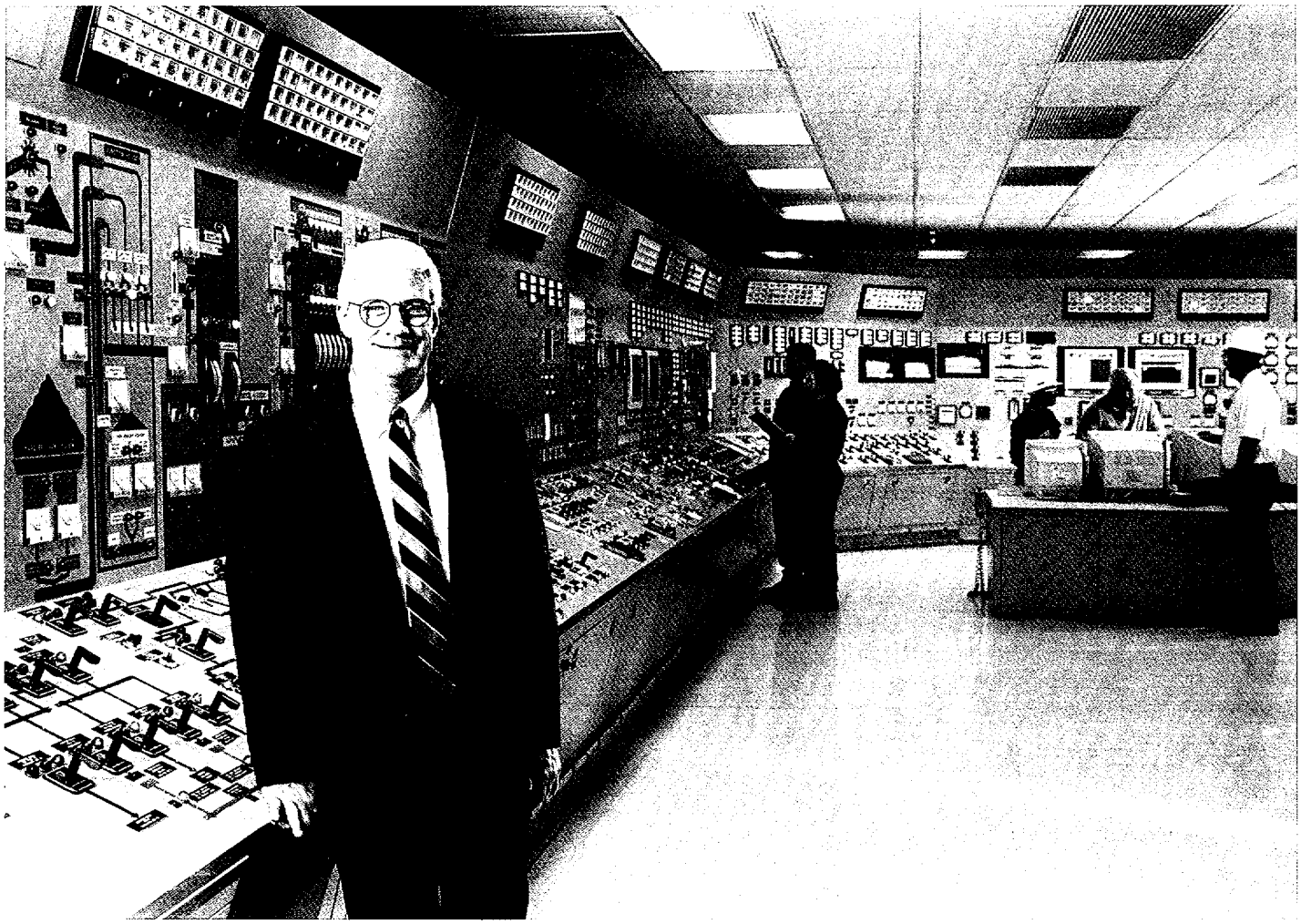
Our mission to strengthen and redefine Alliant Energy's core utility business provided the driving direction for 1999. As our industry evolves to a customer-choice framework, everything we do must help distinguish Alliant Energy both for the products and services we provide and the manner in which they're provided.

That new, competitive world requires us to expand our thinking about utility operations. Traditionally, power plants, high-voltage transmission equipment and distribution lines to the customer were all owned by one company. Market pressures will increasingly demand that these services separate into stand-alone elements. One company may generate the power, another may transport it across high-voltage wires and yet another may deliver and measure energy usage and manage billing. As energy companies compete, customers will be offered a plethora of new choices in products and services.

In 1999, Alliant Energy and three other Midwest utilities formed a Nuclear Management Company (NMC) to pool the skills and resources from five nuclear power plants. The NMC will focus on sustaining long-term safety, optimizing reliability and reducing costs while improving the operational performance of the nuclear facilities, which continue to be owned by their predecessor company.

The passage of Wisconsin's "Reliability 2000" Act will bring a similar consolidation in electric transmission operations. Under the new law, major Midwest utilities are encouraged to combine their high-voltage transmission lines and related facilities to form an independent transmission company. This new, for-profit entity will manage the systems, develop solutions for reliability challenges, provide fair and open access to transmission facilities and will standardize pricing.

Winning customers through exceptional service is another hallmark of companies that succeed in competitive markets. Alliant Energy employees continued to demonstrate their exceptional skills in meeting our customers' ever-changing needs. Our efforts were recognized in 1999 by two highly respected national customer surveys. One survey ranked Alliant Energy ninth out of 78 electric utilities



nationwide for residential customer satisfaction. Respondents also rated Alliant Energy's customer call centers second in the Midwest for overall satisfaction. Results from another national survey placed us in the top 25 percent for overall satisfaction among commercial and industrial customers.

To gain continuous quality improvement, Alliant Energy establishes "best in class" performance measures for its technical field staff. In 1999, this group performed at or near the top of their goals for reducing natural-gas emergency response time, gas leak repairs, billing accuracy and lost-time accidents. This year we also began using new

"OUR THREE UTILITY SUBSIDIARIES PROVIDE ELECTRICITY AND NATURAL GAS TO 1.3 MILLION CUSTOMERS AT SOME OF THE LOWEST PRICES IN THE MIDWEST AND IN THE NATION. TO MEET GROWING DEMAND WE ARE EXPANDING OUR PORTFOLIO OF ENERGY SOURCES. IN KEEPING WITH OUR ENVIRONMENTAL COMMITMENT, MANY OF THESE ARE RENEWABLE."

Bill Harvey
Executive Vice President-Generation
President, Alliant Energy-Wisconsin Power and Light

diagnostic tools that enable more preventive maintenance functions to be done while the electric system is in operation.

Complementing our high-quality service, our three utility subsidiaries continue to provide low-cost electricity and natural gas at some of the lowest prices in the Midwest and in the nation. As customer demand grows, we continue to expand our portfolio of energy sources. In keeping with our environmental commitment many of these sources are renewable, such as biofuels, wind, hydroelectric and reclaimed industrial sludge.

Along with our efforts to develop renewable energy sources, we also help customers use energy more efficiently. Through our energy conservation programs, Alliant Energy helped customers use 220,000 fewer megawatt-hours of electricity and 800,000 fewer dekatherms of natural gas in 1999. We have an excellent record of achieving energy conservation targets and administering those programs in a cost-effective manner.

Financially, our utility operations turned in a strong performance in 1999. Excluding 1998 merger-related expenses, net income increased 14 percent over last year. At the heart of this financial success is operational excellence, which can be found throughout Alliant Energy's fleet of power plants.

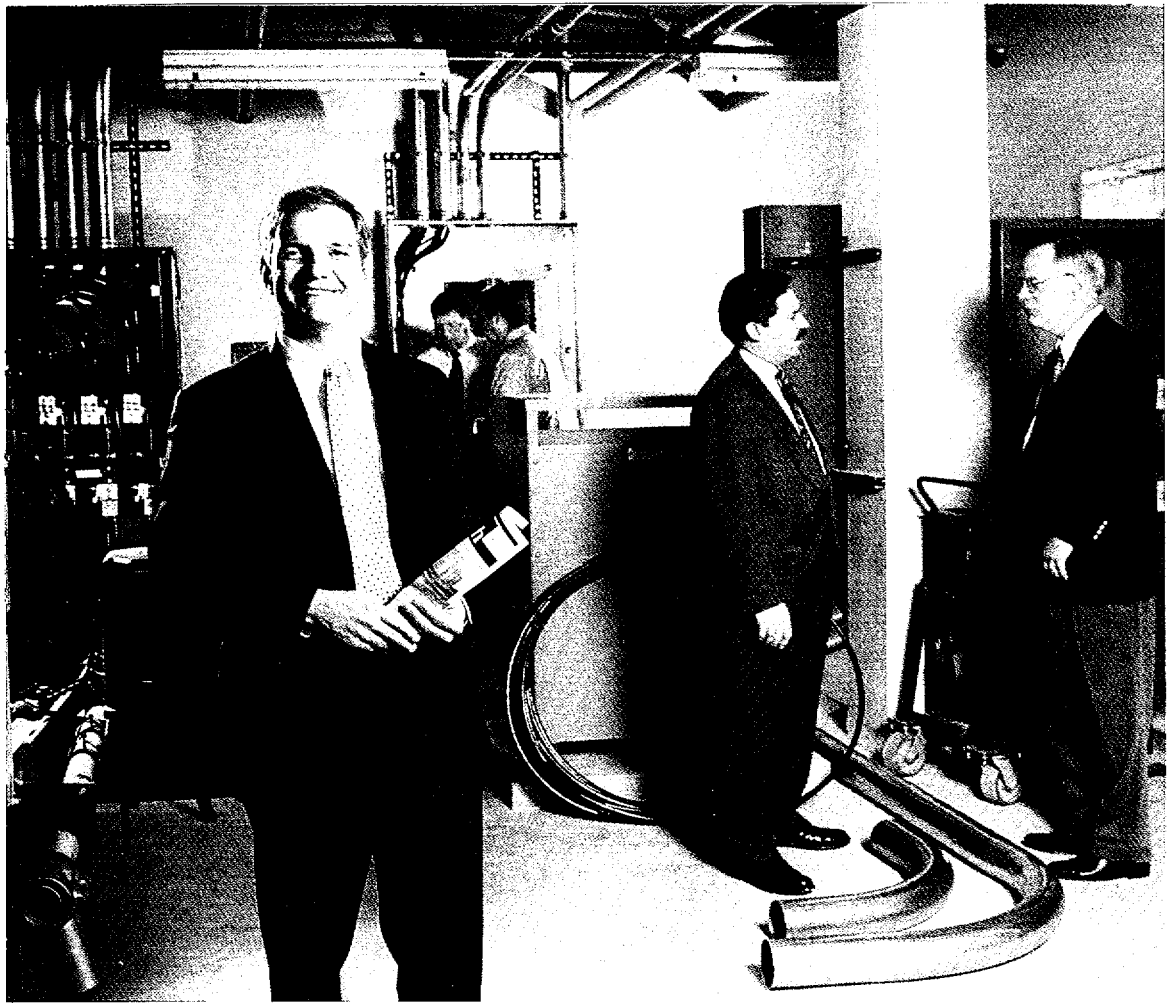
At the Duane Arnold Energy Center — Iowa's only nuclear plant — employees earned high marks from the Nuclear Regulatory Commission and a second consecutive excellence award from the Institute for Nuclear Power Operations. While celebrating 25 years of operations, the unit also completed its sixth year (equal to over seven million employee hours) without a lost-time accident.

The Columbia Energy Center in Portage, Wis. — our largest coal-fired power plant — also was recognized for its operational excellence. In a study examining 413 coal-fired plants nationwide, Columbia rated among the top 28 facilities in the country for labor efficiency, economic performance and environmental compliance.

To position our generation fleet for future success, we implemented staffing changes in 1999 that will help us meet the demands of the new competitive environment. Through a new initiative in our Generation business unit, we emphasize cross-training to allow our employees to benefit from expanding their skills and help the company meet its diverse operational needs with greater flexibility.

Such changes are only the beginning. A new energy world is coming. Change will continue to pervade our industry. Alliant Energy will be at the heart of the evolution, helping to shape decisions and make positive changes that benefit our customers and shareowners. ■

Clean energy. Alliant Energy currently receives up to 120 megawatts of energy from wind farms throughout Iowa and Wisconsin. That's enough energy to power 36,000 homes.



Mercy Medical Center in Cedar Rapids, Iowa, is working with Alliant Energy to enhance its steam and electric infrastructure. Pictured on site at Mercy Medical Center are (background, left to right) *Bob Olberding*, director of facilities, Mercy Medical Center; *Mike Elwick*, manager of Cedar Rapids steam utility, Alliant Energy; (foreground) *Eliot Protsch*; *Shawn Haag*, executive vice president, Mercy Medical Center; and *Mike Goater*, account manager, Alliant Energy.

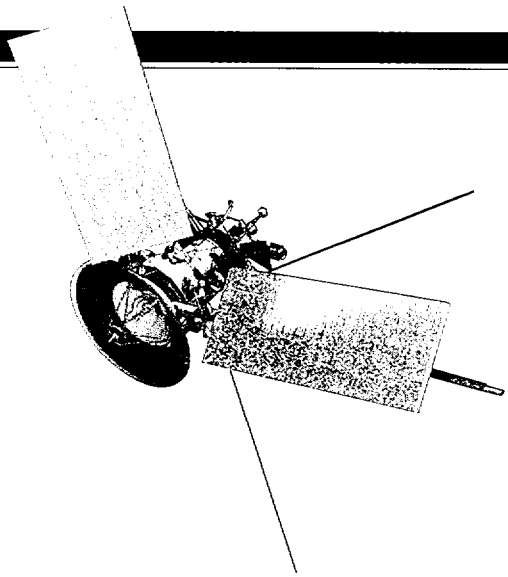
"SATISFIED CUSTOMERS ARE LOYAL CUSTOMERS. WE WILL CONTINUE TO EARN OUR RECORD OF SERVICE EXCELLENCE. VERY SOON CUSTOMERS WILL CHOOSE THEIR ENERGY COMPANY. WE WANT THAT CHOICE TO BE ALLIANT ENERGY."

Eliot Protsch
Executive Vice President-Energy Delivery
President, Alliant Energy-IES Utilities

Front-line excellence. In 1999 Alliant Energy employees served our customers well. Highly respected national surveys ranked Alliant Energy ninth out of 78 electric utilities nationwide for residential customer satisfaction and in the top 25 percent for business customer satisfaction.

BUSINESS REVIEW

DIVERSIFIED OPERATIONS



Providing energy solutions. Alliant Energy Industrial Services, Inc. helps domestic and international businesses increase their productivity, profitability and operating efficiency through services from: Energy Applications, Energy Planning, Energy Management and environmental engineering and consulting from RMT, Inc.

To create greater share-owner value in a rapidly changing marketplace, Alliant Energy continues to leverage its energy-services expertise in new ways. Alliant Energy Resources — the parent company of our non-utility holdings — is the vehicle through which we bring our collective expertise to emerging new markets. In 1999, net income for this business unit was $37.8 million, including $25.3 million from the sale of McLeodUSA stock, compared to a net loss of $8.9 million in 1998.

Among Alliant Energy Resources' most successful ventures is our investment in telecommunications provider McLeodUSA.

Back in 1993, when Alliant Energy Resources made the first of its investments, we knew McLeodUSA had great potential. Today, that potential is being realized and our initial investment of $30 million in shares is now worth more than $1 billion (as of Dec. 31, 1999). With the rapid growth of this investment, Alliant Energy is uniquely positioned to fuel promising diversified ventures, enabling us to move decisively and effectively into new markets.

Seeking to take advantage of international markets where energy demand is growing far more rapidly than here at home, Alliant Energy Resources has made a number of selective and successful investments.

Complementing our existing investments in two combined heat and power plants in China, a new $37 million investment in Singapore-based Peak Pacific Investment Company Ltd. adds two additional facilities to our China portfolio, with one more under construction. In New Zealand we expanded our holdings and realigned our interests. In partnership with Infrastructure & Utilities NZ Ltd. (Infratil) we now own 43 percent of Trust-Power Ltd., a major electricity-generation and retail company. Building on our valued partnership with Infratil, we have gained a foothold in Australia's rapidly privatizing utility industry.
In early 2000, Alliant Energy Resources finalized its investr in Southern Hydro — a 479 megawatt hydroelectric-generating facility in the state of Victoria.

Also in 2000, we invested $347 million in Latin America in partnership with one of Brazil's

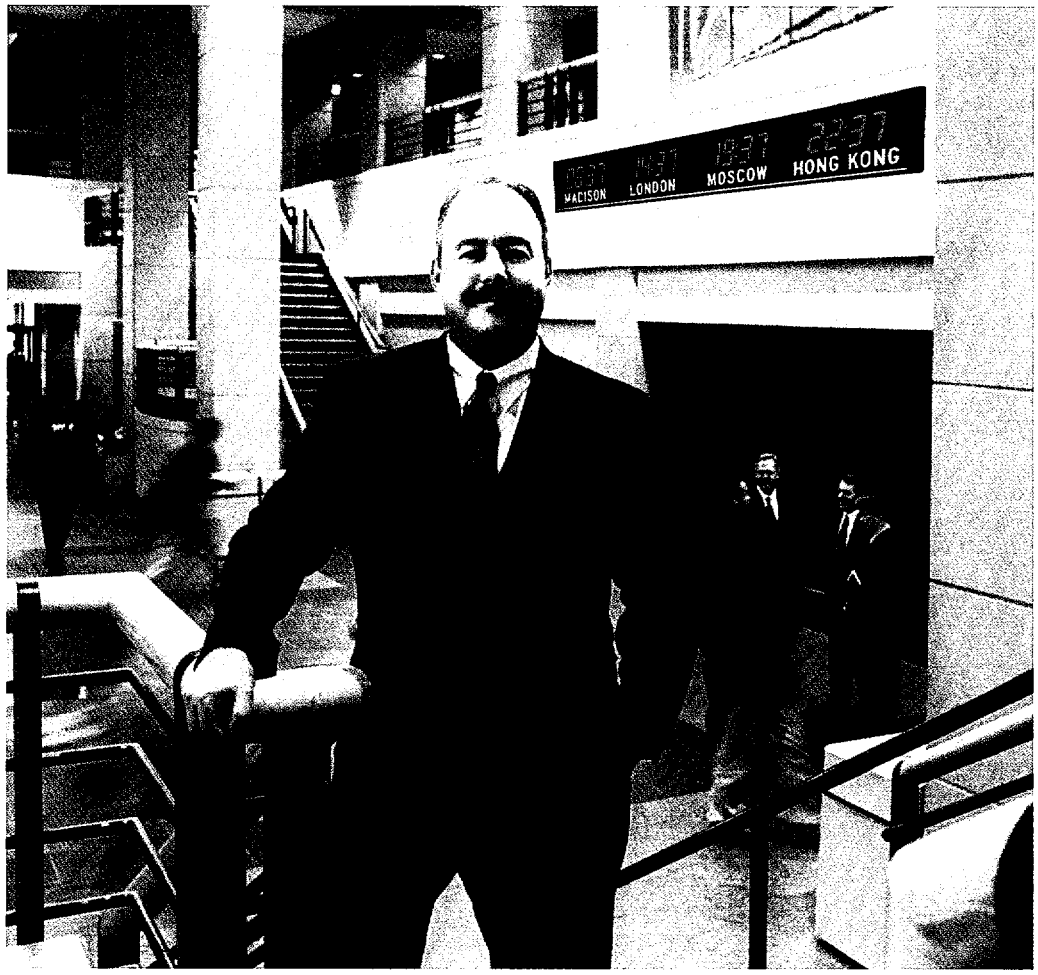
most respected energy companies — Companhia Força E Luz Cataguazes-Leopoldina. Our holdings include significant equity stakes in four local electric-distribution companies in Brazil, serving more than 800,000 customers. The investment also will provide capital for that company's subsidiary, Energisa S.A., to participate in the future privatization of utilities in northeast Brazil. In pursuing this significant investment, Alliant Energy Resources partnered with an established leader in Brazil's utility industry to obtain a sound investment at a good value, with a shareholder agreement that provides important protections for our company.

Our investment portfolio spans several sectors, from transportation, real estate and oil-and-gas production to energy-management and environmental and engineering consulting. Net income from our Denver, Colo.-based Whiting Petroleum Corporation was $11 million in 1999, which included ongoing gains from the sale of properties. Although electricity continues to be one of the most volatile commodities traded today, our energy-trading joint venture with international commodity trader Cargill Incorporated performed strongly last year.

Some of our most established diversified businesses also performed well in 1999. The achievements of our Cedar Rapids and Iowa City Railway Company (CRANDIC) are particularly noteworthy, with increased profits once again. In addition, this subsidiary was recognized as one of the best railroad operations in the nation — regardless of size — by the National Association of Rail Shippers.

OUR INVESTMENT PORTFOLIO SPANS SEVERAL SECTORS, FROM TRANSPORTATION, REAL ESTATE AND OIL-AND-GAS PRODUCTION TO ENERGY-MANAGEMENT AND ENVIRONMENTAL AND ENGINEERING CONSULTING.

Improved operations at RMT, Inc. yielded a significant increase in profitability in 1999. Based in Madison, Wis., the respected firm provides environmental management and engineering services to businesses and industries throughout the



"EVEN AT THIS EARLY STAGE IN OUR GROWTH, ALLIANT ENERGY RESOURCES IS SUCCEEDING BY CREATING STRATEGIC PARTNERSHIPS AND LEVERAGING DECADES OF ENERGY EXPERIENCE. OUR TEAM BRINGS A FRESH, ENTREPRENEURIAL APPROACH TO EVERY DOMESTIC AND INTERNATIONAL ENDEAVOR."

Jim Hoffman
Executive Vice President-
Business Development
President, Alliant Energy Resources

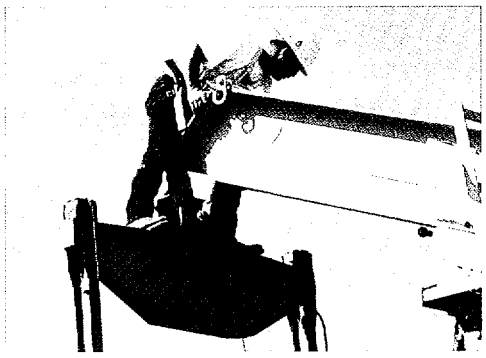
United States and Europe. RMT is just one part of our industrial services company, also known as ISCO, which provides energy-planning and energy-management services to customers throughout the United States and abroad. Through ISCO we brought our knowledge of energy systems and infrastructure development to a new market in northwest Mexico. At Laguna Del Mar, in the state of Sonora, we are constructing new electric, water, telephone and transportation systems. We will not only serve as the general contractor and designer for these systems, but also will manage the services once they are completed.

Heartland Properties, Inc. and its sister company, Capital Square Financial Corporation, continued to develop and manage affordable housing properties across our utility service territory. Our portfolio of properties not only strengthens our commitment to local communities, but also provides Alliant Energy with a steady stream of tax credits worth about $6 million annually.

Although the nonregulated retail energy-services market is evolving more slowly, Alliant Energy is committed to building bridges to key markets: residential and small-business customers. Our *PowerHouse Home Products Catalog* provides a unique inroad to this customer base through a direct-mail catalog with an online counterpart. In 1999 the *PowerHouse Home Products Catalog* achieved its customer-response targets, with significant growth from Internet orders.

There is no doubt that change demands flexibility. New markets and changing market conditions, combined with ambitious goals require skill and agility. Our goals are ambitious, but we have the talent and confidence to meet them. With an innovative spirit and a strong commitment to excellence, Alliant Energy Resources will provide increasingly greater contributions to the bottom line and valued services to our customers. ■

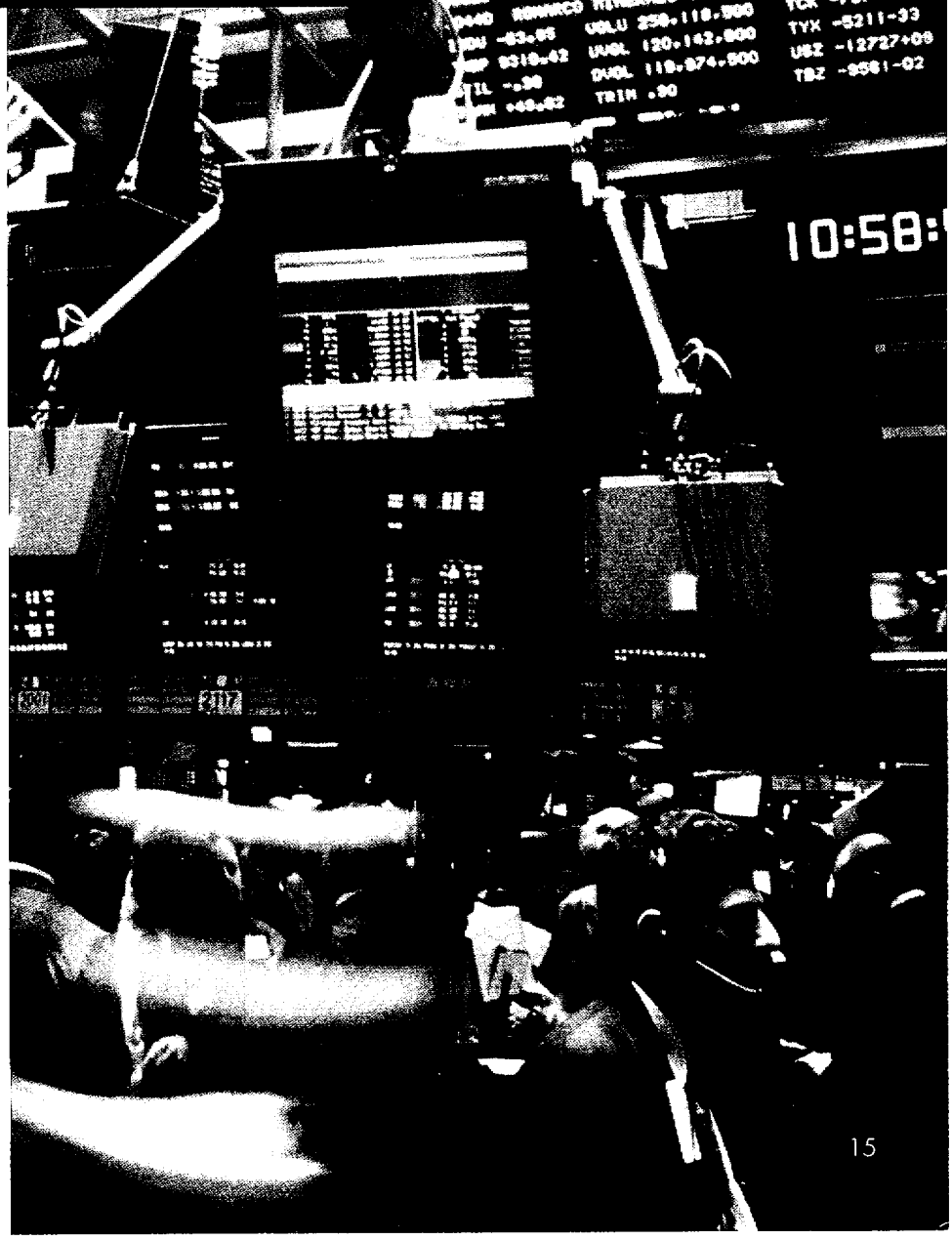
Home is where the heart is. Heartland Properties, Inc. continued to provide financing for affordable housing developments in Alliant Energy's utility service territory. Developments such as the Wagon Wheel apartment complex in Fairfield, Iowa, complement our utility business and reinforce our commitment to our communities.

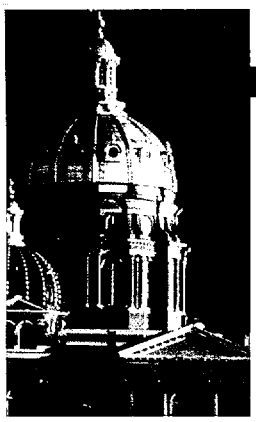


Strong performers. Alliant Energy's Whiting Petroleum subsidiary (above) acquires and develops natural gas and oil properties. Another nonutility subsidiary, the Cedar Rapids and Iowa City Railway (below) is a short-line railway that has served businesses in Eastern Iowa for over 90 years.

"In our first full year of operations, we began executing our strategic plan and delivered significant earnings growth. Our financial strength, fortified by a strong balance sheet and the McLeodUSA investment, primes us to grow."

Tom Walker
Executive Vice President and
Chief Financial Officer





FUTURE OUTLOOK

CHANGING OUR REGULATORY LANDSCAPE

As we first noted several years ago, yesterday's electric and natural gas monopolies are clearly vanishing. In fact, in the last five years 23 states have taken legislative or regulatory action to allow customers to choose their own electricity provider. Alliant Energy supports choice and competition and believes it will benefit consumers.

It is only a matter of time and market pressure. States without customer choice may still yet determine the *when* and *how* of incorporating it. But customer choice is here to stay. And we will be involved to assure the most prudent future for our company, our customers and you, our shareowners.

In Iowa, for example, we are working with the governor and the legislature to help shape customer choice legislation. In 2000 we fully expect the Iowa legislature to seriously consider customer choice. In preparation, we joined forces with several energy suppliers and other interested parties in 1999 to host consumer forums on the issue. As over half of our utility revenues come from Iowa, we are working to ensure that the restructured marketplace enables us to continue delivering value to our customers as well as to our shareowners.

In Wisconsin a significant milestone was reached this year when Gov. Tommy G. Thompson signed the "Reliability 2000" legislation into law. With help from our shareowners, employees and many other constituents, we worked with policymakers to substantially relax Wisconsin's limits on our ability to invest in diversified businesses. The legislation's passage in October 1999 modified the asset cap provision that placed an artificial growth ceiling on our nonregulated businesses. With the bill's approval, we believe a major obstacle to our future success was removed.

A similar battle now awaits us at the federal level. Efforts are already underway to change the investment limitations imposed by the Public Utility Holding Company Act. Current law imposes an arbitrary limit on investments in foreign utility companies and other energy-generation business areas that Alliant Energy considers essential for its future growth. We believe that this legislation must be adjusted to reflect conditions in the energy-services market of today and tomorrow, where flexibility and speed will be key to success. We have set a course to make that happen.

New law relieves "asset cap."
In October 1999 Gov. Tommy G. Thompson signed the "Reliability 2000" legislation which relaxed Wisconsin's asset cap and enhanced Alliant Energy's ability to invest in diversified businesses. Pictured above: *Bill Jordahl*, manager-Federal and State Legislative Affairs for Alliant Energy, *Gov. Thompson*, and *Bill Harvey*, president, Alliant Energy-Wisconsin Power and Light.

Growing concerns about environmental issues also pose challenges for us in the years ahead. Increasing regulations around sulfur-dioxide and nitrogen-oxide emissions directly impact power plants. In keeping with our environmental stewardship, we will continue to work collaboratively with elected officials at all levels of government. We will encourage them to adopt prudent policies that balance valid scientific data with the impacts of new practices on customers, shareowners and the environment. ■

"IN THE LAST FIVE YEARS 23 STATES HAVE TAKEN STEPS TO ALLOW CUSTOMERS TO CHOOSE THEIR OWN ELECTRICITY PROVIDER. CUSTOMER CHOICE IS HERE TO STAY. AND WE WILL BE INVOLVED TO ASSURE THE MOST PRUDENT FUTURE FOR OUR COMPANY, OUR CUSTOMERS AND YOU, OUR SHAREOWNERS."

Barbara Swan
Executive Vice President and General Counsel

FUTURE OUTLOOK

SUPPORTING PEOPLE, BUILDING COMMUNITIES

"IT'S NO SECRET THAT OUR BUSINESS ENVIRONMENT IS CHANGING. OUR SUCCESS REQUIRES MORE THAN HARD WORK AND SOLUTIONS THAT HAVE WORKED IN THE PAST. THROUGH ADAPTING AND EVOLVING, WE ARE DELIVERING THE RESULTS OUR CUSTOMERS AND SHAREOWNERS EXPECT."

Pamela Wegner
Executive Vice President-Corporate Services
President, Alliant Energy Corporate Services

Alliant Energy takes very seriously its role as a good corporate citizen. Our people make the difference. They serve customers efficiently, deliver energy reliably and create shareowner value in a changing energy marketplace.

With the Y2K project now behind us, we are channeling our technological expertise into projects that will even more directly benefit our customers and shareowners. For example, online access to utility accounts will soon be available to all customers. And upgrades to our company's major operating systems will selectively access Internet-based programs to increase the speed and efficiency with which we work in areas such as administration, human resources and purchasing.

Even the best systems, however, are only as strong as the people who create and use them. At Alliant Energy, our commitment to a diverse workforce is not only the right thing to do, it makes good business sense in our increasingly international marketplace. It is our belief that Alliant Energy will be most profitable when a range of talents and perspectives are brought to

bear on the challenges we face. We promote this objective through an active Diversity Council, comprised of staff from across the company. More tangible however, are diversity objectives that tie directly to employee compensation. In this way, creating diversity becomes an action, not just a philosophy.

The human network of Alliant Energy includes not only our people but also the communities we are privileged to serve. Throughout 1999, we found more ways to give back. The Alliant Energy Foundation contributed more than $2.3 million to organizations throughout our four-state utility service territory that foster education, social programs, arts initiatives and civic achievements. Through partnering with United Way, Alliant Energy increased its positive impact on people of all ages. Last year, Alliant Energy and its employees donated nearly $550,000 to local United Way campaigns.

Alliant Energy employees have also demonstrated that they share the company's commitment to environmental stewardship. Over the past 10 years, some 44,000 volunteers have planted more than one million trees and seedlings in communities and rural areas throughout Alliant Energy's utility service territory.

In partnership with key regional and national groups we also are contributing to *America's River*, a major interpretive center on the riverfront in Dubuque, Iowa. The center will celebrate the history and natural resources of one of our national treasures — the Mississippi River. Visitors will gain both an appreciation of the past and a view into the future through this multifaceted project. We are proud to support the ensuing business development, knowing that it is guided by appreciating and preserving the natural environment.

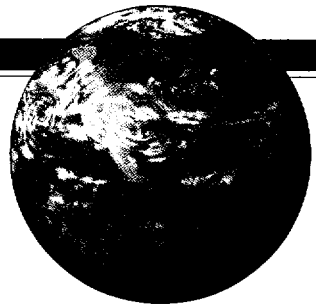
Life after Y2K. Alliant Energy's Information Technology staff apply their expertise to projects with direct benefit to our customers and shareowners. Coming in 2000 — online access to utility accounts and further online conversion of many administrative functions.

Everyone wins when community problems are addressed. That's why Alliant Energy supports the communities it serves and rewards unique social and environmental solutions that make the Midwest a better place to live and work. ■

On-site education. Success in today's workplace demands ongoing skill development. As part of its commitment to excellence Alliant Energy offered 264 different classes for employees throughout its service territory. In 1999, over 90 percent of employees pursued at least one class to improve their safety skills, leadership abilities, technical expertise or computer knowledge.

FUTURE OUTLOOK

CHANGES AND CHALLENGES



"WE WILL CONTINUE TO RESHAPE AND GROW OUR UTILITY BUSINESS, WHILE AT THE SAME TIME USE OUR KNOWLEDGE AND EXPERIENCE TO PURSUE FASTER-GROWING, LESS-REGULATED BUSINESSES TO WHICH WE CAN BRING OUR EXPERTISE. OUR SUCCESS IN 1999 CLEARLY VALIDATED THIS PRUDENT APPROACH."

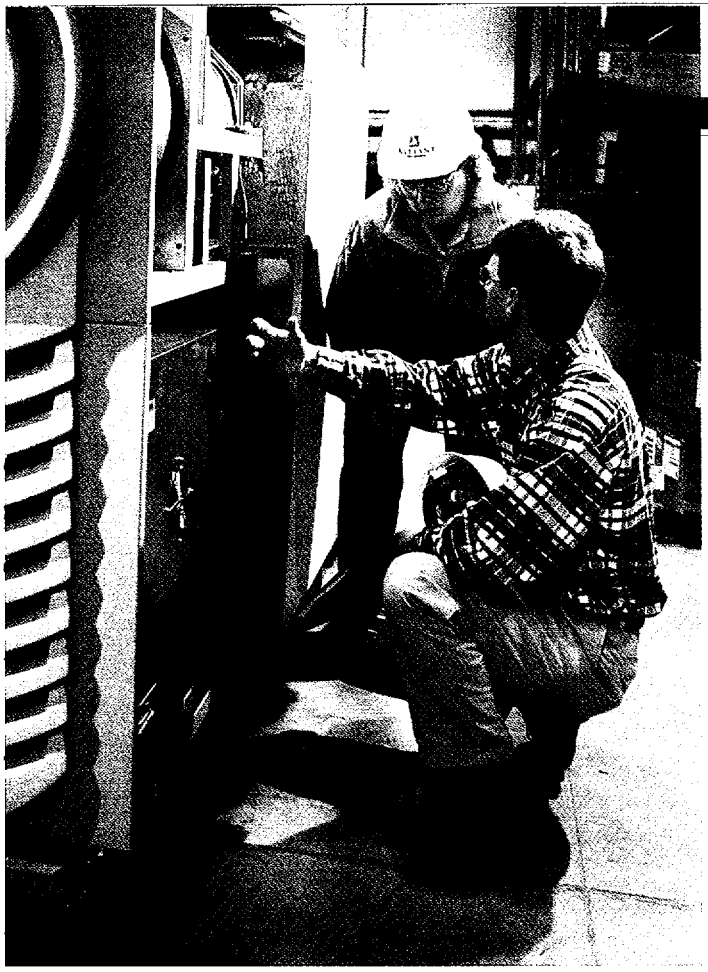
Erroll Davis
President and Chief Executive Officer

As we enter this new millennium, the energy-services industry is filled with incredible excitement and challenge. Pressures for market competition, building for the last decade, are finally bursting and forcefully challenging an industry that for too long has been hamstrung by heavy regulation and captive customers.

As a shareowner, you have many reasons to feel excited about your investment in Alliant Energy. Though change presents the unknown, Alliant Energy will relentlessly demonstrate its capacity to navigate the new course in ways that enhance the bottom line and your return. We have built a solid foundation through our merger and it is now beginning to pay off. Our 1999 results validate our strategic plan and corporate direction. We are, indeed, on our way.

As we move into the future, we also will be challenged by technology, which continues to both touch and transform our industry. Fast computer chips and digital technology have scaled down two portable, potent energy

Helping the environment, helping themselves. For nearly a decade, young adults from Operation Fresh Start, Inc. have learned valuable vocational skills through field work at Alliant Energy's *Riverland Conservancy* in Merrimac, Wis.



Portable energy. Alliant Energy is exploring new energy sources such as microturbines, which are small combustion engines fueled by natural gas. Fast computer chips and digital technology are making energy sources such as microturbines and fuel cells smaller and increasingly affordable to business and residential customers. The new technology presents significant business opportunities for us.

New headquarters underway. Alliant Energy will soon develop a new headquarters building in the American Center, a business park in Madison, Wis. The new office will feature energy-saving measures that showcase our energy-management expertise. Completion is scheduled for Summer 2002.

sources — microturbines and fuel cells. Microturbines produce electricity through small combustion engines fueled by natural gas whereas fuel cells produce electricity through a chemical reaction in which hydrogen and oxygen are turned into water. With these new tools consumers may associate "portable," "accessible" and "wireless" as terms defining their future energy sources. As a company we're exploring the most practical and profitable ways to incorporate these technologies into our portfolio.

Technology plays another role in changing how we do business through e-commerce. We continue to focus on applying Internet technology where it can offer the most benefit to our customers and operations. We realize that we are only scratching the surface and remain excited by the possibilities.

The years ahead will bring even more challenges. And, as we meet them, we must discipline our organization to sharpen its focus on our two most critical constituencies: our customers and our shareowners. Our edge must come from the value we add in all aspects of our business — manufacturing, transmission, distribution, sales and service. To find it, we are looking at organizations with which to partner, technologies to advance our operations and companies to acquire.

Finding value also means demonstrating leadership. Alliant Energy will continue to pioneer sound energy policy and contribute to best practices in our industry. Through active participation in national organizations such as the Edison Electric Institute and the Electric Power Research Institute, we remain committed to shaping the future of electric-utility industry restructuring, technology, research and other issues affecting you on a personal — and financial — level.

Our future reflects a new world of innovation — in technology, business models and even legislation. We cannot chart our course to success with certainty, but we can set the direction. The pathway to our goal may vary with the evolving nature of our industry, yet our unwavering focus remains on creating value for our shareowners. The future demands it of us and we demand it of ourselves. ■

BOARD OF DIRECTORS

Ages are as of Dec. 31, 1999. Bracketed information represents first year of board affiliation with a company that ultimately became part of the Alliant Energy family.

Alan B. Arends, 66 [1993]
Chairman of the Board
Alliance Benefit Group
Financial Services Corp.
Albert Lea, Minn.

Compensation and Personnel Committee
Nominating and Governance Committee

Lee Liu, 66 [1981]
Chairman of the Board
Alliant Energy
Cedar Rapids, Iowa

Executive Committee Chair

Jack B. Evans, 51 [2000]
Director and President
The Hall-Perrine Foundation
Cedar Rapids, Iowa

Audit Committee

Wayne H. Stoppelmoor, 65 [1986]
Vice Chairman of the Board
Alliant Energy
Dubuque, Iowa

Executive Committee

Rockne G. Flowers, 68 [1979]
President
Nelson Industries, Inc.
Stoughton, Wis.

Nominating and Governance Committee Chair
Executive Committee

Erroll B. Davis Jr., 55 [1982]
President and
Chief Executive Officer
Alliant Energy
Madison, Wis.

Joyce L. Hanes, 67 [1982]
Chairman of the Board
Midwest Wholesale, Inc.
Mason City, Iowa

Audit Committee Chair
Environmental, Nuclear, Health and Safety Committee
Executive Committee

Judith D. Pyle, 56 [1992]
Vice Chair
The Pyle Group
Madison, Wis.

Compensation and Personnel Committee
Nominating and Governance Committee

Katharine C. Lyall, 58 [1986]
President
University of Wisconsin System
Madison, Wis.

Audit Committee
Environmental, Nuclear, Health and Safety Committee

Robert D. Ray, 71 [1987]
Chairman of the Board
Drake University
Des Moines, Iowa

Nominating and Governance Committee

Arnold M. Nemirow, 56 [1991]
Chairman, President and CEO
Bowater Incorporated
Greenville, S.C.

Compensation and Personnel Committee Chair
Executive Committee

Robert W. Schlutz, 63 [1989]
President
Schlutz Enterprises
Columbus Junction, Iowa

Audit Committee
Environmental, Nuclear, Health and Safety Committee Chair
Executive Committee

Milton E. Neshek, 69 [1984]
Director, Secretary and General Counsel
Kikkoman Foods, Inc.
Walworth, Wis.

Audit Committee
Environmental, Nuclear, Health and Safety Committee

Anthony R. Weiler, 63 [1979]
Corporate Consultant to the Home Furnishings Industry
Richmond, Va.

Compensation and Personnel Committee
Nominating and Governance Committee

SHAREOWNER INFORMATION

STOCK EXCHANGE LISTINGS

	Stock Exchange	Trading Symbol	Newspaper Abbreviation
Alliant Energy — Common	New York Stock Exchange	LNT	AlliantEngy
Wisconsin Power and Light Company — 4.50% Preferred	American Stock Exchange	Wis Pr	WI P&L pf

All other Wisconsin Power and Light Company preferred series and all preferred series of IES Utilities Inc. and Interstate Power Company are traded on the over-the-counter market.

Alliant Energy Corporation had 66,886 shareowners as of Dec. 31, 1999. Shareowner records are maintained in the corporate general office in Madison, Wis.

2000 RECORD AND DIVIDEND PAYMENT DATES

Anticipated record and payment dates are as follows:

COMMON STOCK

Record Dates	Payment Dates
Jan. 31	Feb. 15
Apr. 28	May 15
July 31	Aug. 15
Oct. 31	Nov. 15

COMMON STOCK QUARTERLY PRICE RANGES AND DIVIDENDS

	1999			1998		
Quarter	High	Low	Dividend	High	Low	Dividend
First	$32 3/8	$26 3/8	$0.50	$33 7/8	$31 1/2	$0.50
Second	30 7/8	26 1/2	.50	35 3/8	29 5/8	.50
Third	30 1/16	26 3/4	.50	32 1/8	28	.50
Fourth	28 13/16	25 3/16	.50	34	29 3/4	.50
Year	**$32 3/8**	**$25 3/16**	**$2.00**	**$35 3/8**	**$28**	**$2.00**

Alliant Energy Corporation 1999 year-end common stock price: $27 1/2

STREET-NAME ACCOUNTS

Shareowners whose stock is held by banks or brokerage firms and who wish to receive quarterly reports directly from the company should contact Shareowner Services to be placed on the mailing list. Reports may also be obtained through the financial section of our web site.

ANNUAL MEETING

The 2000 Annual Meeting of Shareowners will be held at the Dane County Expo Center, Madison, Wis., on Wednesday, May 17, 2000, at 1 p.m. Central Daylight Time.

FORM 10-K INFORMATION

Upon request, the company will provide, without charge, copies of the Annual Report on Form 10-K for the year ended Dec. 31, 1999, as filed with the Securities and Exchange Commission. All reports filed with the SEC are also available through the financial section of our web site.

ANALYST INQUIRIES

Inquiries from the financial community may be directed to:

Robert Rusch
Manager-Investor Relations and Trust Fund Management
P.O. Box 192
Madison, WI 53701-0192
Phone: (608) 252-3470
Fax: (608) 252-4824
E-mail: bobrusch@alliant-energy.com

DUPLICATE MAILINGS

If you receive duplicate mailings of proxies, dividend checks, or other mailings because of slight differences in the registration of your accounts, please call Shareowner Services for instructions on combining your accounts. To reduce the volume of paper you receive from us, you may wish to consider electronic access.

ELECTRONIC ACCESS

Electronic access allows you to obtain our annual report and proxy statements by using the Internet. Setup is easy and can be done by calling Shareowner Services. You will still receive account-related information by mail (e.g., checks and statements).

SHAREOWNER INFORMATION

The company's annual report and quarterly newsletter focus on the shareowner audience. Your questions and ideas are always welcome. Please direct them to Shareowner Services.

STOCK TRANSFER AGENT AND REGISTRAR

For Alliant Energy common stock and all preferred stock of Wisconsin Power and Light Company, IES Utilities Inc. and Interstate Power Company contact:

Alliant Energy Corporation
ATTN: Shareowner Services
P.O. Box 2568
Madison, WI 53701-2568

Written inquiries should be mailed to this address as well.

SHAREOWNER DIRECT PLAN

The Plan is available to all shareowners of record, first-time investors, customers, vendors and employees. Through the Plan, shareowners may buy common stock directly through the company without paying any brokerage commissions, fees or service charges.

Full details are in the prospectus, which can be obtained through our web site or by calling Shareowner Services.

DIRECT DEPOSIT

Shareowners who are not reinvesting their dividends through the Plan may choose to have their quarterly dividend electronically deposited in their checking or savings account through this service. Electronic deposit may be arranged by contacting Shareowner Services.

SHAREOWNER SERVICES

The company's Shareowner Services representatives are available to assist you from 8:30 a.m. to 4:30 p.m. (Central Standard Time) each business day.

Madison, Wis. area: (608) 252-3110
Toll-free: 1-800-356-5343

Internet address: **www.alliant-energy.com**
(click on "Investment Information")

OFFICERS

ALLIANT ENERGY CORPORATION OFFICERS

Erroll B. Davis Jr., 55 [1978]
President and Chief Executive Officer

William D. Harvey, 50 [1986]
Executive Vice President-Generation

James E. Hoffman, 46 [1995]
Executive Vice President-Business Development

Eliot G. Protsch, 46 [1978]
Executive Vice President-Energy Delivery

Barbara J. Swan, 48 [1987]
Executive Vice President and General Counsel

Thomas M. Walker, 52 [1996]
Executive Vice President and Chief Financial Officer

Pamela J. Wegner, 52 [1993]
Executive Vice President-Corporate Services

Daniel A. Doyle, 41 [1992]
Vice President-Chief Accounting and Financial Planning Officer

John E. Ebright, 56 [1996]
Vice President-Special Projects

Edward M. Gleason, 59 [1977]
Vice President-Treasurer and Corporate Secretary

Susan J. Kosmo, 53 [1986]
Assistant Controller

John E. Kratchmer, 37 [1985]
Assistant Controller

Linda J. Wentzel, 51 [1978]
Assistant Corporate Secretary

Enrique Bacalao, 50 [1998]
Assistant Treasurer

Ages are as of Dec. 31, 1999.
Dates in brackets represent the year each person joined a company that ultimately became part of the Alliant Energy family.

ALLIANT ENERGY CORPORATE SERVICES OFFICERS*

Erroll B. Davis Jr., 55 [1978]
Chief Executive Officer

Pamela J. Wegner, 52 [1993]
President

William D. Harvey, 50 [1986]
Executive Vice President-Generation (President, Wisconsin Power and Light Co.)

James E. Hoffman, 46 [1995]
Executive Vice President-Business Development

Eliot G. Protsch, 46 [1978]
Executive Vice President-Energy Delivery (President, IES Utilities Inc.)

Barbara J. Swan, 48 [1987]
Executive Vice President and General Counsel

Thomas M. Walker, 52 [1996]
Executive Vice President and Chief Financial Officer

Dale R. Sharp, 59 [1964]
Senior Vice President-Transmission (President, Interstate Power Co.)

Daniel A. Doyle, 41 [1992]
Vice President-Chief Accounting and Financial Planning Officer

Dean E. Ekstrom, 52 [1985]
Vice President

Edward M. Gleason, 59 [1977]
Vice President-Treasurer and Corporate Secretary

Dundeana K. Langer, 41 [1984]
Vice President-Customer Services and Operations

Daniel L. Mineck, 51[1970]
Vice President-Performance Engineering and Environmental

David L. Wilson, 53 [1966]
Vice President-Nuclear

Kim K. Zuhlke, 46 [1978]
Vice President-Engineering, Sales and Marketing

Linda J. Wentzel, 51 [1978]
Assistant Corporate Secretary

Kent M. Ragsdale, 50 [1985]
Assistant Corporate Secretary

Enrique Bacalao, 50 [1998]
Assistant Treasurer

Steven F. Price, 47 [1984]
Assistant Treasurer

Robert A. Rusch, 37 [1989]
Assistant Treasurer

ALLIANT ENERGY RESOURCES OFFICERS+

Erroll B. Davis Jr., 55 [1978]
Chief Executive Officer

James E. Hoffman, 46 [1995]
President

Thomas L. Aller, 50 [1993]
Vice President (Vice President, Alliant Energy Investments, Inc.)

Charles Castine, 50 [1998]
Vice President (President, Alliant Energy Industrial Services, Inc.)

Daniel A. Doyle, 41 [1992]
Vice President-Chief Accounting and Financial Planning Officer

John K. Peterson, 47 [1998]
Vice President (President, Alliant Energy International, Inc.)

Edward M. Gleason, 59 [1977]
Vice President, Treasurer and Corporate Secretary

Linda J. Wentzel, 51 [1978]
Assistant Corporate Secretary

Daniel L. Siegfried, 39 [1992]
Assistant Corporate Secretary

Enrique Bacalao, 50 [1998]
Assistant Treasurer

Steven F. Price, 47 [1984]
Assistant Treasurer

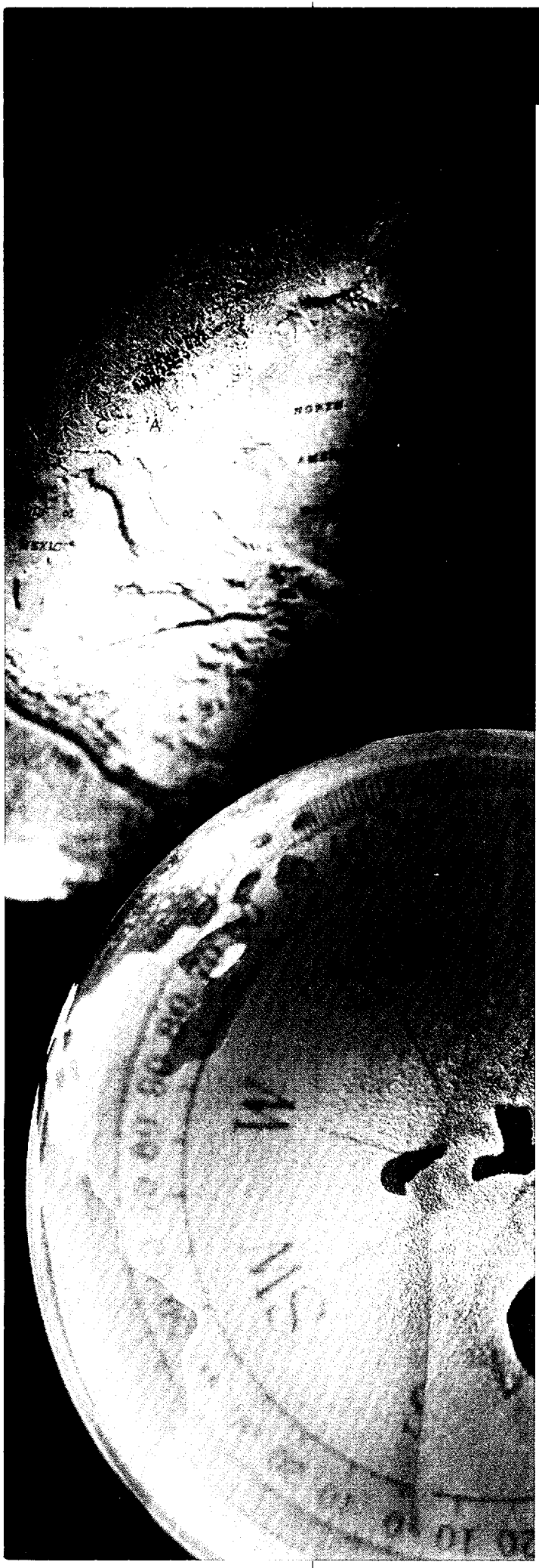
Robert A. Rusch, 37 [1989]
Assistant Treasurer

*Alliant Energy Corporate Services, Inc. provides internal support to all business units within the company.

+Alliant Energy Resources, Inc. is the parent of the company's nonregulated businesses.

Alliant Energy's *1999 Annual Report* was written, designed and photographed by the company's Corporate Communications Department.

This Annual Report includes forward-looking statements. These forward-looking statements can be identified as such because the statement includes words such as "expects" or "estimates" or other words of similar import. Similarly, statements that describe future plans or strategies are also forward-looking statements. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those currently anticipated. Factors which could affect actual results include, among others, weather conditions; regulatory or governmental actions, including utility industry restructuring; general economic and political conditions in Alliant Energy's relevant domestic and international service territories; material changes in the value of Alliant Energy's investment in McLeodUSA; the ability of Alliant Energy to successfully introduce new products and services; technological developments; and inflation rates. These factors should be considered in evaluating the forward-looking statements and undue reliance should not be placed on such statements.



1999 ANNUAL REPORT

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www.alliant-energy.com

ALLIANT ENERGY

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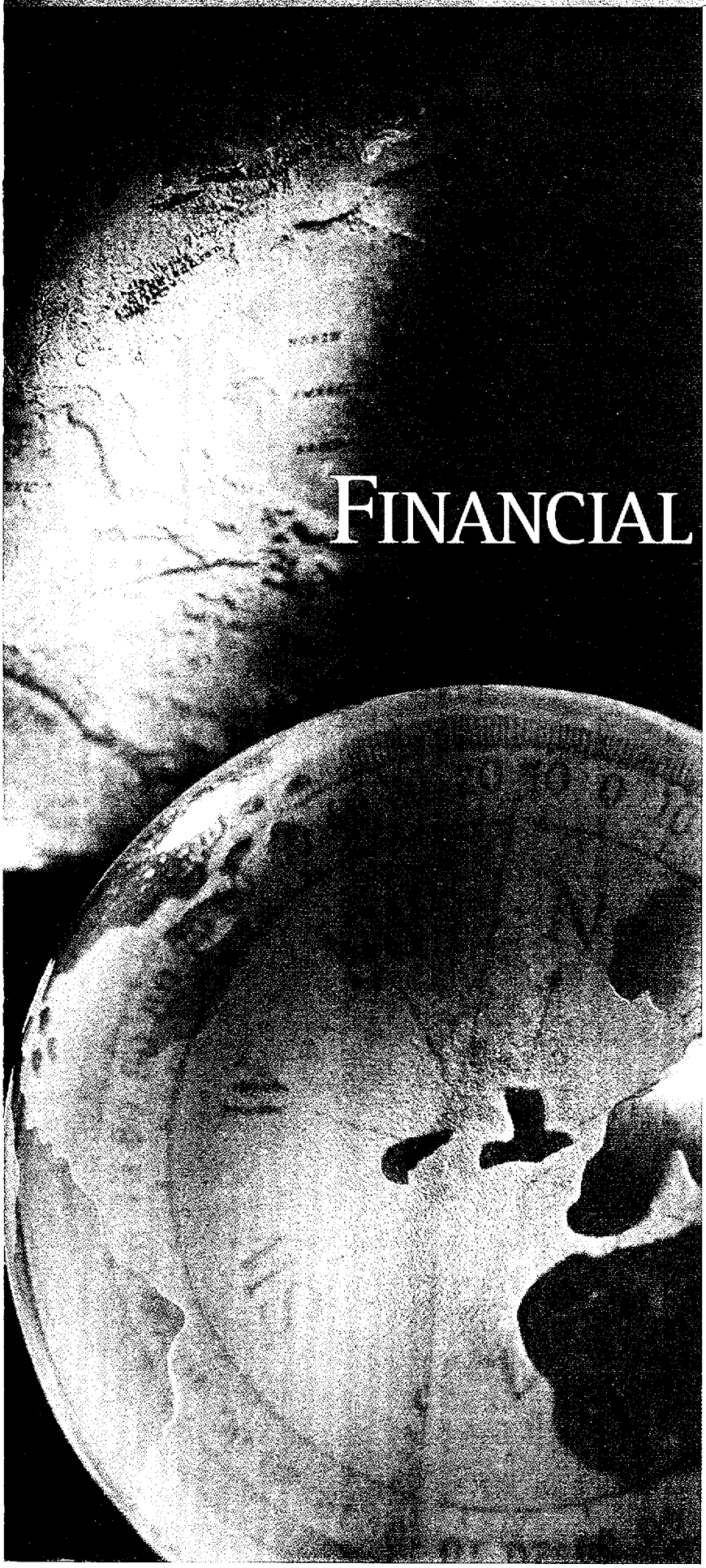

FINANCIAL INFORMATION

ALLIANT ENERGY.

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DEFINITIONS

Certain abbreviations or acronyms used in the text and notes of this report are defined below:

Abbreviation or Acronym	Definition
ADEQ	Arkansas Department of Environmental Quality
AFUDC	Allowance for Funds Used During Construction
Alliant Energy	Alliant Energy Corporation
APB	Accounting Principles Board Opinion
ATC	American Transmission Company, LLC
Cargill	Cargill Incorporated
CEMS	Continuous Emission Monitoring System
Corporate Services	Alliant Energy Corporate Services, Inc.
CWIP	Construction Work-In-Progress
DAEC	Duane Arnold Energy Center
DOE	U.S. Department of Energy
Dth	Dekatherm
EAC	Energy Adjustment Clause
EDS	Electronic Data Systems Corporation
EITF	Emerging Issues Task Force
EPA	United States Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
ICC	Illinois Commerce Commission
IES	IES Industries Inc.
IESU	IES Utilities Inc.
International	Alliant Energy International, Inc.
IPC	Interstate Power Company
ISCO	Alliant Energy Industrial Services, Inc.
IUB	Iowa Utilities Board
Kewaunee	Kewaunee Nuclear Power Plant
KWH	Kilowatt-Hour
MAIN	Mid-America Interconnected Network, Inc.
MAPP	Mid-Continent Area Power Pool
McLeod	McLeodUSA Incorporated
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MG&E	Madison Gas & Electric Company
MGP	Manufactured Gas Plants
Midwest ISO	Midwest Independent System Operator
MPUC	Minnesota Public Utilities Commission
MW	Megawatt
MWH	Megawatt-Hour
NEIL	Nuclear Electric Insurance Limited

Abbreviation or Acronym	Definition
NEPA	National Energy Policy Act of 1992
NMC	Nuclear Management Company, LLC
NOPR	Notice of Proposed Rulemaking
NOx	Nitrogen Oxides
NRC	Nuclear Regulatory Commission
NSP	Northern States Power Company
NYMEX	New York Mercantile Exchange
OCA	Office of Consumer Advocate
PCB	Polychlorinated Biphenyl
PGA	Purchased Gas Adjustment
PRP	Potentially Responsible Party
PSCW	Public Service Commission of Wisconsin
PUHCA	Public Utility Holding Company Act of 1935
Resources	Alliant Energy Resources, Inc.
RTO	Regional Transmission Organization
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards
SkyGen	SkyGen Energy LLC
SO2	Sulfur Dioxide
SOS	Standard Offer Service
U.S.	United States
WDNR	Wisconsin Department of Natural Resources
WEPCO	Wisconsin Electric Power Company
Whiting	Whiting Petroleum Corporation
WP&L	Wisconsin Power and Light Company
WPLH	WPL Holdings, Inc.
WPSC	Wisconsin Public Service Corporation
WUHCA	Wisconsin Utility Holding Company Act

Alliant Energy was formed as the result of a three-way merger involving WPLH, IES and IPC that was completed in April 1998. The primary first tier subsidiaries of Alliant Energy include: WP&L, IESU, IPC, Resources and Corporate Services. Among various other regulatory constraints, Alliant Energy is operating as a registered public utility holding company subject to the limitations imposed by PUHCA. This MD&A includes information relating to Alliant Energy, IESU and WP&L (as well as IPC, Resources and Corporate Services). Where appropriate, information relating to a specific entity has been segregated and labeled as such.

FORWARD-LOOKING STATEMENTS

Statements contained in this report (including MD&A) that are not of historical fact are forward-looking statements intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. From time to time, Alliant Energy, IESU or WP&L may make other forward-looking statements within the meaning of the federal securities laws that involve judgments, assumptions and other uncertainties beyond the control of such companies. These forward-looking statements may include, among others, statements concerning revenue and cost trends, cost recovery, cost reduction strategies and anticipated outcomes, pricing strategies, changes in the utility industry, planned capital expenditures, financing needs and availability, statements of expectations, beliefs, future plans and strategies, anticipated events or trends and similar comments concerning matters that are not historical facts. Investors and other users of the forward-looking statements are cautioned that such statements are not a guarantee of future performance and that such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, such statements. Some, but not all, of the risks and uncertainties include weather effects on sales and revenues, competitive factors, general economic conditions in the relevant service territory, federal and state regulatory or government actions, including issues associated with the deregulation of the utility industry, unanticipated construction and acquisition expenditures, issues related to stranded costs and the recovery thereof, the operations of Alliant Energy's nuclear facilities, unanticipated costs associated with certain environmental remediation efforts being undertaken by Alliant Energy, unanticipated issues relating to establishing a transmission company, material changes in the value of Alliant Energy's investment in McLeod, technological developments, employee workforce factors, including changes in key executives, collective bargaining agreements or work stoppages, political, legal and economic conditions in foreign countries Alliant Energy has investments in and changes in the rate of inflation.

UTILITY INDUSTRY OUTLOOK

As a holding company with significant utility assets, Alliant Energy competes in an ever-changing utility industry. Set forth below is an overview of this evolving marketplace.

Electric energy generation, transmission and distribution are in a period of fundamental change in the manner in which customers obtain, and energy suppliers provide, energy services. As legislative, regulatory, economic and technological changes occur, electric utilities are facing increased numbers of alternative suppliers. Such competitive pressures could

result in loss of customers and an incurrence of stranded costs (i.e., assets and other costs rendered unrecoverable as the result of competitive pricing). To the extent stranded costs cannot be recovered from customers, they would be borne by security holders.

Across the nation, approximately half of the states (including Illinois) have passed legislation or issued regulatory rulings granting customers the right to choose their electric energy supplier. Legislation that would allow customers to choose their electric energy supplier is expected to be introduced in Iowa in 2000. At the federal level, a number of proposals to restructure the electric industry are currently under consideration. However, there continues to be a lack of consensus over how restructuring should be implemented and how much control the federal government should have over this process. Until one of the proposals gains significant bipartisan support, there is unlikely to be final federal action to either facilitate or force states to open electricity markets to competition.

Alliant Energy realized 55%, 40%, 3% and 2% of its electric utility revenues in 1999 in Iowa, Wisconsin, Minnesota and Illinois, respectively. Approximately 90% of the electric revenues were regulated by the respective state commissions while the other 10% were regulated by the FERC. Alliant Energy realized 57%, 37%, 3% and 3% of its gas utility revenues in Iowa, Wisconsin, Minnesota and Illinois, respectively, during the same period.

Federal Regulation

IESU, WP&L and IPC are subject to regulation by the FERC. NEPA addresses several matters designed to promote competition in the electric wholesale power generation market. FERC has issued final rules (FERC Orders 888/888-A and 889/889-A) requiring electric utilities to open their transmission lines to other wholesale buyers and sellers of electricity. In response to FERC Orders 888 and 888-A, Corporate Services, on behalf of IESU, WP&L and IPC, has filed Open Access Transmission Tariffs that comply with the orders. In response to FERC Orders 889 and 889-A, IESU, WP&L and IPC are participating in a regional Open Access Same-Time Information System.

FERC Order 888 permits utilities to seek recovery of legitimate, prudent and verifiable stranded costs associated with providing open access transmission services. FERC does not have jurisdiction over retail distribution and, consequently, the final FERC rules do not provide for the recovery of stranded costs resulting from retail competition. The various states retain jurisdiction over the question of whether to permit retail competition, the terms of such retail competition, and the recovery of any portion of stranded costs that are ultimately determined to have resulted from retail competition.

In May 1999, FERC issued a NOPR concerning the development of RTOs. The proposed rules outline the requirements for utilities to voluntarily turn over control of their transmission system to a regional entity either by leasing the system to an RTO or by outright divestiture. In December 1999, FERC issued Order 2000 which implemented the proposed rules with minor modifications. FERC's timeline is to have the RTOs in operation by the end of 2001. Alliant Energy is involved with other utilities and industry groups in reviewing Order 2000 and has submitted a joint petition to FERC seeking further clarification of the operating and ownership limitations that will be imposed on the RTOs. Alliant Energy's current plans to contribute its Wisconsin transmission assets to ATC, in exchange for an equity interest, and participate in the Midwest ISO are expected to comply with the provisions of Order 2000.

Alliant Energy and the utility subsidiaries cannot predict the long-term consequences of these

rules on their financial condition or results of operations.

State Regulation

Iowa

IESU and IPC are subject to regulation by the IUB. The IUB has been reviewing all forms of competition in the electric utility industry for several years. A group comprised of the IUB, Alliant Energy, MidAmerican Energy Company, rural electric cooperatives, municipal utilities and Iowans for Choice in Electricity (a diverse group of industrial customers, marketers, such as Enron, and a low income customer representative, among others) endorsed a bill to allow for such competition that was introduced in the Iowa Legislature in March 1999. The bill was opposed by the OCA, which is charged by Iowa law with representation of all consumers generally. While the bill did not pass, by operation of House rules, it was re-referred to the House Commerce Committee and was again inserted into the legislative process in the Second Regular Session of the 78th General Assembly (2000). As of March 1, 2000, the bill has been approved by both the Iowa House and Senate Commerce Committees and will be addressed by the legislature in full.

The bill would allow choice of electric suppliers for all customers on October 1, 2002. It would freeze IESU's and IPC's Iowa regulated prices at January 2000 levels. It would allow, however, for investor-owned utilities to propose increases due to exogenous factors (for example, environmental compliance costs) in the generation cost component. Assigned service territories would be maintained for the delivery function. Delivery prices would be regulated, with the option available to propose performance based rate making. Prices for generation and other retail services would not be regulated, except for SOS pricing starting October 2002 for all residential customers and non-residential customers with annual usage of fewer than 75,000 KWHs. Pricing for SOS would initially be at levels equivalent to prices as they exist today and would remain at such levels until at least December 31, 2005 for SOS customers. The IUB would be able to terminate SOS if it were to determine several conditions existed, including, most importantly, that effective competition existed such that regulation was no longer necessary. If the IUB continues SOS past December 31, 2005, then prices would be based upon competitive bids. There are no price protections for non-residential customers with usage greater than 75,000 KWH annually, with the exception of transitional service. Transitional service would exist for no longer than one year, until October 1, 2003, at prices the IUB determines to be "just and reasonable." Currently existing automatic fuel adjustment clauses for recovery of fuel costs would be eliminated no later than October 2002. A "nuclear-only" fuel adjustment would be permitted with increased prices effective if an electric company's nuclear plant is not operational due to exogenous factors.

Transition or stranded cost is the difference between the revenues that would have been collected pursuant to an electric company's revenue requirement existing as of January 1, 2000, and market prices for the period 2002 through 2005. These differences would be afforded 80% recovery in the first twelve months of choice, with 70%, 60%, and 50% in each subsequent twelve-month period. Effective October 1, 2006, transition cost recovery would end. In lieu of accepting this transition cost recovery mechanism, an electric utility would be entitled under the proposed legislation to elect to divest itself of its generation assets, including power supply contracts. In such case, the utility would be given an opportunity to be "made whole" for recovery of embedded costs with the possibility for shareowners to retain 50% of the amount realized from the sale of the assets beyond the sum of depreciated book value and unfunded decommissioning. A divestiture plan would be

filed with the IUB no later than January 1, 2001, with IUB approval or modification by July 1, 2001. The utility would have until September 30, 2001 to revoke its election.

Costs of start-up, including computer systems and employee transition costs, would be recoverable over a ten-year period, as approved by the IUB. The difference between regulatory assets and liabilities would be fully recoverable as a delivery charge. Nuclear decommissioning costs would be fully recoverable. While Alliant Energy supports the proposed legislation in its current form, it is unable to predict if this legislation will be enacted in 2000, what modifications, if any, may be made to the proposed bill or what actions Alliant Energy may take in response to the legislation should it be enacted.

In the first quarter of 1999, the IUB conducted workshops concerning the unbundling of natural gas rates for all Iowa customers as well as allowing choice of the supplier of the natural gas for the small volume natural gas customers. IESU's and IPC's natural gas costs are a "flow-through cost item" in that they are automatically reflected in future billings to customers. Such collections are reconciled on an annual basis to ensure that they neither over- nor under-collect their actual gas commodity costs. Consequently, Alliant Energy does not currently realize any margins or income with respect to its provision of the gas commodity. Alliant Energy expects to continue to be made whole for such gas costs if the gas rates are unbundled. Even if Alliant Energy's gas commodity sales were to decline in a customer choice environment, its margins and income would not be expected to be impacted by such decreases in commodity sales. The delivery function of Alliant Energy's gas business in Iowa will likely continue to be regulated on a cost of service basis, as currently is the case. As a result, assuming no significant change in the regulatory posture, the delivery function would continue to generate comparable margins and income to that currently generated, regardless of what entity provides the gas commodity to the customer. On March 3, 2000, the IUB issued an order indicating that the IUB prefers to allow each utility to design a tariff in order to remove barriers to a competitive option for small volume customers. The IUB will also seek comments from the utility companies before approving any tariff filings.

Wisconsin

WP&L is subject to regulation by the PSCW. The PSCW's inquiries into the future structure of the natural gas and electric utility industries are ongoing. The stated goal of the PSCW regarding natural gas service is "to accommodate competition but not create it." The PSCW has followed a measured approach to restructuring the natural gas industry in Wisconsin. The PSCW has determined that customer classes will be deregulated (i.e., the gas utility would no longer have an obligation to procure gas commodity for customers, but would still have a delivery obligation) in a step-wise manner, after each class has been demonstrated to have a sufficient number of gas suppliers available. The short-term goals of the PSCW's electric restructuring process are to ensure reliability of the state's electric system and development of a robust wholesale electric market. The long-term goal is to establish prerequisite safeguards to protect customers prior to allowing retail customer choice. There are no other restructuring working groups currently active in Wisconsin.

In May 1998, the PSCW reactivated Docket No. 05-BU-101 with the objective of examining the degree of separation which should be required as a matter of policy between utility and non-utility activities involving the various state utilities. Final hearings were held in February 2000 and the PSCW ruled that utilities can continue to offer non-utility services to customers and affiliates and that utilities must

continue to fully allocate their costs to such non-utility activities.

It is anticipated that there will be legislative proposals introduced in the 2001-2002 legislative session on issues dealing with restructuring of the electric utility industry. It is not possible to predict at this time the scope or the possibility of enactment of such proposals.

"Reliability 2000" legislation was enacted in Wisconsin in 1999. This legislation included, among other items, a relaxation of the non-utility asset limitations included in the WUHCA and the formation of a Wisconsin transmission company for those Wisconsin utility holding companies who elect to take advantage of the new asset cap law. Alliant Energy has agreed to contribute WP&L's transmission assets to the transmission company (American Transmission Company, or ATC) in exchange for an equity interest in ATC. WP&L made several federal and state regulatory filings and commitments in the fourth quarter of 1999 relating to its participation in ATC.

ATC's sole business will be to provide reliable, economic transmission service to all customers in a fair and equitable manner. ATC will plan, construct, operate, maintain and expand transmission facilities it will own to provide for adequate and reliable transmission of power. It will provide comparable service to all customers, including Alliant Energy, and it will support effective competition in energy markets without favoring any market participant. Formation of the company will require federal and state regulatory approvals. ATC will be regulated by FERC for all rate terms and conditions of service. ATC will be a transmission-owning member of the Midwest ISO and will transfer operational control of the transmission systems to the Midwest ISO.

ATC will be a public utility, as defined under Wisconsin law, with a board of directors comprised of one representative from each utility having at least a 10% ownership interest in ATC. Smaller utilities could combine their transmission assets with others to reach the minimum level for board membership. In addition, the shareowners of ATC will select four at-large directors that can not be employed or engaged in energy businesses.

The PSCW has not yet determined the exact scope of the assets that must be transferred to the ATC. Pending the final determination by the PSCW, WP&L estimates it will transfer approximately $150 million in plant assets at net book value to the ATC when it becomes operational in late 2000. Alliant Energy is also reviewing the possible contribution of IESU's and IPC's transmission assets to ATC as well. Alliant Energy estimates the net book value of such plant assets to approximate $220 million. While Alliant Energy will realize its proportionate share of ATC's earnings, it is not yet known what the overall financial impact of Alliant Energy's participation in ATC will be.

Minnesota

IPC is subject to regulation by the MPUC. The MPUC established an Electric Competition Working Group in April 1995. On October 28, 1997, the Working Group issued a report and recommendations on retail competition. The MPUC reviewed the report and directed its staff to develop an electric utility restructuring plan and timeline. The MPUC has recently solicited comments on restructuring principles from stakeholders in the process. It does not appear that any comprehensive restructuring legislation will be passed in 2000. The MPUC has also initiated Docket E-999/CI-1261 to investigate the appropriate classification of transmission assets in Minnesota.

Illinois

WP&L and IPC are subject to regulation by the ICC. In December 1997, the State of Illinois

passed electric deregulation legislation requiring customer choice of electric suppliers for non-residential customers with loads of four MW or larger and for approximately one-third of all other non-residential customers starting October 1, 1999. All remaining non-residential customers will be eligible for customer choice beginning December 31, 2000 and all residential customers will be eligible for customer choice beginning May 1, 2002. The new legislation is not expected to have a significant impact on Alliant Energy's financial condition or results of operations given the relatively small size of Alliant Energy's Illinois operations. As of December 31, 1999, no eligible Alliant Energy customer had selected another electric supplier.

Accounting Implications

Each of the utilities complies with the provisions of SFAS 71, "Accounting for the Effects of Certain Types of Regulation." SFAS 71 provides that rate-regulated public utilities record certain costs and credits allowed in the rate making process in different periods than for non-regulated entities. These are deferred as regulatory assets or regulatory liabilities and are recognized in the consolidated statements of income at the time they are reflected in rates. If a portion of the utility subsidiaries' operations becomes no longer subject to the provisions of SFAS 71 as a result of competitive restructurings or otherwise, a write-down of related regulatory assets and possibly other charges would be required, unless some form of transition cost recovery is established by the appropriate regulatory body that would meet the requirements under generally accepted accounting principles for continued accounting as regulatory assets during such recovery period. In addition, each utility subsidiary would be required to determine any impairment of other assets and write-down any impaired assets to their fair value. The utility subsidiaries believe they currently meet the requirements of SFAS 71 and will continue to monitor and assess this as the various utility industry restructuring initiatives progress.

Positioning for a Competitive Environment

Alliant Energy and its subsidiaries cannot currently predict the long-term consequences of the competitive and restructuring issues described above on their financial condition or results of operations. The major objective is to allow the company to compete successfully in a competitive, deregulated utility industry. The strategy for dealing with these emerging issues includes seeking growth opportunities, forming strategic alliances with other energy-related businesses, continuing to offer quality customer service, initiating ongoing cost reductions and productivity enhancements and developing new products and services.

As competitive forces shape the energy-services industry, energy providers are being challenged to increase growth and profits. Because Alliant Energy expects consumption of electricity and natural gas to grow only modestly within Alliant Energy's domestic utility service territories, Alliant Energy has entered several energy-services markets that it expects will provide opportunities for new sources of growth. Alliant Energy, through its subsidiary Resources, has established new distinct platforms to complement its existing non-regulated investments, which are designed to meet customer needs. These platforms and existing investments include:

Investments: Resources' existing investments include an oil and gas production company, a short-line railroad, a barge company, an affordable housing company, various real estate joint ventures and an equity stake in an independent telecommunications provider.

International: International is a partner in developing, or seeking to develop, energy generation and infrastructure in New Zealand, Australia, China, Mexico and Brazil, markets which

have been selected because of their growth potential.

Industrial Services: ISCO is a provider of energy and environmental services designed to maximize productivity for industrial and large commercial customers. This platform consists of four units: Energy Planning; Energy Management; Energy Applications, which provides facilities-based and commodities-based energy solutions; and RMT, Inc., an environmental management and engineering firm with offices throughout the U.S. and the United Kingdom.

Cargill-Alliant: Alliant Energy has an energy-trading joint venture with Cargill that combines the risk-management and commodity trading expertise of Cargill with Alliant Energy's low-cost electricity generation and transmission business experience. Cargill-Alliant officially began operations in 1997 and has an initial term though October 2002. The term automatically renews for successive five-year periods unless either party notifies the other at least one year prior to the then expiring term.

Mass Markets: Resources is a provider of products and services designed to meet the comfort, security and productivity needs of residential and small commercial customers. Resources currently offers home appliance and furnace warranties and a variety of home energy, safety and security products through its "Power House" catalog. Such products are marketed directly to customers, through the mail with the catalog and over the Internet. Resources expects to continue pursuing opportunities in these markets, which it believes has a growth potential as industry deregulation allows more customers to choose their energy suppliers in an open market.

Alliant Energy believes that each of these platforms provide prospects for growth both individually and collectively as the competitive energy-services marketplace evolves. Alliant Energy expects that these strategies will contribute significantly to its annual earnings growth target of 4-6% from its business operations. Resources is expected to contribute 25% of such earnings within the next 3-5 years.

ALLIANT ENERGY RESULTS OF OPERATIONS

Overview

Alliant Energy's earnings for each of the last three years were as follows (in thousands, except per share amounts):

	1999	1998	1997
Net income	**$196,581**	$96,675	$144,578
Average number of common shares outstanding	**78,352**	76,912	76,210
Earnings per average common share (basic and diluted)	**$ 2.51**	$ 1.26	$ 1.90
Pre-tax merger expenses	—	$54,045	$ 2,448

The significant increase in Alliant Energy's 1999 earnings compared to 1998 was due to increased earnings from non-regulated operations of $0.60 per share (of which $0.32 per share was attributable to sales of McLeod stock), higher electric and natural gas margins from utility operations and lower utility operation and maintenance expenses. Higher depreciation (excluding hedge losses in WP&L's nuclear decommissioning trust fund) and interest expenses partially offset these items. The 1998 results also included approximately $54 million of pre-tax merger-related expenses ($0.45 per share).

The 1999 utility earnings were $161.1 million ($2.06 per share) compared to $109.5 million ($1.42 per share) for 1998. The increase in utility earnings resulted primarily from higher electric and natural gas margins ($0.24 and

$0.04 per share, respectively), lower operation and maintenance expenses ($0.09 per share) and income realized from weather hedges ($0.04 per share). Higher depreciation (excluding hedge losses in WP&L's nuclear decommissioning trust fund) and interest expenses ($0.10 and $0.02 per share, respectively) and a higher effective income tax rate ($0.02 per share) partially offset these items. The 1998 utility results included approximately $0.42 per share of merger-related expenses.

Resources reported net income of $37.8 million ($0.48 per share) in 1999 compared to a net loss of $8.9 million (($0.12) per share) for 1998. The 1999 earnings included gains realized from several asset sales, including approximately 7% of Alliant Energy's investment in McLeod ($0.32 per share), oil and gas properties at Whiting ($0.08 per share) and certain New Zealand electric distribution investments ($0.05 per share). Earnings from Alliant Energy's electricity trading joint venture ($0.06 per share), improved operating results from Whiting ($0.03 per share) and improved earnings from Alliant Energy's other non-regulated businesses ($0.03 per share) also contributed to the increased earnings. The 1998 results for Resources also included merger-related expenses ($0.03 per share).

The 1998 utility earnings were $109.5 million compared to $152.5 million for 1997. The decrease in 1998 utility earnings resulted primarily from merger-related expenses, higher purchased-power and transmission costs at WP&L, a 15.7% decrease in retail natural gas sales largely due to milder weather conditions in 1998 compared to 1997, a $9 million regulatory asset write-off at IESU, increased expenses for Year 2000 readiness efforts, higher insurance-related expenses and increased depreciation expenses. These decreases were partially offset by a 2% increase in retail electricity sales volumes, largely due to continued economic growth within Alliant Energy's service territory, lower purchased-power capacity costs at IESU and IPC, reduced employee benefits costs and lower costs in 1998 due to merger-related operating efficiencies. A loss incurred on the disposition of an investment in 1997 at IESU also enhanced the 1998 earnings compared to 1997.

Resources reported net losses of $8.9 million and $4.0 million in 1998 and 1997, respectively. The increased loss in 1998 was due to merger-related expenses, lower oil and gas prices at Whiting, continuing expenses for new business development in international and domestic markets, higher interest expense to fund Alliant Energy's growth and a modest loss from Alliant Energy's electricity trading joint venture. A tax benefit realized in 1997 from a donation of securities to Alliant Energy's charitable foundation also contributed to the lower earnings in 1998 compared to 1997. Increased earnings from Alliant Energy's industrial services businesses as well as gains realized on asset sales partially offset these items.

Electric Utility Operations

Electric margins and MWH sales for Alliant Energy for 1999, 1998 and 1997 were as follows:

	Revenues and Costs (in thousands)					MWHs Sold (in thousands)				
	1999	1998	*	1997	**	1999	1998	*	1997	**
Residential	**$ 541,714**	$ 532,676	2%	$ 521,574	2%	**7,024**	6,826	3%	6,851	—
Commercial	**329,487**	317,704	4%	307,941	3%	**5,260**	4,943	6%	4,844	2%
Industrial	**476,140**	477,241	—	455,912	5%	**13,036**	12,718	3%	12,320	3%
Total from ultimate customers	**1,347,341**	1,327,621	1%	1,285,427	3%	**25,320**	24,487	3%	24,015	2%
Sales for resale	**155,801**	199,128	(22%)	192,346	4%	**5,566**	7,189	(23%)	6,768	6%
Other	**45,796**	40,693	13%	37,980	7%	**162**	158	3%	161	(2%)
Total revenues	**1,548,938**	1,567,442	(1%)	1,515,753	3%	**31,048**	31,834	(2%)	30,944	3%
Electric production fuels expense	**247,136**	283,866	(13%)	265,105	7%					
Purchased power expense	**255,446**	255,332	—	256,306	—					
Margin	**$1,046,356**	$1,028,244	2%	$ 994,342	3%					

* Reflects the % change from 1998 to 1999.

** Reflects the % change from 1997 to 1998.

Electric margin increased $18.1 million, or 2%, and $33.9 million, or 3%, for 1999 and 1998, respectively. The 1999 increase was primarily due to separate $15 million annual rate adjustments implemented at WP&L in July 1998 and March 1999 to recover higher purchased-power and transmission costs, a favorable $9 million change in estimate of Alliant Energy's utility services rendered but unbilled at month-end and an increase in retail sales of 3% due to more favorable weather conditions and economic growth in the service territory. Partially offsetting these increases were reduced recoveries of approximately $14 million in concurrent and previously deferred expenditures for Iowa-mandated energy efficiency programs, lower sales to off-system and wholesale customers, higher purchased-power capacity costs in Iowa and $3.2 million of revenues collected from WP&L customers in 1998 for a surcharge related to Kewaunee. The recovery for energy efficiency programs in Iowa is in accordance with IUB orders (a portion of these recoveries is offset as they are also amortized to expense in other operation expense). The lower sales to off-system and wholesale customers were primarily due to lower wholesale customer contractual commitments and transmission constraints.

The increase in electric margin for 1998 was primarily due to the increased recovery of $26 million of concurrent and previously deferred expenditures for Iowa-mandated energy efficiency programs, reduced purchased-power capacity costs at IESU and IPC, higher sales volumes to retail customers and WP&L's reliance on more costly purchased-power in the first six months of 1997 due to various power plant outages, particularly Kewaunee. The increased sales volumes were primarily due to continued economic growth within the Alliant Energy service territory. These increases were partially offset by a lower margin at WP&L and a rate decrease implemented at IPC in 1997. The lower margin at WP&L was due to the regulatory lag associated with the rate recovery of higher purchased-power and transmission costs, a rate decrease implemented in 1997 and lower off-system sales income.

IESU's and IPC's electric tariffs include EAC's that are designed to currently recover the costs of fuel and the energy portion of purchased-power billings (see Note 1(j) of the "Notes to Consolidated Financial Statements" for discussion of the EAC).

Gas Utility Operations

Gas margins and Dth sales for Alliant Energy for 1999, 1998 and 1997 were as follows:

	Revenues and Costs (in thousands)					Dekatherms Sold (in thousands)				
	1999	1998	*	1997	**	1999	1998	*	1997	**
Residential	**$185,090**	$175,603	5%	$225,542	(22%)	**30,309**	28,378	7%	33,894	(16%)
Commercial	**89,118**	85,842	4%	115,858	(26%)	**18,349**	17,760	3%	21,142	(16%)
Industrial	**21,855**	20,204	8%	27,393	(26%)	**5,963**	5,507	8%	6,217	(11%)
Transportation/other	**18,256**	13,941	31%	25,114	(44%)	**46,954**	52,389	(10%)	56,719	(8%)
Total revenues	**314,319**	295,590	6%	393,907	(25%)	**101,575**	104,034	(2%)	117,972	(12%)
Cost of gas sold	**180,519**	166,453	8%	259,222	(36%)					
Margin	**$133,800**	$129,137	4%	$134,685	(4%)					

* Reflects the % change from 1998 to 1999.

** Reflects the % change from 1997 to 1998.

Gas margin increased $4.7 million, or 4%, and decreased $5.5 million, or 4%, for 1999 and 1998, respectively. The 1999 increase was primarily due to higher retail sales due to customer growth and more favorable weather conditions in 1999. The sales increase was partially offset by decreased recoveries of $2.6 million from the recovery of concurrent and previously deferred energy efficiency expenditures for Iowa-mandated energy efficiency program costs in accordance with IUB orders (a portion of these recoveries is offset as they are also amortized to expense in other operation expense). Refer to "Interest Expense and Other" for a discussion of income realized from two gas weather hedges at WP&L in 1999. The decrease in gas margin in 1998 was primarily due to a 12% decrease in Dth sales, largely due to milder weather, and a rate reduction implemented in April 1997 at WP&L. An increase in revenues of $6.3 million from the recovery of energy efficiency expenditures in Iowa and gas cost adjustments at IPC partially offset the sales decrease.

IESU's and IPC's gas tariffs include PGA clauses that are designed to currently recover the cost of utility gas sold (see Note 1(j) of the "Notes to Consolidated Financial Statements" for a discussion of the PGA).

Non-regulated and Other Revenues

Non-regulated and other revenues for 1999, 1998 and 1997 were as follows (in millions):

	1999	1998	1997
ISCO	**$196**	$127	$245
Oil and gas (Whiting)	**63**	65	69
Steam	**28**	27	29
Transportation	**22**	22	21
Other	**26**	27	27
	$335	$268	$391

The revenues for ISCO increased significantly in 1999 primarily due to the second quarter 1999 acquisition of an oil gathering and transportation business in Texas and increased demand for environmental and engineering services. Such increases were partially offset by reduced activity in the energy marketing business. The revenues for ISCO declined significantly in 1998 compared to 1997 primarily due to decreased low-margin gas marketing activities and the transfer of the electricity trading business to the Cargill joint venture in July 1997. Alliant Energy's investment in the joint venture is accounted for under the equity method of accounting.

Other Operating Expenses

Other operation expenses for 1999, 1998 and 1997 were as follows (in millions):

	1999	1998	1997
Utility—IESU/WP&L/IPC	**$366**	$421	$358
ISCO	**183**	117	239
Oil and gas (Whiting)	**35**	38	40
Transportation	**8**	8	8
Other	**32**	36	37
	$624	$620	$682

Other operation expenses at the utility subsidiaries decreased $55 million in 1999 primarily due to the nonrecurrence of $34 million of merger-related expenses incurred in 1998, lower energy efficiency expenses of $17 million in Iowa, a 1998 write-off of $9 million of certain employee benefits related regulatory assets at IESU, decreased transmission and distribution expenses, lower operating costs at Alliant Energy's generating plants, reduced insurance-related expenses and lower costs in 1999 due to merger-related operating efficiencies. The merger-related expenses were primarily for employee retirements, separations and relocations. These decreases were partially offset by higher costs for employee incentive compensation, energy conservation expense at WP&L and employee benefits.

Other operation expenses at ISCO increased $66 million in 1999 primarily due to expenses associated with the acquisition of the oil gathering and transportation business and the increased demand for environmental and engineering services, partially offset by lower operation expenses in the energy marketing business. Other operation expenses at ISCO decreased $122 million in 1998 primarily due to the formation of the Cargill joint venture.

Other operation expenses at the utility subsidiaries increased $63 million in 1998 primarily due to the merger-related expenses, increased energy efficiency expenses in Iowa, the regulatory asset write-off at IESU, higher administrative and general expenses at WP&L, higher insurance-related expenses and increased expenses for Year 2000 readiness efforts. The increase was partially offset by reduced employee benefit expenses, reduced energy conservation expense at WP&L, lower costs resulting from merger-related operating efficiencies and reduced nuclear operation expenses at IESU. The regulatory asset write-off resulted from IESU assessing in the fourth quarter of 1998 how certain employee benefit costs were recovered in the rate making process in Iowa. Based on such review, IESU concluded it could no longer meet the required "probable" standard for SFAS 71.

The 1999 decrease in maintenance expenses was primarily due to reduced nuclear and transmission and distribution maintenance expenses. Such decreases were partially offset by increased expenses for Alliant Energy's Year 2000 readiness program and higher expenses at Alliant Energy's fossil-fueled generating plants. Maintenance expenses were flat in 1998 primarily due to reduced expenses at fossil-fueled plants, which were virtually offset by increased maintenance at the nuclear plants.

Depreciation and amortization expense decreased $0.4 million and increased $19.8 million in 1999 and 1998, respectively. The 1999 decrease was primarily due to reduced earnings in WP&L's nuclear decommissioning trust fund (offset entirely in "Miscellaneous, net"), lower depletion expense at Whiting and the $3.2 million Kewaunee surcharge in 1998 at WP&L (recorded in depreciation and amortization expense with a corresponding increase in revenues resulting in no earnings impact). These items were largely offset by increases in depreciation expense due to utility property additions. The increase in 1998 was due to utility property additions and the Kewaunee surcharge.

Interest Expense and Other
Interest expense increased $6.9 million and $6.8 million in 1999 and 1998, respectively, due to higher utility and non-regulated borrowings. Also contributing to the 1999 increase was higher nuclear decommissioning trust fund interest expense at IESU, which was offset entirely in "Miscellaneous, net." Contributing to the 1998 increase was an adjustment to decrease interest expense in 1997 relating to a tax audit settlement at WP&L.

The accounting for earnings on the nuclear decommissioning trust funds results in no net income impact. Miscellaneous, net income increases for earnings on the nuclear decommissioning funds at both WP&L and IESU. In accordance with their respective regulatory requirements, the corresponding offset is recorded through depreciation expense at WP&L and interest expense at IESU.

Alliant Energy sold approximately 7% (1.4 million shares, as adjusted for McLeod's 2-for-1 stock split in July 1999) of its investment in McLeod in 1999, resulting in pre-tax gains of approximately $40 million.

Miscellaneous, net income increased $35.2 million and decreased $13.2 million in 1999 and 1998, respectively. The 1999 increase was due to the following factors:

(a) $17 million of merger-related expenses incurred in 1998 for the services of Alliant Energy's advisors and costs related to Alliant Energy's merger-related name change.

(b) Gains of $10 million and $6 million realized from the sales of several oil and gas properties at Whiting and certain New Zealand electric distribution investments, respectively.

(c) A $7 million increase in pre-tax earnings from Alliant Energy's electricity trading joint venture.

(d) $5 million of income realized from weather hedges at WP&L. Refer to Note 11(d) of the "Notes to Consolidated Financial Statements" for a further discussion.

(e) These items were partially offset by a decrease of $11 million in earnings on Alliant Energy's nuclear decommissioning trust funds.

The 1998 decrease in miscellaneous, net income was due to the merger-related expenses and a modest loss from Alliant Energy's electricity trading joint venture, partially offset by gains on asset sales in 1998. The 1997 results also included a loss incurred on the disposition of an investment at IESU.

Income Taxes
The effective income tax rates for Alliant Energy were 37.2%, 36.0% and 35.1% in 1999, 1998 and 1997, respectively. See Note 6 of the "Notes to Consolidated Financial Statements" for a discussion of the changes.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities at Alliant Energy decreased $45 million for the year ended December 31, 1999, compared with the same period in 1998, primarily due to changes in working capital. Cash flows used for financing activities decreased $161 million for the year ended December 31, 1999, compared with the same period in 1998, primarily as a result of changes in the amount of debt outstanding. Cash flows used for investing activities increased $39 million for the year ended December 31, 1999, compared with the same period in 1998, due to increased levels of construction and acquisition expenditures, which

were partially offset by increased proceeds from dispositions of assets.

Future Considerations

The capital requirements of Alliant Energy are primarily attributable to its utility subsidiaries' construction and acquisition programs, its debt maturities and business opportunities of Resources. It is anticipated that future capital requirements of Alliant Energy will be met by cash generated from operations, sale of investments and external financing. The level of cash generated from operations is partially dependent upon economic conditions, legislative activities, environmental matters and timely regulatory recovery of utility costs. Alliant Energy's liquidity and capital resources will be affected by costs associated with environmental and regulatory issues. Emerging competition in the utility industry could also impact Alliant Energy's liquidity and capital resources, as discussed previously in the "Utility Industry Outlook" section.

Alliant Energy had certain off-balance sheet financial guarantees and commitments outstanding at December 31, 1999. They generally consist of third-party borrowing arrangements and lending commitments, guarantees of financial performance of syndicated affordable housing properties and guarantees relating to Alliant Energy's electricity trading joint venture. Refer to Note 12(d) of the "Notes to Consolidated Financial Statements" for additional details.

Under PUHCA, certain investments of Alliant Energy in exempt wholesale generators and foreign utility companies are limited to 50% of Alliant Energy's consolidated retained earnings. Alliant Energy is pursuing making the necessary regulatory filings requesting an increase in this limitation. Under WUHCA, there historically was an asset cap provision that had generally limited non-utility assets in a utility holding company to 25% of utility assets. This provision limited Alliant Energy's ability to make additional investments in its non-utility businesses. The Reliability 2000 legislation that was enacted in Wisconsin in 1999 provides Wisconsin utility holding companies significant asset cap relief once they meet certain conditions relating to the formation of a transmission company, as discussed in the "Utility Industry Outlook" section. Alliant Energy believes it has met all such conditions and is now operating under the new law. Under the provisions of the new law, assets related to the provision of various energy-related, environmental engineering and telecommunications services are no longer included in the calculation of either utility or non-utility assets.

Alliant Energy expects to pursue various potential business development opportunities, including international as well as domestic investments, and is devoting resources to such efforts. Foreign investments may carry a higher level of risk than Alliant Energy's traditional domestic utility investments or Resources' domestic investments. Such risks could include foreign government actions, foreign economic and currency risks and others. It is anticipated that Alliant Energy will strive to select investments where the international and other risks are both understood and manageable. At December 31, 1999, Resources had approximately $198 million of investments in foreign entities. At December 31, 1999, IESU, WP&L and IPC did not have any foreign investments.

On February 1, 2000, Resources completed a private placement of exchangeable senior notes due 2030, which were issued in the original aggregate principal amount of $402.5 million. The exchangeable senior notes have an interest rate of 7.25% through February 15, 2003 and 2.5% thereafter. The exchangeable senior notes are exchangeable for cash based upon a percentage of the value of McLeod Class A Common Stock. Alliant Energy has agreed to fully and

unconditionally guarantee the payment of principal and interest on the exchangeable senior notes. The proceeds will be used to repay commercial paper issued to capitalize Resources' wholly-owned exempt telecommunications company and, indirectly through an internal transfer of assets, to assist in funding the recent investment in Brazil, as well as for general corporate purposes.

The exchangeable senior notes may have certain accounting consequences for Alliant Energy that may affect reported earnings. As disclosed in Note 10 of the "Notes to Consolidated Financial Statements," Alliant Energy records its investment in McLeod stock at its fair value, with changes in fair value, net of income tax effects, recorded directly to the common equity section of the Consolidated Balance Sheets as a component of "Accumulated other comprehensive income." Any such changes in fair value are reflected in current earnings only at the time they are actually realized through a sale. However, applicable accounting rules require Alliant Energy to record in its Consolidated Statements of Income any increase or decrease in the settlement value (i.e., the amount payable upon maturity) of the exchangeable senior notes that results from changes in the market value of McLeod stock. The settlement value of the exchangeable senior notes at any point in time is generally (assuming no deferrals of interest payments) the higher of: (a) the original principal amount plus accrued interest less cash dividends or other distributions on the McLeod stock; or (b) the current market value of the shares of McLeod stock attributable to the exchangeable senior notes. Accordingly, any increase or decrease in the settlement value of the exchangeable senior notes will be recorded as subtractions from, or additions to, Alliant Energy's reported net income.

The market price of the McLeod stock has been volatile and has fluctuated over a wide range since the initial public offering. A significant increase in the market value of McLeod stock would significantly decrease Alliant Energy's reported net income. Similarly, a significant decrease in the market value of McLeod stock would significantly increase Alliant Energy's reported net income, subject to the condition that the settlement value of the exchangeable senior notes will not be reduced below the original principal amount plus accrued interest less cash dividends or other distributions on the McLeod stock. These increases and decreases in reported investment income in Alliant Energy's Consolidated Statements of Income will be non-cash in nature and will be reflected on Alliant Energy's Consolidated Balance Sheets as increases and decreases in long-term debt. Alliant Energy would recognize a non-cash charge to net income of approximately $3.3 million for each $1/share increase in McLeod's stock price above $77.23/share as relates to the 5.2 million shares of McLeod stock attributable to the exchangeable senior notes. This impact on earnings will be mitigated somewhat once Alliant Energy adopts SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," as discussed further below.

Alliant Energy may choose to adopt SFAS 133 early. See "Other Matters — Accounting Pronouncements" for additional information relating to SFAS 133. SFAS 133 will require Alliant Energy to split the value of the exchangeable senior notes into a debt component and a derivative component. Any changes in the fair value of the derivative component subsequent to the SFAS 133 adoption date will be reflected as an increase or decrease in Alliant Energy's reported net income. At the date of initial adoption, SFAS 133 provides Alliant Energy a one-time ability to transfer any of Alliant Energy's available-for-sale securities, including a portion of its shares of McLeod stock, to the trading category. At the date of any such transfer from available-for-sale to trading, Alliant Energy would recognize in

income the appreciation in the shares transferred. Although Alliant Energy is not required to hold a number of shares of McLeod stock equal to the number of exchangeable senior notes outstanding, if Alliant Energy does so and if Alliant Energy elects to make this transfer from available-for-sale to trading, changes subsequent to the SFAS 133 adoption date in the fair value of the shares of McLeod stock so transferred will be reflected as an increase or decrease in Alliant Energy's reported net income. Changes in the market value of the McLeod stock are expected to at least partially offset changes in the fair value of the derivative component of the exchangeable senior notes; however, there may be periods with significant non-cash increases or decreases to Alliant Energy's net income pertaining to the exchangeable senior notes and the related shares of McLeod stock.

On January 25, 2000, Resources acquired a stake in four Brazilian electric utilities serving more than 820,000 customers for a total investment of approximately $347 million. As part of this investment, Resources acquired a 49.1% ownership interest in Companhia Forca e Luz Cataguazes-Leopoldina (Cataguazes), an electric utility. Cataguazes owns a majority stake in CENF, another electric utility company, as well as a majority interest in Energisa S.A., an energy development company. As part of the same investment, Resources directly acquired a 45.6% interest in Energisa S.A. itself, which holds majority stakes in two regulated utilities (Energipe and Celb). As part owner of Cataguazes, Resources will hold both indirect and direct interests in Energisa S.A. The investment is anticipated to dilute Alliant Energy's earnings per share by approximately 3% in 2000, with positive contributions to earnings expected in subsequent years. Resources, through its wholly owned subsidiary, International, initially financed the Brazil investment with cash made available through the internal transfer of existing non-regulated corporate assets. Resources has entered into a shareholders agreement with the Brazilian companies, which would allow it to name two directors to the boards of each company and its subsidiaries. The agreement will also provide Resources with a role in selecting each company's management team, along with voting rights relating to critical issues at the Brazilian companies and their subsidiaries. The investment will be accounted for under the equity method.

Alliant Energy entered into an agreement in November 1998, as amended, with McLeod whereby Alliant Energy's ability to sell the McLeod stock is subject to various restrictions. The agreement provides that until December 31, 2001, Alliant Energy and its affiliates generally may not sell or otherwise dispose of shares of McLeod stock beneficially owned by Alliant Energy and its affiliates, other than to a subsidiary of Alliant Energy, without the prior written consent of the Board of Directors of McLeod. However, the amended agreement provides that the Board of Directors of McLeod may permit Alliant Energy and its affiliates to sell a specified number of shares of McLeod stock per quarter during specified time periods. In addition, if Alliant Energy and its affiliates are not provided the opportunity to sell, on an annual basis, an aggregate number of shares of McLeod stock equal to 15% of the shares of McLeod stock owned by Alliant Energy and its affiliates as of December 31, 1998, then Alliant Energy may terminate the amended November 1998 agreement.

Financing and Capital Structure

Access to the long-term and short-term capital and credit markets, and costs of external financing, are dependent on creditworthiness. The debt ratings of Alliant Energy and certain subsidiaries by Moody's and Standard & Poor's are as follows:

		Moody's	Standard & Poor's
IESU	– Secured long-term debt	A2	A+
	– Unsecured long-term debt	A3	A
WP&L	– Secured long-term debt	Aa2	AA
	– Unsecured long-term debt	Aa3	A+
IPC	– Secured long-term debt	A1	A+
Resources	– Commercial paper(a)	P1	A1
	– Unsecured long-term debt(a)	A3	A
Alliant Energy	– Commercial paper(b)	P1	A1

(a) Resources' debt is fully and unconditionally guaranteed by Alliant Energy.

(b) IESU, WP&L and IPC participate in a utility money pool that is funded, as needed, through the issuance of commercial paper by Alliant Energy. Interest expense and other fees are allocated based on borrowing amounts. The PSCW has restricted WP&L from lending money to non-utility affiliates and non-Wisconsin utilities. As a result, WP&L is prohibited from lending money to the utility money pool but is able to borrow money from the utility money pool.

On November 9, 1999, Resources issued $250 million of 7⅜% senior notes due 2009 in a private placement. The notes are fully and unconditionally guaranteed by Alliant Energy. The net proceeds from the debt offering have been used to repay outstanding commercial paper, as it becomes due, that has been backed by Resources' 3-Year Credit Agreement.

Other than periodic sinking fund requirements, which will not require additional cash expenditures, the following long-term debt (in millions) will mature prior to December 31, 2004:

IESU	WP&L	Alliant Energy-Parent	Resources	IPC	Total
$137.4	$63.9	$24.0	$12.6	$1.0	$238.9

Depending upon market conditions, it is currently anticipated that a majority of the maturing debt will be refinanced with the issuance of long-term securities.

On August 24, 1999, WP&L filed an application with the PSCW for authority to issue up to $100 million of debentures for the purpose of refinancing existing debt. Approval was granted in February 2000 and the senior unsecured debentures were issued in March 2000 at a fixed interest rate of 7⅝%, due 2010. The amount of short-term borrowings authorized by the PSCW will be reduced by the same $100 million.

On November 25, 1998, IESU and IPC received authority from the SEC under PUHCA to issue $200 million and $80 million of long-term debt securities, respectively. The companies continually evaluate their future financing needs and will make any necessary regulatory filings as needed.

The various charter provisions of the entities identified below authorize and limit the aggregate amount of additional shares of Cumulative Preferred Stock and Cumulative Preference Stock that may be issued. At December 31, 1999, the companies could have issued the following additional shares of Cumulative Preferred or Preference Stock:

	IESU	WP&L	IPC
Cumulative Preferred	100,000	2,700,775	1,238,619
Cumulative Preference	700,000	—	2,000,000

For interim financing, IESU, WP&L and IPC were authorized by the applicable federal or state regulatory agency to issue short-term debt at December 31, 1999 as follows (in millions):

	IESU	WP&L	IPC
Regulatory authorization	$150	$128	$50
Short-term debt outstanding — money pool	$ 57	$126	$39

At December 31, 1999, there was no short-term debt outstanding with external parties at the utility subsidiaries. In addition to the $222 million of commercial paper Alliant Energy issued to fund the utility money pool and $139 million of commercial paper at Resources, Alliant Energy had an additional $64 million of short-term debt outstanding at December 31, 1999. In addition to providing for ongoing working capital needs, this availability of short-term financing provides the companies flexibility in the issuance of long-term securities. The level of short-term borrowing fluctuates based on seasonal corporate needs, the timing of long-term financing and capital market conditions. To maintain flexibility in its capital structure and to take advantage of favorable short-term rates, IESU and WP&L also use proceeds from the sale of accounts receivable and unbilled revenues to finance a portion of their long-term cash needs. Alliant Energy anticipates that short-term debt will continue to be available at reasonable costs due to current ratings by independent utility analysts and credit rating services.

In December 1999, Alliant Energy, IESU, WP&L and IPC filed an application with the SEC for approval of a combined accounts receivable program whereby each utility will sell their respective receivables through wholly-owned special purpose entities to an affiliated financing entity, which in turn will sell the receivables to an outside investor. The new program would replace the existing programs for IESU and WP&L, and would function the same in most respects. Approvals from the SEC and the necessary state commissions are expected in the second quarter of 2000.

Resources is a party to a revolving 3-Year Credit Agreement with various banking institutions. The agreement extends through October 2000, with one-year extensions available upon agreement by the parties. Unused borrowing availability under this agreement is also used to support Resources' commercial paper program. A combined maximum of $450 million of borrowings under this agreement and the commercial paper program may be outstanding at any one time. Interest rates and maturities are set at the time of borrowing. The rates are based upon quoted market prices and the maturities are less than one year. At December 31, 1999, Resources had $139 million of commercial paper outstanding and backed by its 3-Year Credit Agreement with discount rates ranging from 5.90%-6.32%. Resources intends to continue issuing commercial paper backed by this facility, and no conditions existed at December 31, 1999, that would prevent the issuance of commercial paper or direct borrowings on its bank lines. As a result, Alliant Energy had been classifying this debt as long-term. However, since this agreement expires in October 2000, beginning in October 1999 this debt (including commercial paper backed by this facility) was classified as short-term.

In October 1999, Resources extended its revolving 364-Day Credit Agreement with various banking institutions through October 2000. The unborrowed portion of this agreement is also used to support Resources' commercial paper program. A combined maximum of $150 million of borrowings under this agreement and commercial paper backed by this facility may be outstanding at any one time. Interest rates and maturities are set at the time of borrowing. The rates are based upon quoted

market prices and the maturities are less than one year. There were no borrowings outstanding under this facility at December 31, 1999 and no conditions existed that would prevent the issuance of commercial paper or direct borrowings under this agreement.

In addition to the aforementioned borrowing capability under Resources' credit agreements, Alliant Energy has $250 million of committed bank lines of credit, of which none was utilized at December 31, 1999, available for direct borrowing or to support commercial paper. Commitment fees are paid to maintain these lines and there are no conditions which restrict the unused lines of credit. From time to time, Alliant Energy may borrow from banks and other financial institutions on uncommitted "as-offered" credit lines in lieu of commercial paper, and has agreements with several financial institutions for such borrowings. There are no commitment fees associated with these agreements and there were no borrowings outstanding under these agreements at December 31, 1999.

Alliant Energy made a filing with the SEC in February 1999 under PUHCA to provide Alliant Energy with, among other things, broad authorization over the next three years to issue stock and debt, provide guarantees, acquire energy-related assets and enter into interest rate hedging transactions. Approval of the filing was received from the SEC in August 1999.

Given the above financing flexibility, including Alliant Energy's access to both the debt and equity securities markets, management believes it has the necessary financing capabilities in place to adequately finance its capital requirements for the foreseeable future.

Capital Requirements

General

Capital expenditure and investment and financing plans are subject to continual review and change. The capital expenditure and investment programs may be revised significantly as a result of many considerations, including changes in economic conditions, variations in actual sales and load growth compared to forecasts, requirements of environmental, nuclear and other regulatory authorities, acquisition and business combination opportunities, the availability of alternate energy and purchased-power sources, the ability to obtain adequate and timely rate relief, escalations in construction costs and conservation and energy efficiency programs.

Construction and acquisition expenditures for Alliant Energy for the year ended December 31, 1999 and 1998 were $479 million and $372 million, respectively. Alliant Energy's anticipated construction and acquisition expenditures for 2000 are estimated to be approximately $939 million, consisting of approximately $484 million for energy-related international investments, $319 million in its utility operations and $136 million for new business development initiatives at Resources. The significant increase in construction and acquisition expenditures in international investments relates to Resources' recent investment in Brazil. See "Liquidity and Capital Resources — Future Considerations" for information relating to the Brazil investment. Alliant Energy's anticipated utility construction and acquisition expenditures for 2000 is made up of 46% for electric transmission and distribution, 23% for electric generation, 17% for information technology and 14% for miscellaneous electric, gas, water and steam projects. The level of 2000 domestic and international investments could vary significantly from the estimates noted here depending on actual investment opportunities, timing of the opportunities and the receipt of regulatory approvals to exceed limitations in place under PUHCA. It is expected that Alliant Energy will spend approximately $1.4 billion on

utility construction and acquisition expenditures during 2001-2004, including expenditures to comply with NOx emissions reductions in Wisconsin as discussed in "Other Matters — Environmental." It is expected that Resources will invest in energy products and services in domestic and international markets, industrial services initiatives and other strategic initiatives during 2001-2004.

Alliant Energy anticipates financing utility construction expenditures during 2000-2004 through internally generated funds supplemented, when required, by outside financing. Funding of Resources' construction and acquisition expenditures over that same period of time is expected to be completed with a combination of external financings, sales of investments and internally generated funds.

Nuclear Facilities

Alliant Energy owns interests in two nuclear facilities, Kewaunee and DAEC. Kewaunee, a 532 MW pressurized water reactor plant, is operated by WPSC and is jointly owned by WPSC (41.2%), WP&L (41.0%), and MG&E (17.8%). The Kewaunee operating license expires in 2013. DAEC, a 535 MW boiling water reactor plant, is operated by IESU which has a 70% ownership interest in the plant. The DAEC operating license expires in 2014.

On April 7, 1998, the PSCW approved WPSC's application for replacement of the two steam generators at Kewaunee. The total cost of replacing the steam generators will be approximately $90.7 million, with WP&L's share of the cost being approximately $37.2 million. The replacement work originally planned for the spring of 2000 is now scheduled for the fall of 2001 and will take approximately 60 days. The delay is attributable to the inability of the steam generator manufacturer to meet the spring 2000 delivery schedule. Delays in meeting the delivery schedule did not allow for steam generator replacement to occur prior to the start of the summer weather in 2000. Therefore, the decision was made to store the steam generators after they are received and wait until the next scheduled refueling outage in the fall of 2001. It is anticipated that the delay will not adversely impact the reliability of Kewaunee in the interim. Plans to shutdown the plant for a spring 2000 refueling remain unchanged.

On July 2, 1998, the PSCW approved an agreement between the owners of Kewaunee which provides for WPSC to assume the 17.8% Kewaunee ownership share currently held by MG&E prior to work beginning on the replacement of steam generators. On September 29, 1998, WPSC and MG&E finalized an arrangement in which WPSC will acquire MG&E's 17.8% share of Kewaunee. This agreement, the closing of which is contingent upon regulatory approval and the steam generator replacement in the fall of 2001, will give WPSC 59.0% ownership in Kewaunee. After the change in ownership, WPSC and WP&L will be responsible for the decommissioning of the plant. WPSC and WP&L are discussing revisions to the joint power supply agreement which will govern operation of the plant after the ownership change takes place. Prior to the July 2, 1998 PSCW decision, the PSCW had directed the owners of Kewaunee to record depreciation and decommissioning cost levels based on an expected plant end-of-life of 2002 versus a license end-of-life of 2013. This was prompted by the uncertainty regarding the expected useful life of the plant without steam generator replacement. This level of depreciation will remain in effect until the steam generator replacement is completed at which time the entire plant will be depreciated over 8.5 years using an accelerated method.

In February 1999, Alliant Energy, NSP, WPSC and WEPCO announced the formation of the NMC to sustain long-term safety, optimize reliability and improve the operational performance of their nuclear generating plants. Combined, the NMC members operate seven nuclear generating units at five plants. In October 1999, Alliant Energy received approval from the SEC, under PUHCA, to form Alliant Energy Nuclear LLC, whose purpose is solely to invest in the NMC. Such investment has been made and Alliant Energy Nuclear LLC now has a 25% ownership interest in the NMC. In November 1999, the NMC members applied to the NRC to allow the NMC to operate the plants owned or co-owned by the four utilities. Applications to the PSCW, MPUC and the SEC to allow the purchase of operating services were also made at that time. These approvals are required if the applicable utilities choose to transfer their operating license to, and take operating services from, the NMC. As presently proposed, the NMC would operate the plants, but the utilities would continue to own their plants, be entitled to energy generated at the plants and retain the financial obligations for the safe operation, maintenance and decommissioning of the plants.

For additional information related to Kewaunee and DAEC, see Notes 1, 3, 10, 12 and 13 of the "Notes to Consolidated Financial Statements." Refer to the "Other Matters — Environmental" section for a discussion of various issues impacting Alliant Energy's future capital requirements.

Rates and Regulatory Matters

FERC

In November 1997, as part of its merger approval, FERC accepted a proposal by IESU, WP&L, and IPC, which provides for a four-year freeze on wholesale electric prices beginning with the effective date of the merger.

In association with the merger, IESU, WP&L and IPC entered into a System Coordination and Operating Agreement which became effective with the consummation of the merger. The agreement, which has been approved by the FERC, provides a contractual basis for coordinated planning, construction, operation and maintenance of the interconnected electric generation and transmission systems of the three utility companies. In addition, the agreement allows the interconnected system to be operated as a single control area with off-system capacity sales and purchases made to market excess system capability or to meet system capability deficiencies. Such sales and purchases are allocated among the three utility companies based on procedures included in the agreement. The procedures were approved by both the FERC and all state regulatory bodies having jurisdiction over these sales.

IESU

In September 1997, IESU agreed with the IUB to provide Iowa customers a four-year retail electric and gas price freeze commencing on the effective date of the merger. The agreement excluded price changes due to government-mandated programs (such as energy efficiency cost recovery), the electric fuel adjustment clause and PGA clause and unforeseen dramatic changes in operations. In addition, the price freeze does not preclude a review by either the IUB or OCA into whether IESU is exceeding a reasonable return on common equity. Refer to the "Utility Industry Outlook" section for a discussion of legislation introduced in Iowa regarding restructuring the electric utility industry.

In the first quarter of 2000, the OCA requested certain financial information related to the electric utility operations within the state of Iowa for IESU. IESU is in the process of preparing responses to the data requests. While IESU cannot predict the outcome of this

process, such data requests could lead to an effort by the OCA to seek an electric rate reduction for IESU in Iowa. IESU has received similar requests from the OCA in the past.

Under provisions of the IUB rules, IESU is currently recovering the costs it has incurred for its energy efficiency programs. Generally, the costs incurred through July 1997 are being recovered over various four-year periods. Statutory changes implemented by the IUB in 1997 allowed IESU to begin concurrent recovery of its prospective expenditures on August 1, 1997. The implementation of these changes will gradually eliminate the regulatory asset that was created under the prior rate making mechanism as these costs are recovered.

WP&L

In connection with its approval of the merger, the PSCW accepted a WP&L proposal to freeze rates for four years commencing on the effective date of the merger. A re-opening of an investigation into WP&L's rates during the rate freeze period, for both cost increases and decreases, may occur only for single events that are not merger-related and have a revenue requirement impact of $4.5 million or more. In addition, the electric fuel adjustment clause and PGA clause are not affected by the rate freezes.

In February 2000, the PSCW issued an order allowing WP&L to defer certain incremental costs it incurs after February 16, 2000 relating to the development of the ATC.

The retail electric rates are based in part on forecasted fuel and purchased-power costs. Under PSCW rules, Wisconsin utilities can seek emergency rate increases if the annual costs are more than 3% higher than the estimated costs used to establish rates. In March 1998, WP&L requested an electric rate increase to cover purchased-power and transmission costs that had increased due to transmission constraints and electric reliability concerns in the Midwest. Effective July 16, 1998, the PSCW granted a retail electric rate increase of $14.8 million annually. In November 1998, WP&L requested an electric rate increase to cover additional increases in purchased-power and transmission costs. In early March 1999, the PSCW granted a retail electric rate increase of $14.5 million annually. If WP&L's earnings exceed its authorized return on equity, the incremental revenues collected causing the excessive return are subject to refund. In December 1999, WP&L requested a $26 million retail electric rate increase to reflect higher purchased power costs and to cover transmission costs that have increased due to transmission constraints. While the most current request is still pending, WP&L anticipates receiving an order in the second quarter of 2000.

In May 1998, the PSCW approved the deferral by WP&L of certain costs associated with its Year 2000 program. In November 1998, WP&L filed for rate recovery of the Wisconsin retail portion of its Year 2000 costs. In accordance with the order received from the PSCW, WP&L began deferring its Year 2000 project costs, other than internal labor and associated overheads. In November 1999, the PSCW allowed WP&L rate recovery of $6.3 million of its Year 2000 program expenditures, but it denied rate recovery of the first $4.5 million. These costs were expensed in 1999. The PSCW's decision has been appealed by certain intervenors in Dane County district court and such appeal is pending.

In January 1999, WP&L made a filing with the PSCW proposing to begin deferring, on January 1, 1999, all costs associated with the EPA's required NOx emission reductions. In connection with a statewide docket to investigate compliance issues associated with the EPA's NOx emission reductions, on March 30, 1999, the PSCW authorized deferral of all non-labor related costs incurred after

March 30, 1999. However, the utilities are not allowed to defer costs of replacement power associated with NOx compliance. WP&L requested expedited approval to start construction of NOx reduction investments at several generating units operated by WP&L and in the third quarter of 1999 received approval from the PSCW for limited NOx related expenditures at one of its generating units. WP&L has also requested recovery of all the NOx reduction costs through a surcharge mechanism. In March 2000, the PSCW issued an order approving WP&L's NOx compliance plans and granted the recovery of costs incurred to comply with EPA NOx regulations over ten years using a straight-line depreciation method. Recovery of such costs will begin with rate changes after the rate freeze expires. The depreciation lives will be reviewed every two years. Refer to the "Other Matters — Environmental" section for a further discussion of the NOx issue.

In rate order UR-110, the PSCW approved new rates effective April 29, 1997. On average, WP&L's retail electric rates under the new rate order declined by 2.4% and retail gas rates declined by 2.2%.

Refer to "Capital Requirements — Nuclear Facilities" for a discussion of several PSCW rulings regarding Kewaunee.

IPC

In September 1997, IPC agreed with the IUB to provide Iowa customers a four-year retail electric and gas price freeze commencing on the effective date of the merger. The agreement excluded price changes due to government-mandated programs (such as energy efficiency cost recovery), the electric fuel adjustment clause and PGA clause and unforeseen dramatic changes in operations. In addition, the price freeze does not preclude a review by either the IUB or OCA into whether IPC is exceeding a reasonable return on common equity. IPC also agreed with the MPUC and ICC to four-year and three-year rate freezes, respectively, commencing on the effective date of the merger. Refer to the "Utility Industry Outlook" section for a discussion of legislation introduced in Iowa regarding restructuring the electric utility industry.

IPC is also recovering its energy efficiency costs in Iowa in a similar manner as IESU and began its concurrent cost recovery in October 1997.

Assuming capture of the merger-related synergies and no significant legislative or regulatory changes negatively affecting its utility subsidiaries, Alliant Energy does not expect the merger-related electric and gas price freezes to have a material adverse effect on its financial condition or results of operations.

OTHER MATTERS

Year 2000

Alliant Energy had no significant embedded equipment, computer system or other malfunctions during the critical December 31, 1999 to January 1, 2000 date rollover or the February 28, 2000 to February 29, 2000 date rollover. Alliant Energy will continue to monitor for any supply chain issues into the second quarter of 2000.

Alliant Energy's historical Year 2000 project expenditures were as follows (incremental costs, in millions):

Description	Total	IESU	WP&L	Other
Costs incurred from 1/1/98 — 12/31/98	$ 8.7	$ 4.8	$ 3.2	$0.7
Costs incurred from 1/1/99 — 12/31/99	18.6	7.6	7.1	3.9
Total.....	$27.3	$12.4	$10.3	$4.6

In addition, Alliant Energy estimates it incurred $7 million and $3 million in 1999 and 1998, respectively, of costs for internal labor and associated overheads. Alliant Energy does not

expect to incur any significant incremental costs in 2000 on its Year 2000 readiness program. Refer to "Liquidity and Capital Resources — Rates and Regulatory Matters" for a discussion of the filing WP&L made with the PSCW for rate recovery of a portion of its Year 2000 program costs.

Labor Issues

The status of the collective bargaining agreements at each of the utilities at December 31, 1999 was as follows:

	IESU	WP&L	IPC
Number of collective bargaining agreements	6	1	3
Percentage of workforce covered by agreements	61%	93%	83%

The collective bargaining agreements at Alliant Energy cover approximately 51% of all Alliant Energy employees. In 1999, eight agreements expired and four of these agreements have been ratified and four are still being negotiated (three at IPC and one at IESU). The agreements still being negotiated have been extended and represent 42% of employees covered under bargaining agreements and 22% of total Alliant Energy employees. In 2000, two contracts expire representing approximately 1% of employees covered under bargaining agreements and less than 1% of total Alliant Energy employees. Alliant Energy has not experienced any significant work stoppage problems in the past. While negotiations are continuing, Alliant Energy is currently unable to predict the outcome of these negotiations.

Market Risk Sensitive Instruments and Positions

Alliant Energy's primary market risk exposures are associated with interest rates, commodity prices, equity prices and currency exchange rates. Alliant Energy has risk management policies to monitor and assist in controlling these market risks and uses derivative instruments to manage some of the exposures.

Interest Rate Risk

Alliant Energy is exposed to risk resulting from changes in interest rates as a result of its issuance of variable-rate debt. Alliant Energy manages its interest rate risk by limiting its variable interest rate exposure and by continuously monitoring the effects of market changes in interest rates. Alliant Energy has also historically used interest rate swap and interest rate forward agreements to assist in the management of its interest exposure. If variable interest rates were to average 1% higher (lower) in 2000 than in 1999, interest expense and pre-tax earnings would increase (decrease) by approximately $5.1 million. Comparatively, if variable interest rates had averaged 1% higher (lower) in 1999 than in 1998, interest expense and pre-tax earnings would have increased (decreased) by approximately $4.5 million. These amounts were determined by considering the impact of a hypothetical 1% increase (decrease) in interest rates on the variable-rate debt and related derivative instruments held by Alliant Energy as of December 31, 1999 and 1998. In the event of significant interest rate fluctuations, management would take actions to minimize the effect of such changes on Alliant Energy's results of operations. However, due to the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analysis assumes no change in Alliant Energy's financial structure.

Commodity Risk — Non-trading

Alliant Energy is exposed to the impact of market fluctuations in the commodity price and transportation costs of electricity, natural gas and oil products it markets. Alliant Energy employs established policies and procedures to manage its risks associated with these market fluctuations including the use of various

commodity derivatives. Alliant Energy's exposure to commodity price risks in its utility business is significantly mitigated by the current rate making structures in place for the recovery of its electric fuel and purchased energy costs as well as its cost of natural gas purchased for resale. Refer to Note 1(j) of the "Notes to Consolidated Financial Statements" for a further discussion.

From time to time, WP&L utilizes gas commodity swap arrangements for the purpose of mitigating the impact of price fluctuations on gas purchased and injected into storage during the summer months and withdrawn and sold at current prices during the winter months. The gas commodity swaps in place approximate the forecasted storage withdrawal plan during this period. Therefore, market price fluctuations that result in an increase or decrease in the value of the physical commodity are offset by changes in the value of the gas commodity swaps. A 10% increase/decrease in the price of gas would have an insignificant impact on the combined fair market value of the gas in storage and related swap arrangements in place as of December 31, 1999 and 1998.

Whiting is exposed to market risk in the pricing of its oil and gas production. Historically, prices received for oil and gas production have been volatile because of seasonal weather patterns, supply and demand factors, transportation availability and price, and general economic conditions. Worldwide political developments have historically also had an impact on oil prices. Periodically, Alliant Energy utilizes oil and gas swaps and forward contracts to mitigate the impact of oil and gas price fluctuations. Based on Whiting's estimated gas and crude oil sales in 2000, and the swaps and forward contracts in place at December 31, 1999, a 10% increase/decrease in gas and crude oil prices for that period would impact Alliant Energy's pre-tax 2000 earnings by approximately $3.8 million. A 10% increase/decrease in prices during 1999 would have impacted Alliant Energy's 1999 pre-tax earnings by approximately $3.0 million as relates to the commodity derivative instruments outstanding during 1999.

Commodity Risk — Trading

Alliant Energy is exposed to market risks through its electricity commodity trading business, which is primarily conducted through Alliant Energy's 50/50 joint venture with Cargill. The joint venture's trading activities principally consist of marketing and trading over-the-counter forward contracts for the purchase and sale of electricity. The majority of the forward contracts represent commitments to purchase or sell electricity at fixed prices in the future and require settlement by physical delivery of electricity or are netted out in accordance with industry trading standards. The market prices used to determine fair values reflect the joint ventures' best estimate considering various factors, including closing exchanges and over-the-counter quotations, time value and volatility factors. The joint venture manages the market risks inherent in its trading activities through established trading and risk management policies and tools. The principal tool utilized is a one-day variance/covariance value-at-risk model with assessment adjustments made based on weather, transmission availability, generation outages and other factors. The estimated one-day market Value at Risk (VAR) for the joint venture as of December 31, 1999 and 1998 was $0.3 million and $0.7 million, respectively, which were calculated with a 99% confidence level. The low, average and high VAR in 1999 were $0.1 million, $0.3 million and $1.5 million, respectively.

Equity Price Risk

Alliant Energy maintains trust funds at IESU and WP&L to fund its anticipated nuclear decommissioning costs. As of December 31,

1999 and 1998, these funds were invested primarily in domestic equity and debt instruments. WP&L has entered into an equity collar that uses options to mitigate the effect of significant market fluctuations on its common stock investments. Alliant Energy's exposure to fluctuations in equity prices or interest rates will not affect its consolidated results of operations as such fluctuations are recorded in equally offsetting amounts of investment income and depreciation (WP&L) or interest (IESU) expense when they are realized.

At December 31, 1999 and 1998, Alliant Energy had an investment in the stock of McLeod, a publicly traded telecommunications company, valued at $1,124 million and $320 million, respectively. A 10% increase (decrease) in the quoted market price at December 31 would have increased (decreased) the value of the investment at December 31, 1999 and 1998 by approximately $112 million and $32 million, respectively. Refer to Note 10 of the "Notes to Consolidated Financial Statements" for a discussion of how Alliant Energy accounts for its investment in McLeod.

At December 31, 1999 and 1998, Alliant Energy had various investments, accounted for under the cost method of accounting, in publicly traded utility companies in New Zealand and Australia which were valued at $97 million and $3 million, respectively. A 10% increase (decrease) in the quoted market prices at December 31 would have increased (decreased) the value of the investment at December 31, 1999 and 1998 by approximately $9.7 million and $0.3 million, respectively.

Currency Risk

Alliant Energy has investments in various countries where the net investments are not hedged, including Australia, Brazil, China, New Zealand, and Singapore. As a result, these investments are subject to currency exchange risk with fluctuations in currency exchange rates. At December 31, 1999 and 1998, Alliant Energy had a cumulative foreign currency translation loss of $9.6 million and $7.1 million, respectively, recorded in "Accumulated other comprehensive income" on its Consolidated Balance Sheets that primarily related to decreases in value of the New Zealand dollar in relation to the U.S. Dollar. Based on Alliant Energy's investments at December 31, 1999 and 1998, a 10% sustained increase/decrease over the next twelve months in the foreign exchange rates of Australia, Brazil, China, New Zealand and Singapore would decrease/increase the cumulative foreign currency translation loss by $17.2 million and $6.4 million, respectively.

Refer to Notes 1(n) and 11 of the "Notes to Consolidated Financial Statements" for a further discussion of Alliant Energy's derivative financial instruments.

Accounting Pronouncements

In June 1998, the FASB issued SFAS 133. The Statement establishes accounting and reporting standards requiring that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

SFAS 133 is effective for fiscal years beginning after June 15, 2000 and must be applied to (a) derivative instruments and (b) certain derivative instruments embedded in hybrid contracts that were issued, acquired or substantively modified after December 31, 1998 (effective dates noted are as amended by

SFAS 137). Alliant Energy has organized a cross-functional project team to assist in implementing SFAS 133. The team consists of both Alliant Energy employees and a consultant that has been engaged to support the project. The team has begun to inventory financial instruments, commodity contracts and other commitments with the purpose of identifying and assessing all of Alliant Energy's derivatives. Although the impact of implementing SFAS 133 has not yet been quantified, it could increase volatility in earnings and other comprehensive income. Alliant Energy is analyzing various alternatives relating to the possible early adoption of SFAS 133 in 2000. SFAS 133 may only be adopted on the first day of any quarter prior to the required adoption date.

Accounting for Obligations Associated with the Retirement of Long-Lived Assets

The staff of the SEC has questioned certain of the current accounting practices of the electric utility industry, including IESU and WP&L, regarding the recognition, measurement and classification of decommissioning costs for nuclear generating stations in financial statements of electric utilities. In response to these questions, the FASB has a project on its agenda to review the accounting for obligations associated with the retirement of long-lived assets, including decommissioning of nuclear power plants. If current electric utility industry accounting practices for nuclear power plant decommissioning are changed, the annual provision for decommissioning could increase relative to 1999, and the estimated cost for decommissioning could be recorded as a liability (rather than as accumulated depreciation), with recognition of an increase in the cost of the related nuclear power plant. Assuming no significant change in regulatory treatment, IESU and WP&L do not believe that such changes, if required, would have an adverse effect on their financial condition or results of operations due to their ability to recover decommissioning costs through rates.

Inflation

Alliant Energy, IESU and WP&L do not expect the effects of inflation at current levels to have a significant effect on their financial condition or results of operations.

Environmental

The pollution abatement programs of IESU, WP&L, IPC and Resources are subject to continuing review and are revised from time to time due to changes in environmental regulations, changes in construction plans and escalation of construction costs. While management cannot precisely forecast the effect of future environmental regulations on Alliant Energy's operations, it has taken steps to anticipate the future while also meeting the requirements of current environmental regulations.

The Clean Air Act Amendments of 1990 (Act) require emission reductions of SO2, NOx and other air pollutants to achieve reductions of atmospheric chemicals believed to cause acid rain. IESU, WP&L and IPC have met the provisions of Phase I of the Act and Phase II of the Act. The Act also governs SO2 allowances, which are defined as an authorization for an owner to emit one ton of SO2 into the atmosphere. IESU, WP&L and IPC are reviewing their options to ensure they will have sufficient allowances to offset their emissions in the future and believe that the potential costs of complying with these provisions of Title IV of the Act will not have a material adverse impact on their financial condition or results of operations.

The Act and other federal laws also require the EPA to study and regulate, if necessary, additional issues that potentially affect the

electric utility industry, including emissions relating to ozone transport, mercury and particulate control as well as modifications to the PCB rules. In July 1997, the EPA issued final rules that would tighten the National Ambient Air Quality Standards for ozone and particulate matter emissions and in June 1998, the EPA modified the PCB rules. Alliant Energy cannot predict the long-term consequences of these rules on its financial condition or results of operations.

In October 1998, the EPA issued a final rule requiring 22 states, including Wisconsin, to modify their state implementation plans to address the ozone transport issue. However, on May 25, 1999, a federal appeals court delayed indefinitely the implementation of the rule. On March 3, 2000, the federal appeals court affirmed EPA's NOx rule for the affected states. However, the court found that the EPA had failed to explain how Wisconsin contributes significantly to non-attainment in any other state thus it has vacated the rule as relates to Wisconsin. Given the EPA could still appeal this decision, and Alliant Energy is still reviewing the recent court order, Alliant Energy is unable to predict the final outcome of this issue. The implementation of the rule would likely require WP&L to reduce its NOx emissions at all of its plants to a fleet average of .15 lbs/mmbtu by 2003. WP&L is following this issue closely and continues to evaluate various options to meet the emission levels. Based on existing technology, the preliminary estimates indicate that capital investments would be in the range of $150 million to $215 million. Refer to the "Liquidity and Capital Resources — Rates and Regulatory Matters" section for a discussion of a filing WP&L made with the PSCW regarding seeking rate recovery of these costs.

Revisions to the Wisconsin Administrative Code have been proposed that could have a significant impact on WP&L's operation of the Rock River Generating Station in Beloit, Wisconsin. The proposed revisions will affect the amount of heat that the generating station can discharge into the Rock River. WP&L cannot presently predict the final outcome of the rule, but believes that, as the rule is currently proposed, the capital investments and/or modifications required to meet the proposed discharge limits could be significant.

On February 28, 1998, the EPA issued the final report to Congress on the Study of Hazardous Air Pollutant Emissions from Electric Utility Steam Generating Units regarding hazardous air pollutant emissions from electric utilities (the HAPs report). The HAPs report concluded that mercury emissions from coal-fired generating plants were a concern. However, the EPA does not believe it has sufficient information regarding such emissions. To remedy this lack of information, the EPA required IESU, WP&L, IPC and all other applicable electric utilities in the U.S. to start collecting information regarding the types and amount of mercury emitted as of January 1, 1999. To better understand mercury emissions, the EPA required WP&L to conduct stack tests at several of its generating stations. Both stations selected have completed their stack testing. Although the control of mercury emissions from generating plants is uncertain at this time, Alliant Energy believes that the capital investments and/or modifications required to control mercury emissions could be significant.

Pursuant to an internal review of operations in 1998, IPC discovered that Unit No. 6 at its generating facility in Dubuque, Iowa required a Clean Air Act Acid Rain permit and CEMS. IPC has informed its environmental regulators and has installed the CEMS and obtained the permit. Pursuant to its internal review, IPC also identified and disclosed to regulators a

potentially similar situation at its Lansing, Iowa generating facility. In the second quarter of 1999, the EPA determined that Lansing units 1 and 2 are affected units. Therefore, in the third quarter of 1999, IPC installed the CEMS at both of these facilities and in December 1999 IPC submitted its certification to the EPA for the Lansing facility. IPC has received a settlement offer from the EPA, dated December 3, 1999, to settle the matter for $550,000. IPC has since responded with a counter offer and negotiations continue.

On February 4, 1999, Whiting received a Notice of Violation letter from the ADEQ, citing Whiting for flaring sour gas in excess of permit limits and not having a valid permit. In June 1999, the ADEQ sent Whiting a Consent Administrative Order proposing a voluntary civil penalty of $225,000 for Whiting's alleged emission violations. The consent agreement was finalized on November 9, 1999, resulting in a civil penalty of $99,000, Whiting performing two mitigation projects, installing an air monitor to run for one full year and submitting a Title V permit.

WP&L has been notified by the EPA that it is a PRP with respect to environmental impacts identified at the MIG/DeWane Landfill Superfund Site. WP&L is participating in the initiation of an alternate dispute resolution process to allocate liability associated with the investigation and remediation of the site. Management believes that any likely action resulting from this matter will not have a material adverse effect on WP&L's financial condition or results of operations.

IPC has been notified by the EPA that it is a PRP with respect to environmental impacts identified at the Missouri Electric Works, Inc. (MEW) site in Cape Girardeau, Missouri. IPC has been served with a complaint filed by the MEW Site Trust Fund, the PRP group involved in investigating and remediating the site, for response costs incurred by the PRP group. IPC believes that it is not liable as a PRP for this site because it did not arrange for the disposal of any waste materials at the site. IPC has filed an answer to the complaint, discovery is ongoing and settlement discussions continue.

WP&L has been notified by Monroe County, Wisconsin that it is a PRP with respect to environmental impacts identified at the Monroe County Interim Landfill in Sparta, Wisconsin. WP&L has provided a summary of records and documents relating to waste disposal at the landfill to Monroe County. WP&L cannot currently estimate what liability, if any, it may have with respect to this site.

A global treaty has been negotiated that could require reductions of greenhouse gas emissions from utility plants. In November 1998, the U.S. signed the treaty and agreed with the other countries to resolve all remaining issues by the end of 2000. At this time, management is unable to predict whether the U.S. Congress will ratify the treaty. Given the uncertainty of the treaty ratification and the ultimate terms of the final regulations, management cannot currently estimate the impact the implementation of the treaty would have on Alliant Energy's operations.

The Low-Level Radioactive Waste Policy Amendments Act of 1985 mandates that each state must take responsibility for the storage of low-level radioactive waste produced within its borders. The States of Iowa and Wisconsin are members of the six-state Midwest Interstate Low-Level Radioactive Waste Compact (Compact) which is responsible for development of any new disposal capability within the Compact member states. In June 1997, the Compact commissioners voted to discontinue work on a proposed waste disposal facility in the State of Ohio because the expected cost of such a facility was comparably higher than other options currently available.

Dwindling waste volumes and continued access to existing disposal facilities were also reasons cited for the decision. A disposal facility located near Barnwell, South Carolina continues to accept the low-level waste and IESU and WP&L currently ship the waste each produces to such site, thereby minimizing the amount of low-level waste stored on-site. Given technological advances, waste compaction and the reduction in the amount of waste generated, DAEC and Kewaunee each have on-site storage capability sufficient to store low-level waste expected to be generated over at least the next ten years. While Alliant Energy is unable to predict how long the Barnwell facility will continue to accept its waste, continuing access to this facility expands Alliant Energy's on-site storage capability indefinitely.

See Notes 12(f) and 12(g) of the "Notes to Consolidated Financial Statements" for a further discussion of Alliant Energy's environmental issues.

Power Supply

Wisconsin enacted electric reliability legislation in 1998 (Wisconsin Reliability Act) with the goal of assuring reliable electric energy for Wisconsin. The law allows the construction of merchant power plants in the state and streamlines the regulatory approval process for building new generation and transmission facilities. As a requirement of the legislation, the PSCW completed a regional transmission constraint study. The PSCW is authorized to order construction of new transmission facilities, based on the findings of its constraint study, through December 31, 2004.

On September 24, 1997, the PSCW ordered WP&L and two other Wisconsin utilities to arrange for additional electric capacity to help maintain reliable service for their customers. In July 1998, Alliant Energy and SkyGen announced an agreement whereby SkyGen would build, own and operate a power plant in Wisconsin capable of producing up to 450 MW of electricity. Under the agreement, Alliant Energy will purchase the capacity to meet the electric needs of its utility customers, as outlined by the Wisconsin Reliability Act. A third party filed an appeal to the EPA Appeals Board on the issue of NOx mitigation. In the fourth quarter of 1999, the WDNR issued a revised air permit which was appealed again by the third party. In March 2000, the EPA denied the third party's final appeal which finalizes the air permitting process and allows for construction of the plant.

The EPA appeal process resulted in the SkyGen project being delayed until the summer of 2001. Alliant Energy has made other contractual commitments to ensure an 18% reserve margin in 2000, as required for Wisconsin. Part of this effort includes purchased power contracts at higher costs than the SkyGen power, including purchasing power from 54 portable diesel generators that will be located at various substation locations within WP&L's service territory. These higher costs are included in a rate increase requested by WP&L in December 1999 as discussed in "Liquidity and Capital Resources — Rates and Regulatory Matters — WP&L."

IESU and IPC are currently exploring the possibility of transitioning from the MAPP reliability region to MAIN so all of Alliant Energy will belong to the same reliability region. Alliant Energy is unable to predict the outcome of this issue at this time.

Alliant Energy notes that it will take time for new transmission and power plant projects to be approved and built in Wisconsin. While Alliant Energy currently expects to meet customer demands in 2000, unanticipated reliability issues could still arise in the event Wisconsin experiences unexpected power plant outages, transmission system outages or extended periods of extremely hot weather.

ALLIANT ENERGY CORPORATION
REPORT ON THE FINANCIAL INFORMATION

Alliant Energy Corporation management is responsible for the information and representations contained in the financial statements and in other sections of this Annual Report. The consolidated financial statements that follow have been prepared in accordance with generally accepted accounting principles. In addition to selecting appropriate accounting principles, management is responsible for the manner of presentation and for the reliability of the financial information. In fulfilling that responsibility, it is necessary for management to make estimates based on currently available information and judgments of current conditions and circumstances.

Through a well-developed system of internal controls, management seeks to ensure the integrity and objectivity of the financial information presented in this report. This system of internal controls is designed to provide reasonable assurance that the assets of the company are safeguarded and that the transactions are executed according to management's authorizations and are recorded in accordance with the appropriate accounting principles.

The Board of Directors participates in the financial information reporting process through its Audit Committee.

Erroll B. Davis Jr.
President and Chief Executive Officer

Thomas M. Walker
Executive Vice President and Chief Financial Officer

Daniel A. Doyle
Vice President – Chief Accounting
and Financial Planning Officer

January 28, 2000

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareowners of
Alliant Energy Corporation:

We have audited the accompanying consolidated balance sheets and statements of capitalization of Alliant Energy Corporation (a Wisconsin Corporation) and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, cash flows and changes in common equity for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alliant Energy Corporation and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Milwaukee, Wisconsin
January 28, 2000

ALLIANT ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	1999	1998	1997
	(in thousands, except per share amounts)		
Operating revenues:			
Electric utility	**$1,548,938**	$1,567,442	$1,515,753
Gas utility	**314,319**	295,590	393,907
Non-regulated and other	**334,706**	267,842	390,967
	2,197,963	2,130,874	2,300,627
Operating expenses:			
Electric and steam production fuels	**262,305**	297,685	280,558
Purchased power	**255,446**	255,332	256,306
Cost of utility gas sold	**180,519**	166,453	259,222
Other operation	**623,687**	620,234	681,977
Maintenance	**115,414**	122,737	123,121
Depreciation and amortization	**279,088**	279,505	259,663
Taxes other than income taxes	**104,969**	105,626	103,397
	1,821,428	1,847,572	1,964,244
Operating income	**376,535**	283,302	336,383
Interest expense and other:			
Interest expense	**136,229**	129,363	122,563
Allowance for funds used during construction	**(7,292)**	(6,812)	(5,274)
Preferred dividend requirements of subsidiaries	**6,706**	6,699	6,693
Gains on sales of McLeodUSA Inc. stock	**(40,272)**	—	—
Miscellaneous, net	**(35,903)**	(736)	(13,910)
	59,468	128,514	110,072
Income before income taxes	**317,067**	154,788	226,311
Income taxes	**120,486**	58,113	81,733
Net income	**$ 196,581**	$ 96,675	$ 144,578
Average number of common shares outstanding	**78,352**	76,912	76,210
Earnings per average common share (basic and diluted)	**$ 2.51**	$ 1.26	$ 1.90

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ALLIANT ENERGY CORPORATION

CONSOLIDATED BALANCE SHEETS

	December 31, 1999	December 31, 1998
	(in thousands)	
ASSETS		
Property, plant and equipment:		
Utility		
Plant in service		
Electric	**$5,032,675**	$4,866,152
Gas	**540,874**	515,074
Other	**458,547**	409,711
	6,032,096	5,790,937
Less — Accumulated depreciation	**3,077,459**	2,852,605
	2,954,637	2,938,332
Construction work in progress	**119,276**	119,032
Nuclear fuel, net of amortization	**54,363**	44,316
	3,128,276	3,101,680
Other property, plant and equipment, net of accumulated depreciation and amortization of $184,722 and $178,248, respectively	**357,758**	355,100
	3,486,034	3,456,780
Current assets:		
Cash and temporary cash investments	**113,669**	31,827
Accounts receivable:		
Customer, less allowance for doubtful accounts of $2,253 and $2,518, respectively	**67,299**	47,952
Unbilled utility revenues	**48,033**	55,014
Other, less allowance for doubtful accounts of $954 and $490, respectively	**30,095**	26,054
Notes receivable, less allowance for doubtful accounts of $153 and $120, respectively	**6,328**	13,392
Income tax refunds receivable	**14,611**	14,826
Production fuel, at average cost	**49,657**	54,140
Materials and supplies, at average cost	**52,440**	53,490
Gas stored underground, at average cost	**23,151**	26,013
Regulatory assets	**33,439**	30,796
Prepaid gross receipts tax	**20,864**	22,222
Other	**26,400**	15,941
	485,986	391,667
Investments:		
Investment in McLeodUSA Inc.	**1,123,790**	320,280
Nuclear decommissioning trust funds	**271,258**	225,803
Investments in foreign entities	**198,055**	68,882
Other	**59,866**	54,776
	1,652,969	669,741
Other assets:		
Regulatory assets	**263,610**	284,467
Deferred charges and other	**187,084**	156,682
	450,694	441,149
Total assets	**$6,075,683**	$4,959,337

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ALLIANT ENERGY CORPORATION

CONSOLIDATED BALANCE SHEETS (Continued)

	December 31, 1999	December 31, 1998
	(in thousands)	
CAPITALIZATION AND LIABILITIES		
Capitalization (See Consolidated Statements of Capitalization):		
Common stock	$ 790	$ 776
Additional paid-in capital	942,408	905,130
Retained earnings	577,464	537,372
Accumulated other comprehensive income	634,903	163,017
Total common equity	2,155,565	1,606,295
Cumulative preferred stock of subsidiaries, net	113,638	113,498
Long-term debt (excluding current portion)	1,486,765	1,543,131
	3,755,968	3,262,924
Current liabilities:		
Current maturities and sinking funds	54,795	63,414
Variable rate demand bonds	55,100	56,975
Commercial paper	374,673	64,500
Notes payable	50,046	51,784
Capital lease obligations	13,321	11,978
Accounts payable	191,149	204,297
Accrued taxes	78,825	84,921
Other	115,716	111,685
	933,625	649,554
Other long-term liabilities and deferred credits:		
Accumulated deferred income taxes	1,018,482	691,624
Accumulated deferred investment tax credits	71,857	77,313
Environmental liabilities	65,327	68,399
Customer advances	38,096	37,171
Capital lease obligations	26,041	13,755
Other	166,287	158,597
	1,386,090	1,046,859
Commitments and Contingencies (Note 12)		
Total capitalization and liabilities	$6,075,683	$4,959,337

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ALLIANT ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	1999	1998	1997
	(in thousands)		
Cash flows from operating activities:			
Net income	**$ 196,581**	$ 96,675	$ 144,578
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	**279,088**	279,505	259,663
Amortization of nuclear fuel	**17,494**	17,869	18,308
Amortization of deferred energy efficiency expenditures	**25,435**	27,083	15,786
Deferred taxes and investment tax credits	**(16,258)**	(27,720)	(11,661)
Refueling outage provision	**(5,150)**	(4,001)	9,290
Impairment of oil and gas properties	**3,276**	9,678	9,902
Impairment of regulatory assets	**—**	8,969	—
Gain on disposition of assets, net	**(61,667)**	(6,505)	(1,463)
Other	**902**	2,889	6,931
Other changes in assets and liabilities:			
Accounts receivable	**(16,407)**	15,349	18,638
Notes receivable	**7,064**	10,018	(3,621)
Production fuel	**4,483**	(13,484)	2,814
Accounts payable	**(13,148)**	11,663	(27,726)
Accrued taxes	**(6,096)**	5,998	13,375
Benefit obligations and other	**7,532**	33,776	8,675
Net cash flows from operating activities	**423,129**	467,762	463,489
Cash flows from (used for) financing activities:			
Common stock dividends declared	**(156,489)**	(140,679)	(145,631)
Dividends payable	**13**	(15,458)	285
Proceeds from issuance of common stock	**36,491**	33,832	15,535
Net change in Resources' credit facility	**(113,657)**	70,492	9,908
Proceeds from issuance of other long-term debt	**281,299**	77,544	295,000
Reductions in other long-term debt	**(95,520)**	(27,663)	(146,590)
Net change in other short-term borrowings	**169,587**	(40,216)	(109,884)
Principal payments under capital lease obligations	**(12,887)**	(13,250)	(12,964)
Other	**(5,744)**	(2,333)	(2,410)
Net cash flows from (used for) financing activities	**103,093**	(57,731)	(96,751)
Cash flows used for investing activities:			
Construction and acquisition expenditures:			
Utility	**(285,668)**	(269,133)	(256,760)
Non-regulated businesses	**(192,905)**	(102,925)	(71,280)
Deferred energy efficiency expenditures	**—**	—	(13,344)
Nuclear decommissioning trust funds	**(22,100)**	(20,305)	(17,435)
Proceeds from disposition of assets	**93,443**	16,677	15,993
Shared savings program	**(35,846)**	(27,780)	(17,610)
Other	**(1,304)**	(2,067)	(1,790)
Net cash flows used for investing activities	**(444,380)**	(405,533)	(362,226)
Net increase in cash and temporary cash investments	**81,842**	4,498	4,512
Cash and temporary cash investments at beginning of period	**31,827**	27,329	22,817
Cash and temporary cash investments at end of period	**$ 113,669**	$ 31,827	$ 27,329
Supplemental cash flow information:			
Cash paid during the period for:			
Interest	**$ 130,214**	$ 126,376	$ 117,255
Income taxes	**$ 141,150**	$ 84,916	$ 69,272
Noncash investing and financing activities:			
Capital lease obligations incurred	**$ 25,040**	$ 1,426	$ 16,781

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ALLIANT ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF CAPITALIZATION

	December 31, 1999	December 31, 1998
	(in thousands, except share amounts)	
Common equity:		
Common stock — $.01 par value — authorized 200,000,000 shares; outstanding 78,984,014 and 77,630,043 shares, respectively	**$ 790**	$ 776
Additional paid-in capital	**942,408**	905,130
Retained earnings	**577,464**	537,372
Accumulated other comprehensive income	**634,903**	163,017
	2,155,565	1,606,295

Cumulative preferred stock of subsidiaries:

Par/Stated Value	Authorized Shares	Shares Outstanding	Series	Mandatory Redemption		
$100	*	449,765	4.40%-6.20%	No	**44,977**	44,977
$ 25	*	599,460	6.50%	No	**14,986**	14,986
$ 50	466,406	366,406	4.30%-6.10%	No	**18,320**	18,320
$ 50	**	216,381	4.36%-7.76%	No	**10,819**	10,819
$ 50	**	545,000	6.40%	Yes***	**27,250**	27,250
					116,352	116,352
Less: unamortized expenses					**(2,714)**	(2,854)
					113,638	113,498

* 3,750,000 authorized shares in total
** 2,000,000 authorized shares in total
*** $53.20 mandatory redemption price

Long-term debt:		
IES Utilities Inc. —		
Collateral Trust Bonds:		
7.65% series, due 2000	**50,000**	50,000
7.25% series, due 2006	**60,000**	60,000
6⅞% series, due 2007	**55,000**	55,000
6% series, due 2008	**50,000**	50,000
7% series, due 2023	**50,000**	50,000
5.5% series, due 2023	**19,400**	19,400
	284,400	284,400
First Mortgage Bonds:		
Series Y, 8⅝%, due 2001	**60,000**	60,000
Series Z, 7.6%, retired in 1999	**—**	50,000
9⅛% series, due 2001	**21,000**	21,000
7¼% series, due 2007	**30,000**	30,000
	111,000	161,000
Pollution control obligations:		
5.75%, due serially 2000 to 2003	**2,996**	3,136
Variable rate (5.45% at December 31, 1999), due 2000 to 2010	**11,100**	11,100
Variable/fixed rate series 1998 (4.25% through 2003), due 2023	**10,000**	10,000
	24,096	24,236
Subordinated Deferrable Interest Debentures, 7⅞%, due 2025	**50,000**	50,000
Senior Debentures, 6⅝%, due 2009	**135,000**	135,000
Total IES Utilities Inc.	**604,496**	654,636

ALLIANT ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF CAPITALIZATION (Continued)

	December 31, 1999	December 31, 1998
	(in thousands)	
Wisconsin Power and Light Company —		
First Mortgage Bonds:		
1984 Series A, variable rate (5.00% at December 31, 1999), due 2014	**$ 8,500**	$ 8,500
1988 Series A, variable rate (5.60% at December 31, 1999), due 2015	**14,600**	14,600
1990 Series V, 9.3%, due 2025	**27,000**	27,000
1991 Series A-D, variable rate (4.75% at December 31, 1999), due 2000 to 2015	**33,875**	33,875
1992 Series W, 8.6%, due 2027	**90,000**	90,000
1992 Series X, 7.75%, due 2004	**62,000**	62,000
1992 Series Y, 7.6%, due 2005	**72,000**	72,000
	307,975	307,975
Unsecured Debt:		
Debentures, 7%, due 2007	**105,000**	105,000
Debentures, 5.7%, due 2008	**60,000**	60,000
Total Wisconsin Power and Light Company	**472,975**	472,975
Interstate Power Company —		
First Mortgage Bonds:		
8% series, due 2007	**25,000**	25,000
8⅝% series, due 2021	**25,000**	25,000
7⅝% series, due 2023	**94,000**	94,000
	144,000	144,000
Pollution Control Revenue Bonds:		
6⅜%, retired in 1999	**—**	10,950
5.75%, due 2003	**1,000**	1,000
6.25%, due 2009	**1,000**	1,000
6.30%, due 2010	**5,600**	5,600
6.35%, due 2012	**5,650**	5,650
Variable/fixed rate series 1998 (4.30% through 2003), due 2005 to 2008	**4,950**	4,950
Variable/fixed rate series 1999 (4.05% through 2004), due 2010	**3,250**	—
Variable/fixed rate series 1999 (4.20% through 2004), due 2013	**7,700**	—
	29,150	29,150
Total Interstate Power Company	**173,150**	173,150
Alliant Energy Resources, Inc. —		
Credit facility	**—**	252,505
7⅜% senior notes, due 2009	**250,000**	—
Multifamily Housing Revenue Bonds issued by various housing and community development authorities, 4.75% — 7.55%, due 2000 to 2036	**34,095**	35,494
Other subsidiaries' debt, 0% — 10.75%, due 2000 to 2042	**45,926**	57,579
Total Alliant Energy Resources, Inc.	**330,021**	345,578
Alliant Energy Corporation —		
8.59% senior notes, due 2004	**24,000**	24,000
	1,604,642	1,670,339
Less:		
Current maturities	**(54,795)**	(63,414)
Variable rate demand bonds	**(55,100)**	(56,975)
Unamortized debt premium and (discount), net	**(7,982)**	(6,819)
Total long-term debt	**1,486,765**	1,543,131
Total capitalization	**$3,755,968**	$3,262,924

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ALLIANT ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN COMMON EQUITY

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Common Equity
			(in thousands)		
1997:					
Beginning balance(a)	$758	$850,848	$582,429	$ (809)	$1,433,226
Comprehensive income:					
Net income			144,578		144,578
Other comprehensive income (loss):					
Unrealized gains on securities, net of tax(b)				174,688	174,688
Foreign currency translation adjustments				(20)	(20)
Minimum pension liability adjustment, net of tax(c)				(347)	(347)
Total comprehensive income					318,899
Common stock dividends			(145,631)		(145,631)
Common stock issued	7	18,138			18,145
Treasury stock		(83)			(83)
Ending balance	765	868,903	581,376	173,512	1,624,556
1998:					
Comprehensive income:					
Net income			96,675		96,675
Other comprehensive income (loss):					
Unrealized losses on securities, net of tax(b)				(4,589)	(4,589)
Foreign currency translation adjustments				(7,062)	(7,062)
Minimum pension liability adjustment, net of tax(c)				1,156	1,156
Total comprehensive income					86,180
Common stock dividends			(140,679)		(140,679)
Common stock issued	11	36,263			36,274
Treasury stock		(36)			(36)
Ending balance	776	905,130	537,372	163,017	1,606,295
1999:					
Comprehensive income:					
Net income			196,581		196,581
Other comprehensive income (loss):					
Unrealized gains on securities:					
Unrealized holding gains arising during period, net of tax(b)				499,668	499,668
Less: reclassification adjustment for gains included in net income, net of tax of $14,986				(25,286)	(25,286)
Net unrealized gains				474,382	474,382
Foreign currency translation adjustments				(2,496)	(2,496)
Total comprehensive income					668,467
Common stock dividends			(156,489)		(156,489)
Common stock issued	14	37,278			37,292
Ending balance	**$790**	**$942,408**	**$577,464**	**$634,903**	**$2,155,565**

(a) The beginning accumulated other comprehensive income (loss) balance was all related to Alliant Energy's minimum pension liability adjustment.

(b) Net of tax expense (benefit) of $124,271, ($3,218) and $351,314 in 1997, 1998 and 1999, respectively.

(c) Net of tax expense (benefit) of ($243) and $808 in 1997 and 1998, respectively.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

The Consolidated Financial Statements include the accounts of Alliant Energy and its consolidated subsidiaries. Alliant Energy is an investor-owned holding company, incorporated in Wisconsin, whose primary subsidiaries are IESU, WP&L, IPC, Resources and Corporate Services. IESU, WP&L and IPC are engaged principally in the generation, transmission, distribution and sale of electric energy; the purchase, distribution, transportation and sale of natural gas; and water and steam services in selective markets. The principal markets of IESU, WP&L and IPC are located in Iowa, Wisconsin, Minnesota and Illinois. Resources (through its numerous direct and indirect subsidiaries) provides energy products and services to domestic and international markets; provides industrial services including environmental, engineering and transportation services; invests in affordable housing initiatives; and invests in various other strategic initiatives. Corporate Services is the subsidiary formed to provide administrative services to Alliant Energy and its subsidiaries as required under PUHCA.

The consolidated financial statements reflect investments in controlled subsidiaries on a consolidated basis. All significant intercompany balances and transactions, other than certain energy-related transactions affecting IESU, WP&L and IPC, have been eliminated from the Consolidated Financial Statements. Such energy-related transactions are made at prices that approximate market value and the associated costs are recoverable from customers through the rate making process. The financial statements are prepared in conformity with generally accepted accounting principles, which give recognition to the rate making and accounting practices of FERC and state commissions having regulatory jurisdiction. Certain prior period amounts have been reclassified on a basis consistent with the current year presentation.

Unconsolidated investments for which Alliant Energy has at least a 20% voting interest are generally accounted for under the equity method of accounting. These investments are stated at acquisition cost, increased or decreased for Alliant Energy's equity in net income or loss, which is included in "Miscellaneous, net" in the Consolidated Statements of Income and decreased for any dividends received. Investments that do not meet the criteria for consolidation or the equity method of accounting are accounted for under the cost method.

The preparation of the financial statements requires management to make estimates and assumptions that affect: a) the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements; and b) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) Regulation

Alliant Energy is a registered public utility holding company subject to regulation by the SEC under PUHCA. IESU, WP&L and IPC are subject to regulation by the FERC and their respective state regulatory commissions (IUB, PSCW, MPUC and ICC).

(c) Regulatory Assets

IESU, WP&L and IPC are subject to the provisions of SFAS 71, "Accounting for the Effects of Certain Types of Regulation." SFAS 71 provides that rate-regulated public utilities record certain costs and credits allowed in the rate making process in different periods than for unregulated entities. These are deferred as regulatory assets or regulatory liabilities and are recognized in the Consolidated Statements of Income at the time they are reflected in rates. At December 31, 1999 and 1998, regulatory assets of $297.0 million and $315.3 million, respectively, were comprised of the following items (in millions):

	IESU		WP&L		IPC	
	1999	1998	1999	1998	1999	1998
Tax-related (Note 1(d))	**$ 83.0**	$ 81.4	**$43.4**	$49.3	**$29.7**	$29.8
Energy efficiency program costs	**22.2**	39.8	**7.0**	—	**23.9**	25.9
Environmental liabilities (Note 12(f))	**32.4**	35.2	**19.1**	19.5	**15.7**	17.5
Other	**4.0**	5.0	**16.4**	11.2	**0.2**	0.7
	$141.6	$161.4	**$85.9**	$80.0	**$69.5**	$73.9

Refer to the individual notes referenced above for a further discussion of certain items reflected in regulatory assets. If a portion of IESU's, WP&L's or IPC's operations become no longer subject to the provisions of SFAS 71 as a result of competitive restructuring or otherwise, a write-down of related regulatory assets would be required, unless some form of transition cost recovery is established by the appropriate regulatory body that would meet the requirements under generally accepted accounting principles for continued accounting as regulatory assets during such recovery period. In addition, IESU, WP&L or IPC would be required to determine any impairment to other assets and write-down such assets to their fair value.

(d) Income Taxes

Alliant Energy follows the liability method of accounting for deferred income taxes, which requires the establishment of deferred tax assets and liabilities, as appropriate, for all temporary differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. Deferred taxes are recorded using currently enacted tax rates.

Except as noted below, income tax expense includes provisions for deferred taxes to reflect the tax effects of temporary differences between the time when certain costs are recorded in the accounts and when they are deducted for tax return purposes. As temporary differences reverse, the related accumulated deferred income taxes are reversed to income. Investment tax credits have been deferred and are subsequently credited to income over the average lives of the related property. As part of the affordable housing and oil and gas production businesses, Alliant Energy is eligible to claim certain tax credits. These tax credits reduce current federal taxes to the extent Alliant Energy has consolidated taxes payable.

Consistent with Iowa rate making practices for IESU and IPC, deferred tax expense is not recorded for certain temporary differences (primarily related to utility property, plant and equipment). As the deferred taxes become payable (over periods exceeding 30 years for some generating plant differences) they are recovered through rates. Accordingly, IESU and IPC have recorded deferred tax liabilities and regulatory assets for certain temporary differences, as identified in Note 1(c). In Wisconsin, the PSCW has allowed rate recovery of deferred taxes on all temporary differences since August

1991. WP&L established a regulatory asset associated with those temporary differences occurring prior to August 1991 that will be recovered in future rates.

Alliant Energy files a consolidated federal income tax return. Under the terms of an agreement between Alliant Energy and its subsidiaries, the subsidiaries calculate their respective federal income tax provisions and make payments to or receive payments from Alliant Energy as if they were separate taxable entities.

(e) Common Shares Outstanding

Weighted average common shares outstanding used to calculate basic and diluted earnings per share for 1999, 1998 and 1997 were as follows:

Weighted Average	1999	1998	1997
Common shares outstanding — basic earnings per share calculation	**78,352,186**	76,912,219	76,209,935
Effect of dilutive securities	**42,961**	16,412	2,138
Common shares — diluted earnings per share calculation	**78,395,147**	76,928,631	76,212,073

In 1999, 1,275,355 options to purchase shares of common stock, with an average exercise price of $30.55, were excluded from the calculation of diluted earnings per share as the exercise prices were greater than the average market price.

(f) Temporary Cash Investments

Temporary cash investments are stated at cost, which approximates market value, and are considered cash equivalents for the Consolidated Statements of Cash Flows. These investments consist of short-term liquid investments that have maturities of less than 90 days from the date of acquisition.

(g) Depreciation of Utility Property, Plant and Equipment

IESU, WP&L and IPC use a combination of remaining life and straight-line depreciation methods as approved by their respective regulatory commissions. The remaining life of DAEC, of which IESU is a co-owner, is based on the NRC license end-of-life of 2014. The remaining life of Kewaunee, of which WP&L is a co-owner, is based on the PSCW approved revised end-of-life of 2002 (prior to May 1997 the calculation was based on the NRC license end-of-life of 2013). Depreciation expense related to the decommissioning of DAEC and Kewaunee is discussed in Note 12(h). The average rates of depreciation for electric and gas properties of IESU, WP&L and IPC, consistent with current rate making practices, were as follows:

	IESU			WP&L			IPC		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
Electric	**3.5%**	3.5%	3.5%	**3.6%**	3.6%	3.6%	**3.6%**	3.6%	3.6%
Gas	**3.5%**	3.5%	3.5%	**3.9%**	3.8%	3.8%	**3.6%**	3.4%	3.4%

(h) Property, Plant and Equipment
Utility plant (other than acquisition adjustments) is recorded at original cost, which includes overhead and administrative costs and AFUDC. At December 31, 1999, IESU had $25.6 million of acquisition adjustments, net of accumulated amortization, included in utility plant ($6 million of such balance is currently being recovered in IESU's rates). AFUDC, which represents the cost during the construction period of funds used for construction purposes, is capitalized as a component of the cost of utility plant. The amount of AFUDC applicable to debt funds and to other (equity) funds, a non-cash item, is computed in accordance with the prescribed FERC formula. These capitalized costs are recovered in rates as the cost of the utility plant is depreciated. The aggregate gross rates used were as follows:

	1999	1998	1997
IESU	**7.9%**	8.9%	6.7%
WP&L	**5.4%**	5.2%	6.2%
IPC	**5.3%**	7.0%	6.0%

Other property, plant and equipment is recorded at original cost. Upon retirement or sale of other property and equipment, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in "Miscellaneous, net" in the Consolidated Statements of Income. Normal repairs, maintenance and minor items of utility plant and other property, plant and equipment are expensed. Ordinary retirements of utility plant, including removal costs less salvage value, are charged to accumulated depreciation upon removal from utility plant accounts and no gain or loss is recognized.

(i) Operating Revenues
Alliant Energy accrues revenues for services rendered but unbilled at month-end in order to more properly match revenues with expenses. In accordance with an order from the PSCW, effective January 1, 1998, off-system gas sales for WP&L are included in the Consolidated Statements of Income as a reduction of the cost of gas sold rather than as gas revenues. Off-system gas sales at WP&L were $12.8 million, $11.5 million and $11.1 million in 1999, 1998 and 1997, respectively.

(j) Utility Fuel Cost Recovery
IESU's and IPC's tariffs provide for subsequent adjustments to its electric and natural gas rates for changes in the cost of fuel and purchased energy and in the cost of natural gas purchased for resale. Changes in the under/over collection of these costs are reflected in "Electric and steam production fuels" and "Cost of utility gas sold" in the Consolidated Statements of Income. The cumulative effects are reflected on the Consolidated Balance Sheets as a current asset or current liability, pending automatic reflection in future billings to customers. At IESU and IPC, purchased capacity costs are not recovered from electric customers through energy adjustment clauses. Recovery of these costs must be addressed in base rates in a formal rate proceeding.

WP&L's retail electric rates are based in part on forecasted fuel and purchased-power costs. Under PSCW rules, Wisconsin utilities can seek emergency rate increases if the annual costs are more than 3% higher than the estimated costs used to establish rates. WP&L has a gas performance incentive which includes a sharing mechanism whereby 40% of all gains and losses relative to current commodity prices, as well as other benchmarks, are retained by WP&L rather than refunded to or recovered from customers.

(k) Nuclear Refueling Outage Costs
The IUB allows IESU to collect, as part of its base revenues, funds to offset other operation and maintenance expenditures incurred during

refueling outages at DAEC. As these revenues are collected, an equivalent amount is charged to other operation and maintenance expenses with a corresponding credit to a reserve. During a refueling outage, the reserve is reversed to offset the refueling outage expenditures. Operating expenses incurred during refueling outages at Kewaunee are expensed by WP&L as incurred.

(l) Nuclear Fuel

Nuclear fuel for DAEC is leased. Annual nuclear fuel lease expenses include the cost of fuel, based on the quantity of heat produced for the generation of electric energy, plus the lessor's interest costs related to fuel in the reactor and administrative expenses. Nuclear fuel for Kewaunee is recorded at its original cost and is amortized to expense based upon the quantity of heat produced for the generation of electricity. This accumulated amortization assumes spent nuclear fuel will have no residual value. Estimated future disposal costs of such fuel are expensed based on kilowatt-hours generated.

(m) Translation of Foreign Currency

Assets and liabilities of international investments, where the local currency is the functional currency, have been translated at year-end exchange rates and related income statement results have been translated using average exchange rates prevailing during the year. Adjustments resulting from translation have been recorded in other comprehensive income.

(n) Derivative Financial Instruments

From time to time, Alliant Energy uses derivative financial instruments to hedge exposures to fluctuations in interest rates, certain commodity prices and volatility in a portion of natural gas sales volumes due to weather. These instruments are used to mitigate risks and are not to be used for speculative purposes. Under the deferral method of accounting, gains and losses related to derivatives that qualify as hedges are recognized in earnings when the underlying hedged item or physical transaction is recognized in income.

Alliant Energy is exposed to losses related to financial instruments in the event of counterparties' nonperformance. Alliant Energy has established controls to determine and monitor the creditworthiness of counterparties in order to mitigate its exposure to counterparty credit risk. Alliant Energy is not aware of any counterparties that will fail to meet their obligations.

Refer to Note 11 for a further discussion of Alliant Energy's derivative financial instruments.

(2) MERGER

On April 21, 1998, IES, WPLH and IPC completed a merger forming Alliant Energy. The merger was accounted for as a pooling of interests and the accompanying Consolidated Financial Statements, along with the related notes, are presented as if the companies were combined as of the earliest period presented.

(3) LEASES

IESU has a capital lease covering its 70% undivided interest in nuclear fuel purchased for DAEC. Future purchases of fuel may also be added to the fuel lease. This lease provides for annual one-year extensions and IESU intends to continue exercising such extensions. Interest costs under the lease are based on commercial paper costs incurred by the lessor. IESU is responsible for the payment of taxes, maintenance, operating cost, risk of loss and insurance relating to the leased fuel. The lessor has a $45 million credit agreement with a bank supporting the nuclear fuel lease. The agreement continues on a year-to-year basis, unless either party provides at least a three-year notice of termination; no such notice of termination has been provided by either party. Annual nuclear fuel lease expenses (included in "Electric and

steam production fuels" in the Consolidated Statements of Income) for 1999, 1998 and 1997 were $12.7 million, $14.2 million and $16.6 million, respectively.

Alliant Energy's operating lease rental expenses for 1999, 1998 and 1997 were $24.6 million, $21.6 million and $20.3 million, respectively. Alliant Energy's future minimum lease payments by year are as follows (in millions):

Year	Capital Leases	Operating Leases
2000	$15.6	$ 24.0
2001	10.6	20.1
2002	8.7	15.3
2003	4.3	12.9
2004	3.9	10.5
Thereafter	1.3	39.1
	44.4	$121.9
Less: Amount representing interest	5.0	
Present value of net minimum capital lease payments	$39.4	

(4) UTILITY ACCOUNTS RECEIVABLE

Utility customer accounts receivable, including unbilled revenues, arise primarily from the sale of electricity and natural gas. At December 31, 1999, Alliant Energy was serving a diversified base of residential, commercial and industrial customers and did not have any significant concentrations of credit risk.

Similar accounts receivable financing arrangements exist for two of Alliant Energy's utility subsidiaries, IESU and WP&L. In both cases, the utility subsidiaries sell up to a pre-determined maximum amount of accounts receivable to a financial institution on a limited recourse basis. Accounts receivable sold include receivables arising from sales to customers and to other public, municipal and cooperative utilities, as well as from billings to the co-owners of the jointly-owned electric generating plants operated by utility subsidiaries of Alliant Energy. The amounts are discounted at the then-prevailing market rate and additional administrative fees are payable according to the activity levels undertaken. All billing and collection functions remain the responsibility of the respective utilities. Specifics of the two agreements include (dollars in millions):

	IESU	WP&L
Year agreement expires	2000	2000
Maximum amount of receivables that can be sold	$ 65	$150
Effective 1999 all-in cost	5.58%	5.58%
Average monthly sale of receivables—1999	$ 55	$ 73
—1998	$ 63	$ 83
Receivables sold at December 31, 1999	$ 59	$ 67

For additional information on the accounts receivable programs, refer to the "Liquidity and Capital Resources — Financing and Capital Structure" section of MD&A.

(5) RESOURCES SUMMARY FINANCIAL INFORMATION

Summary financial information for Resources was as follows (in millions):

	December 31, 1999	December 31, 1998
Current assets	**$ 132.4**	$ 92.1
Non-current assets	**1,716.2**	777.1
Current liabilities	**197.7**	63.6
Non-current liabilities (excludes minority interest)	**502.8**	160.3
Minority interest (primarily real estate joint ventures)	**7.2**	6.2

Refer to the "Non-regulated Businesses" column of Note 14 for summary income statement data of Resources. Alliant Energy has not presented separate financial statements for Resources because it is a wholly-owned subsidiary of Alliant Energy and because management has determined that such information is not material to holders of senior notes of Resources. Alliant Energy has fully and unconditionally guaranteed the payment of principal and interest on the senior notes.

(6) INCOME TAXES

The components of federal and state income taxes for Alliant Energy for the years ended December 31 were as follows (in millions):

	1999	1998	1997
Current tax expense	**$142.7**	$92.5	$99.6
Deferred tax expense	**(10.8)**	(22.2)	(6.1)
Amortization of investment tax credits	**(5.5)**	(5.6)	(5.6)
Affordable housing tax credits	**(5.9)**	(6.6)	(6.2)
	$120.5	$58.1	$81.7

The overall effective income tax rates shown below for the years ended December 31 were computed by dividing total income tax expense by income before income taxes and preferred dividend requirements of subsidiaries.

	1999	1998	1997
Statutory federal income tax rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal benefits	**6.4**	8.0	6.4
Affordable housing tax credits	**(1.9)**	(4.1)	(2.7)
Amortization of investment tax credits	**(1.7)**	(3.4)	(2.4)
Adjustment of prior period taxes	**(1.7)**	(0.4)	(2.2)
Merger expenses	**—**	2.4	0.5
Oil and gas production credits	**(1.0)**	(1.6)	(0.6)
Property donation	**(0.3)**	(1.5)	(1.1)
Effect of rate making on property related differences	**2.2**	1.8	1.1
Other items, net	**0.2**	(0.2)	1.1
Overall effective income tax rate	**37.2%**	36.0%	35.1%

The accumulated deferred income taxes (assets) and liabilities as set forth below on the Consolidated Balance Sheets at December 31 arise from the following temporary differences (in millions):

	1999	1998
Property related	**$ 669.5**	$ 677.7
McLeod investment	**455.1**	121.1
Other	**(106.1)**	(107.2)
	$1,018.5	$ 691.6

Deferred tax liabilities are not recognized for temporary differences related to investments in foreign subsidiaries and in unconsolidated foreign affiliates that are essentially permanent in duration. As of December 31, 1999, Alliant Energy had not recorded a U.S. tax provision of approximately $1.4 million relating to approximately $4.1 million of unremitted earnings from two of its investments in China as these earnings are expected to be reinvested permanently overseas in China.

(7) BENEFIT PLANS

(a) Pension Plans and Other Postretirement Benefits

Alliant Energy has several non-contributory defined benefit pension plans that cover substantially all of its employees who are subject to a collective bargaining agreement. Plan benefits are generally based on years of service and compensation during the employees' latter years of employment. Eligible employees of Alliant Energy that are not subject to a collective bargaining agreement are covered by the Alliant Energy Cash Balance Pension Plan, a non-contributory defined benefit pension plan. During each year of service, Alliant Energy credits each participant's account with a benefit credit equal to 5% of base pay as well as a guaranteed minimum interest credit equal to 4%. The projected unit credit actuarial cost method was used to compute pension cost and the accumulated and projected benefit obligations. Alliant Energy's policy is to fund all of the pension plans at an amount that is at least equal to the minimum funding requirements mandated by the Employee Retirement Income Security Act of 1974, as amended, and that does not exceed the maximum tax deductible amount for the year.

Alliant Energy also provides certain other postretirement benefits to retirees, including medical benefits for retirees and their spouses (and Medicare Part B reimbursement for certain

retirees) and, in some cases, retiree life insurance. IESU's and IPC's funding policy for other postretirement benefits is generally to fund an amount up to the cost calculated using SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," while WP&L's funding policy is generally to fund tax deductible amounts up to the incurred but unclaimed paid medical claim reserve and tax deductible amounts (if any) to the retiree medical account within the Cash Balance Pension Plan.

The weighted-average assumptions as of the measurement date of September 30 are as follows:

	Qualified Pension Benefits			Other Postretirement Benefits		
	1999	1998	1997	**1999**	1998	1997
Discount rate	**7.75%**	6.75%	7.25%	**7.75%**	6.75%	7.25%
Expected return on plan assets	**9%**	9%	8-9%	**9%**	9%	8-9%
Rate of compensation increase	**3.5-4.5%**	3.5-4.5%	3.5-5.0%	**3.5%**	3.5%	3.5%
Medical cost trend on covered charges:						
Initial trend range	**N/A**	N/A	N/A	**7%**	8%	8%
Ultimate trend range	**N/A**	N/A	N/A	**5%**	5-6%	5.0-6.5%

The components of Alliant Energy's qualified pension benefits and other postretirement benefits costs are as follows (in millions):

	Qualified Pension Benefits			Other Postretirement Benefits		
	1999	1998	1997	**1999**	1998	1997
Service cost	**$ 12.8**	$ 13.8	$ 13.1	**$ 5.5**	$ 5.1	$ 4.7
Interest cost	**35.6**	35.4	32.2	**10.4**	9.7	9.8
Expected return on plan assets	**(46.2)**	(47.2)	(39.0)	**(5.0)**	(3.7)	(2.6)
Amortization of:						
Transition obligation (asset)	**(2.4)**	(2.4)	(2.4)	**4.3**	4.7	4.9
Prior service cost	**2.5**	2.8	2.5	**(0.3)**	(0.3)	(0.3)
Actuarial loss (gain)	**0.2**	(0.9)	—	**(0.8)**	(1.2)	(0.2)
Total	**$ 2.5**	$ 1.5	$ 6.4	**$14.1**	$14.3	$16.3

During 1998 and 1997, Alliant Energy recognized an additional $10.3 million and $5.1 million, respectively, of costs in accordance with SFAS 88. The charges were for severance and early retirement programs in the respective years. In addition, during 1999, 1998 and 1997, Alliant Energy recognized $0.5 million, $10.2 million and $1.7 million, respectively, of curtailment charges relating to Alliant Energy's other postretirement benefits.

The assumed medical trend rates are critical assumptions in determining the service and interest cost and accumulated postretirement benefit obligation related to postretirement benefit costs. A one percent change in the medical trend rates for 1999, holding all other assumptions constant, would have the following effects (in millions):

	1 Percent Increase	1 Percent Decrease
Effect on total of service and interest cost components	$ 2.5	$ (2.0)
Effect on postretirement benefit obligation	$14.0	$(11.6)

A reconciliation of the funded status of Alliant Energy's plans to the amounts recognized on Alliant Energy's Consolidated Balance Sheets at December 31 is presented below (in millions):

	Qualified Pension Benefits		Other Postretirement Benefits	
	1999	1998	1999	1998
Change in benefit obligation:				
Net benefit obligation at beginning of year	**$528.4**	$474.2	**$153.3**	$146.4
Service cost	**12.8**	13.8	**5.5**	5.1
Interest cost	**35.6**	35.4	**10.4**	9.7
Plan participants' contributions	**—**	—	**1.5**	1.3
Plan amendments	**—**	(2.5)	**(2.5)**	—
Actuarial loss (gain)	**(60.7)**	24.8	**(29.9)**	(3.6)
Curtailments	**—**	(3.0)	**(0.3)**	1.9
Special termination benefits	**—**	10.7	**—**	—
Gross benefits paid	**(35.1)**	(25.0)	**(10.2)**	(7.5)
Net benefit obligation at end of year	**481.0**	528.4	**127.8**	153.3
Change in plan assets:				
Fair value of plan assets at beginning of year	**506.3**	529.1	**55.1**	50.7
Actual return on plan assets	**54.7**	2.2	**8.2**	2.5
Employer contributions	**—**	—	**13.6**	7.0
Plan participants' contributions	**—**	—	**1.6**	1.3
401(h) assets recognized	**—**	—	**—**	1.1
Gross benefits paid	**(35.1)**	(25.0)	**(10.2)**	(7.5)
Fair value of plan assets at end of year	**525.9**	506.3	**68.3**	55.1
Funded status at end of year	**44.9**	(22.1)	**(59.5)**	(98.2)
Unrecognized net actuarial loss (gain)	**(39.0)**	30.3	**(39.3)**	(7.5)
Unrecognized prior service cost	**23.2**	25.8	**(1.5)**	(1.7)
Unrecognized net transition obligation (asset)	**(8.2)**	(10.6)	**52.4**	60.6
Net amount recognized at end of year	**$ 20.9**	$ 23.4	**$(47.9)**	$(46.8)
Amounts recognized on the Consolidated Balance Sheets consist of:				
Prepaid benefit cost	**$ 39.1**	$ 38.9	**$ 0.6**	$ 0.9
Accrued benefit cost	**(18.2)**	(15.5)	**(48.5)**	(47.7)
Additional minimum liability	**—**	(7.7)	**—**	—
Intangible asset	**—**	7.7	**—**	—
Net amount recognized at measurement date	**20.9**	23.4	**(47.9)**	(46.8)
Contributions paid after 9/30 and prior to 12/31	**—**	—	**6.9**	6.8
Net amount recognized at 12/31	**$ 20.9**	$ 23.4	**$(41.0)**	$(40.0)

The benefit obligation and fair value of plan assets for the postretirement welfare plans with benefit obligations in excess of plan assets were $121.3 million and $58.7 million, respectively, as of September 30, 1999 and $146.5 million and $45.3 million, respectively, as of September 30, 1998. The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with benefit obligations in excess of plan assets were $231.4 million, $225.9 million and $219.8 million, respectively, as of September 30, 1999 and $250.5 million, $241.1 million and $217.9 million, respectively, as of September 30, 1998.

Alliant Energy also sponsors several non-qualified pension plans which cover certain current and former officers. At December 31, 1999 and 1998, the funded balances of such plans totaled approximately $5 million. Alliant Energy's pension benefit obligation under these plans was $28.0 million and $25.8 million at December 31, 1999 and 1998, respectively. Alliant Energy's pension expense under these plans was $2.5 million, $4.5 million, and $3.7 million in 1999, 1998 and 1997, respectively.

A significant number of Alliant Energy employees also participate in defined contribution pension plans (401(k) plans). Alliant Energy's contributions to the plans, which are based on the participants' level of contribution, were $7.4 million, $7.7 million, and $5.5 million in 1999, 1998 and 1997, respectively.

(b) Long-Term Equity Incentive Plan

Alliant Energy has a long-term equity incentive plan which permits the grant of non-qualified stock options, incentive stock options, restricted stock, performance shares and performance units to key employees. As of December 31, 1999, non-qualified stock options, restricted stock, performance shares and performance units had been granted to key employees. The maximum number of shares of Alliant Energy common stock that may be issued under the plan may not exceed 3.8 million (no awards may be granted on or after January 22, 2004).

Options are granted at the fair market value of the shares on the date of grant. The options vest over three years and expire no later than 10 years after the grant date with the exception of participants that retire. Their options become fully vested upon retirement and remain exercisable at any time prior to their expiration date, or for three years after the effective date of the retirement, whichever period is shorter. Participants' options that are not vested become forfeited when the participant leaves Alliant Energy and their vested options expire after three months. A summary of the stock option activity for 1999, 1998 and 1997 is as follows:

	1999		1998		1997	
	Shares	**Weighted Average Exercise Price**	**Shares**	**Weighted Average Exercise Price**	**Shares**	**Weighted Average Exercise Price**
Outstanding at beginning of year	**751,084**	**$30.83**	191,800	$28.98	114,150	$29.56
Options granted	**824,564**	**29.88**	636,451	31.32	77,650	28.12
Options exercised	—	—	(8,900)	28.59	—	—
Options forfeited	**(32,620)**	**30.55**	(68,267)	30.49	—	—
Outstanding at end of year	**1,543,028**	**$30.32**	751,084	$30.83	191,800	$28.98
Exercisable at end of year	**333,782**	**$30.80**	38,250	$27.50	—	—

The range of exercise prices for the options outstanding at December 31, 1999 was $27.50 to $31.56.

The value of the options at the grant date using the Black-Scholes pricing method is as follows:

	1999	1998	1997
Value of options based on Black-Scholes model	**$4.71**	$4.93	$3.30
Volatility	**20.2%**	21%	15%
Risk free interest rate	**5.78%**	5.75%	6.43%
Expected life	**10 years**	10 years	10 years
Expected dividend yield	**6.69%**	7.00%	7.00%

Alliant Energy follows APB 25, "Accounting for Stock Issued to Employees," to account for stock options. No compensation cost is recognized because the option exercise price is equal to the market price of the underlying stock on the date of grant. Had compensation cost for the plan been determined based on the Black-Scholes value at the grant dates for awards as prescribed by SFAS 123 "Accounting for Stock-Based Compensation," pro forma net income and earnings per share would have been:

	1999	1998	1997
Pro forma net income (in millions)	**$192.7**	$93.5	$144.3
Pro forma earnings per share (basic and diluted)	**$ 2.46**	$1.22	$ 1.89

In 1999, 65,752 shares of restricted stock were awarded, all of which were outstanding at December 31, 1999, and are restricted for a three-year period. Any unvested shares of restricted stock become fully vested upon retirement. Participants' restricted stock becomes forfeited when the participant leaves Alliant Energy. Alliant Energy follows APB 25 to account for restricted stock. Compensation cost, which is recognized over the three-year restriction period, was $0.4 million in 1999. Prior to the merger, various restricted stock awards were granted under the former IES Long-Term Incentive Plan. For most of the awards, restrictions lapsed effective with the merger. Compensation cost of $0.4 million, $1.3 million and $0.4 million was recognized in 1999, 1998 and 1997, respectively.

The payout to key employees of Corporate Services for performance units/shares is contingent upon achievement of specified levels of total return to shareowners of Alliant Energy compared with an investor-owned utility peer group over a three-year period (the payout is contingent upon achievement of specified earnings growth for key employees of Resources). Performance units/shares are paid out in cash or shares of Alliant Energy's common stock and are modified by a performance multiplier, which ranges from 0 to 2.00 based on the three-year average performance criteria. Performance shares have an intrinsic value equal to the market price of a share on the date of grant and performance units represent accumulated dividends on the shares underlying the non-qualified stock options based on the annual dividend rate at the grant date. Pursuant to APB 25, Alliant Energy accrues the expenses for these plans over the three-year period the services are performed. Alliant Energy recognized $1.6 million, $0.2 million and $0.4 million of expense for these plans in 1999, 1998 and 1997, respectively.

(8) COMMON, PREFERRED AND PREFERENCE STOCK

(a) Common Stock

During 1999, 1998 and 1997, Alliant Energy issued 1,353,971 shares; 890,035 shares and 687,962 shares of common stock under its various stock plans, respectively. In addition, 260,039 shares were issued in 1998 in connection with the acquisition of oil and gas properties. At December 31, 1999, Alliant Energy had a total of 7.0 million shares available for issuance pursuant to its Shareowner Direct Plan, Long-Term Equity Incentive Plan and 401(k) Savings Plan. Alliant Energy has declared a quarterly dividend

of 50 cents per share each quarter since the consummation of the merger.

During 1998 and 1997, Alliant Energy reacquired 1,133 shares and 3,278 shares, respectively, of its common stock on the open market. The shares were reacquired by IES prior to the consummation of the merger and were subsequently issued to various Alliant Energy directors and employees. At December 31, 1999, no shares remained held as treasury stock.

Alliant Energy has a Shareowner Rights Plan whereby rights will be exercisable only if a person or group acquires, or announces a tender offer to acquire, 15% or more of Alliant Energy's common stock. Each right will initially entitle shareowners to buy one-half of one share of Alliant Energy's common stock. The rights will only be exercisable in multiples of two at an initial price of $95.00 per full share, subject to adjustment. If any shareowner acquires 15% or more of the outstanding common stock of Alliant Energy, each right (subject to limitations) will entitle its holder to purchase, at the right's then current exercise price, a number of common shares of Alliant Energy or of the acquirer having a market value at the time of twice the right's per full share exercise price. The Board of Directors is also authorized to reduce the 15% thresholds to not less than 10%.

Alliant Energy's utility subsidiaries each have common stock dividend restrictions based on their respective bond indentures and articles of incorporation. Each utility has restrictions on the payment of common stock dividends that are commonly found with preferred stock. In addition, at IESU and IPC their ability to pay common stock dividends is restricted based on requirements associated with sinking funds. WP&L's common stock dividends are restricted to the extent that such dividend would reduce the common stock equity ratio to less than 25%. Also at WP&L, in rate order UR-110, the PSCW ordered that it must approve the payment of dividends by WP&L to Alliant Energy that are in excess of the level forecasted in the rate order ($58.3 million), if such dividends would reduce WP&L's average common equity ratio below 52.00% of total capitalization. The dividends paid by WP&L to Alliant Energy since the rate order was issued have not exceeded the level forecasted in the rate order.

(b) Preferred and Preference Stock

In 1993, IPC issued 545,000 shares of 6.40%, $50 par value preferred stock with a final redemption date of May 1, 2022. Under the provisions of the mandatory sinking fund, beginning in 2003, IPC is required to redeem annually $1.4 million of 6.40% preferred stock (27,250 shares).

The carrying value of Alliant Energy's cumulative preferred stock at December 31, 1999 and 1998 was $114 million and $113 million, respectively. The fair market value, based upon the market yield of similar securities and quoted market prices, at December 31, 1999 and 1998 was $97 million and $109 million, respectively.

(9) DEBT

(a) Short-Term Debt

Alliant Energy maintains committed bank lines of credit, most of which are at the bank prime rates, to obtain short-term borrowing flexibility, including pledging lines of credit as security for any commercial paper outstanding. Amounts available under these committed lines of credit totaled $250 million as of December 31, 1999. Commitment fees are paid to maintain these lines and there are no conditions which restrict the unused lines of credit. Resources also maintains a revolving credit agreement with various banking institutions. The unborrowed portion of this agreement is also used to support Resources' commercial paper program. The amount available under this agreement as of December 31, 1999, was $150 million.

Resources is also party to a revolving 3-Year Credit Agreement with various banking institutions. The agreement extends through October 2000, with one-year extensions available upon agreement by the parties. Unused borrowing availability under this agreement is also used to support Resources' commercial paper program. A combined maximum of $450 million of borrowings under this agreement and the commercial paper program may be outstanding at any one time. Interest rates and maturities are set at the time of borrowing. The rates are based upon quoted market prices and the maturities are less than one year. At December 31, 1999, Resources had $139 million of commercial paper outstanding and backed by its 3-Year Credit Agreement with discount rates ranging from 5.90%-6.32%. Resources intends to continue issuing commercial paper backed by this facility and no conditions existed at December 31, 1999 that would prevent the issuance of commercial paper or direct borrowings on its bank lines. As a result, Alliant Energy had been classifying this debt as long-term. However, since this agreement expires in October 2000, beginning in October 1999 this debt (including commercial paper backed by this facility) is now being classified as short-term.

Information regarding short-term debt is as follows (dollars in millions):

	1999	1998	1997
As of year end:			
Commercial paper outstanding	**$374.7**	$64.5	$114.5
Notes payable outstanding	**$50.0**	$51.8	$42.0
Discount rates on commercial paper	**5.60-6.50%**	5.10-6.55%	5.82-5.90%
Interest rates on notes payable	**6.30%**	5.44-7.00%	5.00-5.90%
For the year ended:			
Average amount of short-term debt (based on daily outstanding balances)	**$185.9**	$126.6	$211.0
Average interest rate on short-term debt	**5.44%**	5.55%	5.61%

(b) Long-Term Debt

IESU's Indentures and Deeds of Trust securing its First Mortgage Bonds constitute direct first mortgage liens upon substantially all tangible public utility property. IESU's Indenture and Deed of Trust securing its Collateral Trust Bonds constitutes a second lien on substantially all tangible public utility property while First Mortgage Bonds remain outstanding. Substantially all of WP&L's and IPC's utility plant is secured by their First Mortgage Bonds. WP&L also maintains an unsecured indenture relating to the issuance of debt securities. In addition, Alliant Energy's long-term debt includes unsecured debentures, notes payable and revenue bonds related to its affordable housing properties.

Debt maturities (excluding periodic sinking fund requirements, which will not require additional cash expenditures) for 2000 to 2004 are $54.8 million, $84.4 million, $2.4 million, $7.5 million and $89.8 million, respectively. Depending upon market conditions, it is currently anticipated that a majority of the maturing debt will be refinanced with the issuance of long-term securities.

The carrying value of Alliant Energy's long-term debt at December 31, 1999 and 1998 was $1,597 million and $1,664 million, respectively. The fair market value, based upon the market yield of similar securities and quoted market prices, at December 31, 1999 and 1998 was $1,561 million and $1,753 million, respectively.

Refer to MD&A for a further discussion of Alliant Energy's debt.

(10) INVESTMENTS AND ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

Information relating to various investments and financial instruments held by Alliant Energy is as follows (in millions):

	December 31, 1999			December 31, 1998		
	Carrying Value	Fair Value	Gross Unrealized Gains/(Losses)	Carrying Value	Fair Value	Gross Unrealized Gains/(Losses)
Nuclear decommissioning trust funds:						
Equity securities	$ 112	$ 112	$ 80	$ 98	$ 98	$ 56
Debt securities	159	159	(4)	128	128	3
Total	271	271	76	226	226	59
Investment in McLeod	1,124	1,124	1,096	320	320	291
Investments in New Zealand/Australia	125	131	11	32	44	(0.1)

The fair market value of the New Zealand/Australia investments is generally based on quoted market prices. The difference in the carrying value and fair value relates to investments that are not marked to market under SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities." The carrying amount of Alliant Energy's current assets and current liabilities approximates fair value because of the short maturity of such financial instruments. Since IESU, WP&L and IPC are subject to regulation, any gains or losses related to the difference between the carrying amount and the fair value of its financial instruments may not be realized by Alliant Energy's shareowners.

Nuclear Decommissioning Trust Funds

As required by SFAS 115, IESU's and WP&L's debt and equity security investments in the nuclear decommissioning trust funds are classified as available for sale. The fair market value of the nuclear decommissioning trust funds is as reported by the trustee, adjusted for the tax effect of unrealized gains and losses. Net unrealized holding gains were recorded as part of accumulated provision for depreciation. The funds realized gains from the sales of securities of $6.6 million, $1.2 million and $0.2 million in 1999, 1998 and 1997, respectively (cost of the investments based on specific identification were $111.7 million, $71.9 million and $68.6 million, respectively).

Investment in McLeod

Alliant Energy held 19.1 million and 20.6 million of shares of common stock (including 2.6 million unexercised vested options) in McLeod, a telecommunications company, at December 31, 1999 and 1998, respectively. The cost basis of the investment, net of the cost to exercise the options, was $28 million and $29 million at December 31, 1999 and 1998, respectively. McLeod declared a 2-for-1 stock split which was effective in July 1999 (the December 1998 shares have been adjusted for the split). Pursuant to the provisions of SFAS 115, Alliant Energy's investment in McLeod is considered an available-for-sale security thus the carrying value of the investment is adjusted to the estimated fair value each quarter based on the closing price at the end of the quarter. The adjustments do not impact earnings as the unrealized gains or losses, net of taxes, are recorded directly to the common equity section of the Consolidated Balance Sheets and are a component of "Accumulated other comprehensive income." In addition, any such gains or losses are reflected in current earnings only at the time they are realized through a sale. Alliant Energy sold approximately 7% (1.4 million shares, as adjusted for the stock split) of its

investment in McLeod in 1999, resulting in pretax gains of $40.3 million (proceeds of $40.9 million less a cost basis of $0.6 million as computed under the first-in-first-out (FIFO) method).

Alliant Energy entered into an agreement in November 1998, as amended, with McLeod whereby Alliant Energy's ability to sell the McLeod stock is subject to various restrictions. The agreement provides that until December 31, 2001, Alliant Energy and its affiliates generally may not sell or otherwise dispose of shares of McLeod stock beneficially owned by Alliant Energy and its affiliates, other than to a subsidiary of Alliant Energy, without the prior written consent of the Board of Directors of McLeod. However, the amended agreement provides that the Board of Directors of McLeod may permit Alliant Energy and its affiliates to sell a specified number of shares of McLeod stock per quarter during specified time periods. In addition, if Alliant Energy and its affiliates are not provided the opportunity to sell, on an annual basis, an aggregate number of shares of McLeod stock equal to 15% of the shares of McLeod stock owned by Alliant Energy and its affiliates as of December 31, 1998, then Alliant Energy may terminate the amended November 1998 agreement.

Investments in Foreign Entities

Alliant Energy has investments in foreign entities on its Consolidated Balance Sheets that included investments in several New Zealand and Australian utility entities, investments in several generation facilities in China and an investment in secured debentures of a development project in Mexico. The New Zealand and Australian investments are accounted for under the cost method and the China investments are accounted for under the equity method. The geographic concentration of these investments at December 31 was as follows (in millions):

	1999	1998
New Zealand/Australia	**$125**	$32
China	**62**	36
Mexico	**10**	—
Other	**1**	1
	$198	$69

Refer to Note 11 for a discussion of Alliant Energy's derivative financial instruments.

(11) DERIVATIVE FINANCIAL INSTRUMENTS

Information relating to derivative financial instruments utilized by Alliant Energy is as follows:

(a) Interest Rate Swaps and Forward Contracts

In November 1999, Resources terminated its two interest rate swap agreements, each with notional amounts of $100 million of debt. The agreements converted variable rate debt into fixed rate debt and Resources received an insignificant settlement payment upon termination which was recorded as an offset to interest expense. On November 1, 1999, Resources entered into an interest rate forward contract with a notional amount of $250 million related to the anticipated issuance of $250 million of senior notes. The senior notes were priced on November 4, 1999, and the forward contract was settled, which resulted in a cash payment of $2.5 million by Resources. Because the fair value of the change in the forward contract was highly correlated to the fair value of the change in the senior notes, the $2.5 million is being deferred as an adjustment to the carrying value of the notes and amortized into interest expense over the life of the senior notes, which mature in 2009.

At December 31, 1999, WP&L had two interest rate swap agreements outstanding (both expiring in January 2000), with an aggregate notional amount of $30 million. The agreements converted variable rate debt into fixed rate debt. If WP&L had terminated the agreements at December 31, 1999, WP&L would have made an insignificant payment. Settlements on these swaps occurring during the year were recorded as a component of interest expense.

(b) Utility Gas Commodities Instruments
WP&L uses gas commodity swaps to reduce the impact of price fluctuations on gas purchased and injected into storage during the summer months and withdrawn and sold at current market prices during the winter months. The notional amount of gas commodity swaps outstanding as of December 31, 1999 and 1998 was 1.9 million and 5.8 million dekatherms, respectively. Unrealized gains/losses are deferred and accounted for as hedges of the fair value of the gas in storage as the indexed price WP&L pays is highly correlated to the market price that WP&L will receive from customers under the current rate making structure. If WP&L had terminated all of the agreements existing at December 31, 1999 and 1998, WP&L would have realized an estimated gain of $0.1 million and $0.8 million, respectively, based on current NYMEX gas futures contracts adjusted for the proper basis differential. Settlements of these swaps are recorded as an adjustment to the cost of gas sold in the period that coincides with the withdrawal and sale of the hedged gas in storage.

(c) Oil and Gas Commodities Instruments
Whiting is exposed to commodity price risk in the pricing of its oil and gas production. Alliant Energy entered into swap transactions in the third quarter of 1999 to hedge the ultimate sales price for approximately two-thirds of Whiting's anticipated gas production from November 1, 1999 through December 31, 2000. At December 31, 1999, the notional amount of these swaps was 13.4 million dekatherms and the estimated fair value was approximately $1.9 million. The fair value was determined based on the difference between the fixed price of the swaps and NYMEX futures prices, adjusted for the necessary basis differential. In December 1999, Alliant Energy entered into a crude oil swap to fix Whiting's ultimate sales price for 650 barrels per day from December 1, 1999 to December 31, 2000. At December 31, 1999, the estimated fair value of these swaps was approximately ($0.3) million, as determined by the difference between the fixed prices of the swaps and NYMEX futures prices for the appropriate delivery locations. Alliant Energy also used commodity derivative instruments to hedge a portion of the anticipated sales of Whiting's gas production during 1999. The notional amounts of these derivative instruments was 11,530,000 dekatherms, none of which were outstanding at December 31, 1999. The net settlements of such instruments resulted in Alliant Energy recognizing a pre-tax loss of $5.2 million in 1999. All of Whiting's gas and crude oil swaps are treated as hedges of the anticipated sales of Whiting's production as the notional amounts and fixed prices of these swaps are highly correlated to Whiting's volumes of production and the ultimate sales prices of such production. Settlements related to all of Whiting's swaps are recognized as income in the periods in which the swap is settled, which coincides with the sale of the hedged oil and gas production.

(d) Weather Derivatives
WP&L uses weather derivatives to reduce the impact of weather volatility on its natural gas sales volumes. In September 1998, WP&L entered into a non-exchange traded "weather collar" with a contract period commencing on November 1, 1998 and ending on March 31, 1999. The maximum amount to be paid or

received under the collar was $5,000,000. WP&L recognized a gain in "Miscellaneous, net" on this collar of $2.5 million in the first quarter of 1999 upon termination of the collar. In August 1999, WP&L entered into a non-exchange traded "weather collar" with a contract period commencing on November 1, 1999 and ending on March 31, 2000. The maximum payment amount is $5,000,000. Pursuant to the requirements of EITF-99-2, WP&L is accounting for this instrument using the intrinsic value method and recognized an unrealized gain in "Miscellaneous, net" of $2.4 million in the fourth quarter of 1999.

(e) Nuclear Decommissioning Trust Fund Investments

WP&L entered into an equity collar that uses written options to mitigate the effect of significant market fluctuations on its common stock investments in its nuclear decommissioning trust funds. The program is designed to protect the portfolio's value while allowing the funds to earn a total return modestly in excess of long-term expectations over the two-year hedge period, which expires September 2000. The notional amount of the options was $78 million and $52 million at December 31, 1999 and 1998, respectively. The options are reported at fair market value each reporting period. These fair value changes do not impact net income as they are recorded as equally offsetting changes in the investment in nuclear decommissioning trust funds and accumulated depreciation. The option liability fair value exceeded the premium received by $17.8 million and $8.9 million at December 31, 1999 and December 31, 1998, respectively, as reported by the trustee.

(12) COMMITMENTS AND CONTINGENCIES

(a) Construction and Acquisition Program

Plans for Alliant Energy's construction and acquisition program can be found elsewhere in this report in the "Liquidity and Capital Resources — Capital Requirements" section of MD&A.

(b) Purchased-Power, Coal and Natural Gas Contracts

Alliant Energy has entered into purchased-power capacity and coal contracts and its minimum commitments are as follows (dollars in millions, MWHs and tons in thousands):

	Purchased-Power		Coal (including transportation costs)	
	Dollars	MWHs	Dollars	Tons
2000	$108.2	1,571	$63.2	16,227
2001	69.6	925	44.5	11,434
2002	47.0	280	19.6	5,991
2003	36.5	280	14.2	4,993
2004	25.2	219	11.7	3,878

Alliant Energy is in the process of negotiating several new coal contracts. In addition, it expects to supplement its coal contracts with spot market purchases to fulfill its future fossil fuel needs. Alliant Energy also has various natural gas supply, transportation and storage contracts outstanding. The minimum dekatherm commitments, in millions, for 2000-2004 are 185.6, 150.8, 133.2, 110.3 and 9.8, respectively. The minimum dollar commitments for 2000-2004, in millions, are $94.0, $70.3, $47.7, $40.0 and $3.2, respectively. The gas supply commitments are all index-based. Alliant Energy expects to supplement its natural gas supply with spot market purchases as needed.

(c) Information Technology Services

Alliant Energy has an agreement, expiring in 2004, with EDS for information technology services. Alliant Energy's anticipated operating and capital expenditures under the agreement for 2000 are estimated to total approximately $16 million. Future costs under the agreement are variable and are dependent upon Alliant Energy's level of usage of technological services from EDS.

(d) Financial Guarantees and Commitments

Alliant Energy has financial guarantees, which were generally issued to support third-party borrowing arrangements and similar transactions, amounting to $17 million and $18 million outstanding at December 31, 1999 and 1998, respectively. Such guarantees are not reflected in the consolidated financial statements. Management believes that the likelihood of Alliant Energy having to make any material cash payments under these agreements is remote.

In addition, as part of Alliant Energy's electricity trading joint venture with Cargill, both Alliant Energy and Cargill have made guarantees to certain counterparties regarding the performance of contracts entered into by the joint venture. Revocable guarantees of approximately $95 million and $50 million have been issued, of which approximately $20 million and $5 million were outstanding at December 31, 1999 and 1998, respectively. Under the terms of the joint venture agreement, any payments required under the guarantees would be shared by Alliant Energy and Cargill on a 50/50 basis to the extent the joint venture is not able to reimburse the guarantor for payments made under the guarantee.

As of December 31, 1999 and 1998, Resources had extended commitments to provide $6.1 million and $19 million, respectively, in nonrecourse, permanent financing to developers which were secured by affordable housing properties. Alliant Energy anticipates other lenders will ultimately finance these properties.

(e) Nuclear Insurance Programs

Public liability for nuclear accidents is governed by the Price Anderson Act of 1988, which sets a statutory limit of $9.5 billion for liability to the public for a single nuclear power plant incident and requires nuclear power plant operators to provide financial protection for this amount. As required, IESU provides this financial protection for a nuclear incident at DAEC through a combination of liability insurance ($200 million) and industry-wide retrospective payment plans ($9.3 billion). Under the industry-wide plan, each operating licensed nuclear reactor in the U.S. is subject to an assessment in the event of a nuclear incident at any nuclear plant in the U.S. The owners of DAEC could be assessed a maximum of $88.1 million per nuclear incident, with a maximum of $10 million per incident per year (of which IESU's 70% ownership portion would be approximately $61.7 million and $7 million, respectively) if losses relating to the incident exceeded $200 million. These limits are subject to adjustments for changes in the number of participants and inflation in future years. On a similar note, WP&L, as a 41% owner of Kewaunee, is subject to an overall assessment of approximately $36.1 million per incident, not to exceed $4.1 million payable in any given year.

IESU and WP&L are members of NEIL, which provides $1.9 billion of insurance coverage for IESU and $1.8 billion for WP&L on certain property losses for property damage, decontamination and premature decommissioning. The proceeds from such insurance, however, must first be used for reactor stabilization and site decontamination before they can be used for plant repair and premature decommissioning. NEIL also provides separate coverage for additional expense incurred during certain outages. Owners of nuclear generating stations insured through NEIL are subject to retroactive premium adjustments if losses exceed accumulated reserve funds. NEIL's accumulated reserve funds are currently sufficient to more than cover its exposure in the event of a single incident under the primary and excess property damage or additional expense coverages. However, IESU could be assessed annually a maximum of $1.9 million for NEIL primary property, $2.8 million for NEIL excess property and $0.5 million for NEIL additional expenses if losses exceed the accumulated reserve funds. WP&L could be assessed annually a maximum

of $1.1 million for NEIL primary property, $1.6 million for NEIL excess property and $0.4 million for NEIL additional expense coverage. IESU and WP&L are not aware of any losses that they believe are likely to result in an assessment.

In the unlikely event of a catastrophic loss at Kewaunee or DAEC, the amount of insurance available may not be adequate to cover property damage, decontamination and premature decommissioning. Uninsured losses, to the extent not recovered through rates, would be borne by Alliant Energy and could have a material adverse effect on Alliant Energy's financial condition and results of operations.

(f) Environmental Liabilities

Alliant Energy had recorded the following environmental liabilities, and regulatory assets associated with certain of these liabilities, as of December 31 (in millions):

	1999					1998				
	IESU	WP&L	IPC	Resources	Total	IESU	WP&L	IPC	Resources	Total
Environmental liabilities										
MGP sites	$24.5	$ 7.3	$16.2	—	$48.0	$26.6	$ 7.7	$17.5	—	$51.8
NEPA	7.0	4.1	—	—	11.1	7.8	4.6	—	—	12.4
Oil and gas properties	—	—	—	$13.0	13.0	—	—	—	$13.0	13.0
Other	0.3	0.1	0.5	0.1	1.0	0.4	—	0.6	0.2	1.2
	$31.8	$11.5	$16.7	$13.1	$73.1	$34.8	$12.3	$18.1	$13.2	$78.4

	1999				1998			
	IESU	WP&L	IPC	Total	IESU	WP&L	IPC	Total
Regulatory assets								
MGP sites	$24.5	$14.2	$15.7	$54.4	$26.6	$14.1	$17.5	$58.2
NEPA	7.7	4.9	—	12.6	8.4	5.4	—	13.8
Other	0.2	—	—	0.2	0.2	—	—	0.2
	$32.4	$19.1	$15.7	$67.2	$35.2	$19.5	$17.5	$72.2

Alliant Energy's significant environmental liabilities are discussed further below.

Manufactured Gas Plant Sites

IESU, WP&L and IPC have current or previous ownership interests in 34, 14 and 9 sites, respectively, previously associated with the production of gas for which they may be liable for investigation, remediation and monitoring costs relating to the sites. The companies are working pursuant to the requirements of various federal and state agencies to investigate, mitigate, prevent and remediate, where necessary, the environmental impacts to property, including natural resources, at and around the sites in order to protect public health and the environment. The companies each believe that they have completed the remediation at various sites, although they are still in the process of obtaining final approval from the applicable environmental agencies for some of these sites.

Each company records environmental liabilities based upon periodic studies, most recently updated in the third quarter of 1999, related to the MGP sites. Such amounts are based on the best current estimate of the remaining amount to be incurred for investigation, remediation and monitoring costs for those sites where the investigation process has been or is substantially completed, and the minimum of the estimated cost range for those sites where the investigation is in its earlier stages. It is possible that future cost estimates will be greater than current

estimates as the investigation process proceeds and as additional facts become known. The amounts recognized as liabilities are reduced for expenditures made and are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their fair value.

Management currently estimates the range of remaining costs to be incurred for the investigation, remediation and monitoring of all Alliant Energy sites to be approximately $33 million to $61 million. IESU, WP&L and IPC currently estimate their share of the remaining costs to be incurred to be approximately $16 million to $33 million, $6 million to $8 million, and $11 million to $20 million, respectively.

Under the current rate making treatment approved by the PSCW, the MGP expenditures of WP&L, net of any insurance proceeds, are deferred and collected from gas customers over a five-year period after new rates are implemented. The MPUC also allows the deferral of MGP-related costs applicable to the Minnesota sites and IPC has been successful in obtaining approval to recover such costs in rates in Minnesota. The IUB has permitted utilities to recover prudently incurred costs. As a result, regulatory assets have been recorded by each company which reflect the probable future rate recovery, where applicable. Considering the current rate treatment, and assuming no material change therein, IESU, WP&L and IPC believe that the clean-up costs incurred for these MGP sites will not have a material adverse effect on their respective financial conditions or results of operations.

Settlement has been reached with all of IESU's and WP&L's insurance carriers regarding reimbursement for its MGP-related costs and all issues have been resolved. IPC has settled with all but one of its insurance carriers. The following insurance recoveries were available as of December 31 (in millions):

	1999	1998
IESU	**$18.5**	$18.5
IPC	**5.3**	4.8
WP&L	**2.1**	2.1
	$25.9	$25.4

Pursuant to their applicable rate making treatment, IESU and IPC have recorded their recoveries in "Other long-term liabilities and deferred credits" and WP&L has recorded its recoveries as an offset against its regulatory assets.

National Energy Policy Act of 1992

NEPA requires owners of nuclear power plants to pay a special assessment into a "Uranium Enrichment Decontamination and Decommissioning Fund." The assessment is based upon prior nuclear fuel purchases. IESU is recovering the costs associated with this assessment through its electric fuel adjustment clauses over the period the costs are assessed. Alliant Energy continues to pursue relief from this assessment through litigation.

Oil and Gas Properties Dismantlement and Abandonment Costs

Whiting is responsible for certain dismantlement and abandonment costs related to various offshore oil and gas platforms (and related on-shore plants and equipment), the most significant of which is located off the coast of California. Whiting estimates the total costs for these properties to be approximately $13 million and the most significant expenditures are not expected to be incurred until 2004. In accordance with applicable accounting requirements, Whiting has accrued these costs.

(g) Spent Nuclear Fuel

Nuclear Waste Policy Act of 1982 assigned responsibility to the DOE to establish a facility for the ultimate disposition of high level waste

and spent nuclear fuel and authorized the DOE to enter into contracts with parties for the disposal of such material beginning in January 1998. IESU and WP&L entered into such contracts and have made the agreed payments to the Nuclear Waste Fund held by the U.S. Treasury. The companies were subsequently notified by the DOE that it was not able to begin acceptance of spent nuclear fuel by the January 31, 1998 deadline. Furthermore, the DOE has experienced significant delays in its efforts and material acceptance is now expected to occur no earlier than 2010 with the possibility of further delay being likely. Alliant Energy has participated in several litigation proceedings against the DOE on this issue and the respective courts have affirmed the DOE's responsibility for spent nuclear fuel acceptance. Alliant Energy is evaluating its options for recovery of damages due to the DOE's delay in accepting spent nuclear fuel.

The Nuclear Waste Policy Act of 1982 assigns responsibility for interim storage of spent nuclear fuel to generators of such spent nuclear fuel, such as IESU and WP&L. In accordance with this responsibility, IESU and WP&L have been storing spent nuclear fuel on site at DAEC and Kewaunee, respectively, since plant operations began. IESU will have to increase its spent fuel storage capacity at DAEC to store all of the spent fuel that will be produced before the current license expires in 2014. To provide assurance that both the operating and post-shutdown storage needs are satisfied, construction of a dry cask storage facility is being planned. With minor modifications planned for 2001, Kewaunee would have sufficient fuel storage capacity to store all of the fuel it will generate through the end of the NRC license life in 2013. No decisions have been made concerning post-shutdown storage needs. Legislation is being considered on the federal level that would, among other provisions, expand the DOE's permanent spent nuclear fuel storage to include interim storage for spent nuclear fuel as early as 2003. This legislation has been passed in the U.S. Senate and submitted in the U.S. House. The prospects for the legislation being approved by the U.S. Senate and the President, and subsequent successful implementation by the DOE, are uncertain at this time.

(h) Decommissioning of DAEC and Kewaunee

Pursuant to the most recent electric rate case order, the IUB and PSCW allow IESU and WP&L to recover $6 million and $16 million annually for their share of the cost to decommission DAEC and Kewaunee, respectively. Decommissioning expense is included in "Depreciation and amortization" in the Consolidated Statements of Income and the cumulative amount is included in "Accumulated depreciation" on the Consolidated Balance Sheets to the extent recovered through rates.

Additional information relating to the decommissioning of DAEC and Kewaunee included in the most recent electric rate orders (dollars in millions):

	DAEC	Kewaunee
Assumptions relating to current rate recovery figures:		
Alliant Energy's share of estimated decommissioning cost	$252.8	$200.8
Year dollars in	1993	1999
Method to develop estimate	NRC minimum formula	Site-specific study
Annual inflation rate	4.91%	5.83%
Decommissioning method	Prompt dismantling and removal	Prompt dismantling and removal
Year decommissioning to commence	2014	2013
After-tax return on external investments:		
Qualified	7.34%	5.62%
Non-qualified	5.98%	6.97%
External trust fund balance at December 31, 1999	$105.1	$166.2
Internal reserve at December 31, 1999	$21.7	—
After-tax earnings (losses) on external trust funds in 1999	$4.8	($4.3)

The rate recovery figures for DAEC only included an inflation estimate through 1997. Both IESU and WP&L are funding all rate recoveries for decommissioning into external trust funds and funding on a tax-qualified basis to the extent possible. All of the rate recovery assumptions are subject to change in future regulatory proceedings. In accordance with their respective regulatory requirements, IESU and WP&L record the earnings on the external trust funds as interest income with a corresponding entry to interest expense at IESU and to depreciation expense at WP&L. The earnings accumulate in the external trust fund balances and in accumulated depreciation on utility plant.

IESU's 70% share of the estimated cost to decommission DAEC based on the most recent site-specific study completed in 1998 is $334.2 million, in 1998 dollars. This study includes the costs to terminate DAEC's NRC license and to return the site to a greenfield condition. IESU's 70% share of the estimated cost to decommission DAEC based on the most recent NRC minimum formula, using the direct disposal method, is $351.2 million in 1998 dollars. The NRC minimum formula is intended to apply only to the cost of terminating DAEC's NRC license. The additional decommissioning expense funding requirements which should result from these updated studies are not reflected in IESU's rates.

(i) Legal Proceedings

Alliant Energy is involved in legal and administrative proceedings before various courts and agencies with respect to matters arising in the ordinary course of business. Although unable to predict the outcome of these matters, Alliant Energy believes that appropriate reserves have been established and final disposition of these actions will not have a material adverse effect on its financial condition or results of operations.

(13) JOINTLY-OWNED ELECTRIC UTILITY PLANT

Under joint ownership agreements with other Iowa and Wisconsin utilities, IESU, WP&L and IPC have undivided ownership interests in jointly-owned electric generating stations and related transmission facilities. Each of the respective owners is responsible for the financing of its portion of the construction costs. Kilowatt-hour generation and operating expenses are divided on the same basis as ownership with each owner reflecting its respective costs in its Consolidated

Statements of Income. Information relative to IESU's, WP&L's and IPC's ownership interest in these facilities at December 31, 1999 is as follows (dollars in millions):

	Ownership Interest %	In-service Date	Plant Name-plate MW Capacity	1999 Plant in Service	1999 Accumulated Provision for Depreciation	1999 CWIP	1998 Plant in Service	1998 Accumulated Provision for Depreciation	1998 CWIP
IESU									
Coal:									
Ottumwa Unit 1	48.0	1981	716	**$ 195.3**	**$107.8**	**$ 0.5**	$ 193.1	$102.7	$ 0.8
Neal Unit 3	28.0	1975	515	**59.2**	**32.1**	**—**	59.0	32.4	0.1
Nuclear:									
DAEC	70.0	1974	520	**515.8**	**264.4**	**8.6**	507.1	247.2	1.4
Total IESU				**$ 770.3**	**$404.3**	**$ 9.1**	$ 759.2	$382.3	$ 2.3
WP&L									
Coal:									
Columbia Energy Center	46.2	1975 & 1978	1,023	**$ 163.2**	**$ 97.8**	**$ 2.6**	$ 161.5	$ 93.8	$ 1.4
Edgewater Unit 4	68.2	1969	330	**52.7**	**32.0**	**0.7**	52.4	30.8	0.4
Edgewater Unit 5	75.0	1985	380	**229.3**	**92.2**	**0.6**	229.0	85.9	0.2
Nuclear:									
Kewaunee	41.0	1974	535	**135.0**	**100.7**	**13.6**	132.2	93.7	6.4
Total WP&L				**$ 580.2**	**$322.7**	**$17.5**	$ 575.1	$304.2	$ 8.4
IPC									
Coal:									
Neal Unit 4	21.5	1979	640	**$ 83.5**	**$ 51.1**	**$ —**	$ 82.1	$ 48.4	$ 1.5
Louisa Unit 1	4.0	1983	738	**24.7**	**12.5**	**—**	24.7	11.7	—
Total IPC				**$ 108.2**	**$ 63.6**	**$ —**	$ 106.8	$ 60.1	$ 1.5
Total Alliant Energy				**$1,458.7**	**$790.6**	**$26.6**	$1,441.1	$746.6	$12.2

(14) SEGMENTS OF BUSINESS

Alliant Energy's principal business segments are:

- **Regulated domestic utilities** — consists of Alliant Energy's three regulated utility operating companies (IESU, WP&L and IPC) serving customers in Iowa, Wisconsin, Minnesota and Illinois. The regulated domestic utility business is broken down into three segments which are: a) electric operations; b) gas operations; and c) other, which includes the water and steam businesses and the unallocated portions of the utility business.
- **Non-regulated businesses** — represents the operations of Resources and its subsidiaries. This includes domestic and international energy products and services businesses; industrial services, which includes environmental, engineering and transportation services; investments in affordable housing initiatives; and investments in various other strategic initiatives.
- **Other** — includes the operations of Alliant Energy's parent company and Corporate Services, as well as any reconciling/eliminating entries.

Intersegment revenues were not material to Alliant Energy's operations and there was no single customer whose revenues exceeded 10% or more of Alliant Energy's consolidated revenues. Refer to Note 10 for a breakdown of Alliant Energy's international investments by country.

Certain financial information relating to Alliant Energy's significant business segments and products and services is presented below:

	Regulated Domestic Utilities				Non-regulated Businesses	Other	Alliant Energy Consolidated
	Electric	Gas	Other	Total			
	(in millions)						
1999							
Operating revenue	**$1,548.9**	**$314.3**	**$ 32.1**	**$1,895.3**	**$ 305.0**	**$ (2.3)**	**$2,198.0**
Depreciation and amortization expense	**219.3**	**25.2**	**2.9**	**247.4**	**31.7**	**—**	**279.1**
Operating income (loss)	**345.1**	**27.4**	**5.3**	**377.8**	**(1.3)**	**—**	**376.5**
Interest expense, net of AFUDC			**100.7**	**100.7**	**24.8**	**3.4**	**128.9**
Preferred and preference dividends			**6.7**	**6.7**	**—**	**—**	**6.7**
Net (income) loss from equity method subsidiaries			**(0.3)**	**(0.3)**	**(2.9)**	**0.2**	**(3.0)**
Gains on sales of McLeod stock			**—**	**—**	**(40.3)**	**—**	**(40.3)**
Miscellaneous, net (other than equity income/loss)			**(5.4)**	**(5.4)**	**(27.6)**	**0.1**	**(32.9)**
Income tax expense (benefit)			**115.0**	**115.0**	**6.9**	**(1.4)**	**120.5**
Net income (loss)			**161.1**	**161.1**	**37.8**	**(2.3)**	**196.6**
Total assets	**3,321.8**	**477.6**	**385.2**	**4,184.6**	**1,848.6**	**42.5**	**6,075.7**
Investments in equity method subsidiaries			**5.7**	**5.7**	**74.0**	**—**	**79.7**
Construction and acquisition expenditures	**246.9**	**35.5**	**3.3**	**285.7**	**192.1**	**0.8**	**478.6**
1998							
Operating revenues	$1,567.5	$295.6	$ 31.2	$1,894.3	$ 238.7	$ (2.1)	$2,130.9
Depreciation and amortization expense	219.4	23.7	2.6	245.7	33.8	—	279.5
Operating income (loss)	271.5	16.0	5.6	293.1	(8.6)	(1.2)	283.3
Interest expense, net of AFUDC			97.0	97.0	23.3	2.3	122.6
Preferred and preference dividends			6.7	6.7	—	—	6.7
Net (income) loss from equity method subsidiaries			(0.9)	(0.9)	2.2	—	1.3
Miscellaneous, net (other than equity income/loss)			3.5	3.5	(8.0)	2.4	(2.1)
Income tax expense (benefit)			77.2	77.2	(17.2)	(1.9)	58.1
Net income (loss)			109.6	109.6	(8.9)	(4.0)	96.7
Total assets	3,268.5	477.0	386.0	4,131.5	869.2	(41.4)	4,959.3
Investments in equity method subsidiaries			5.2	5.2	49.4	—	54.6
Construction and acquisition expenditures	233.7	33.2	2.3	269.2	102.9	—	372.1
1997							
Operating revenues	$1,515.7	$393.9	$ 30.9	$1,940.5	$ 362.0	$ (1.9)	$2,300.6
Depreciation and amortization expense	201.7	21.6	2.4	225.7	34.0	—	259.7
Operating income (loss)	316.9	29.3	2.2	348.4	(6.8)	(5.2)	336.4
Interest expense, net of AFUDC			95.7	95.7	23.2	(1.6)	117.3
Preferred and preference dividends			6.7	6.7	—	—	6.7
Net (income) loss from equity method subsidiaries			—	—	0.8	—	0.8
Miscellaneous, net (other than equity income/loss)			(8.2)	(8.2)	(8.3)	1.8	(14.7)
Income tax expense (benefit)			101.7	101.7	(18.6)	(1.4)	81.7
Net income (loss)			152.5	152.5	(4.0)	(3.9)	144.6
Total assets	3,262.3	471.5	343.2	4,077.0	838.5	8.1	4,923.6
Investments in equity method subsidiaries			5.7	5.7	39.2	—	44.9
Construction and acquisition expenditures	217.0	34.0	5.7	256.7	71.3	—	328.0

Products and Services

Year	Revenues							
				Non-regulated Businesses				
	Regulated Domestic Utilities							
	Electric	Gas	Other	Industrial Services	Oil and Gas Production	Transportation	Other	Total Non-regulated Businesses
					(in millions)			
1999	$1,548.9	$314.3	$32.1	$196.0	$62.6	$21.6	$24.8	$305.0
1998	1,567.5	295.6	31.2	127.2	64.6	22.0	24.9	238.7
1997	1,515.7	393.9	30.9	245.4	68.9	21.3	26.4	362.0

(15) SELECTED CONSOLIDATED QUARTERLY FINANCIAL DATA

	Quarter Ended			
	March 31	June 30	September 30	December 31
	(in millions, except per share data)			
1999				
Operating revenues	**$546.9**	**$486.1**	**$598.3**	**$566.7**
Operating income	**93.0**	**60.2**	**130.8**	**92.5**
Net income*	**41.7**	**38.6**	**71.5**	**44.8**
Earnings per average common share (basic and diluted)*	**0.54**	**0.49**	**0.91**	**0.57**
1998				
Operating revenues	$556.3	$491.0	$555.3	$528.3
Operating income	73.9	32.6	122.2	54.6
Net income (loss)**	28.9	(9.1)	51.7	25.2
Earnings per average common share (basic and diluted)**	0.38	(0.12)	0.67	0.33

* In the second and fourth quarters of 1999, Alliant Energy realized pre-tax gains on the sales of McLeod stock of approximately $34 million and $6 million, respectively.

** Net income for 1998 was impacted by the recording of approximately $10 million, $35 million, $6 million and $3 million of pre-tax merger-related expenses in the first, second, third and fourth quarters, respectively.

(16) SUBSEQUENT EVENTS

In January 2000, Resources acquired a non-controlling interest in four Brazilian electric utilities serving more than 820,000 customers for a total investment of approximately $347 million.

On January 25, 2000, Resources committed to a private placement of exchangeable senior notes in the original aggregate principal amount of $402.5 million, due in 2030, with a closing date of February 1, 2000. The exchangeable senior notes have an interest rate of 7.25% through February 15, 2003 and 2.5% thereafter. The exchangeable senior notes are exchangeable for cash based upon the higher of the amount borrowed or the value of McLeod Class A Common Stock. Alliant Energy has agreed to fully and unconditionally guarantee the payment of principal and interest on the exchangeable senior notes.

Refer to the "Liquidity and Capital Resources — Future Considerations" section of MD&A for additional details.

SELECTED FINANCIAL AND OPERATING STATISTICS

ALLIANT ENERGY CORPORATION

Financial Information	1999(1)	1998(2)	1997	1996	1995
		(Dollars in thousands except for per share data)			
Income Statement Data:					
Operating revenues	**$2,197,963**	$2,130,874	$2,300,627	$2,232,840	$1,976,807
Operating expenses	**1,821,428**	1,847,572	1,964,244	1,867,401	1,611,875
Operating income	**376,535**	283,302	336,383	365,439	364,932
Income from continuing operations	**196,581**	96,675	144,578	157,088	159,157
Discontinued operations	**—**	—	—	(1,297)	(13,186)
Net income	**196,581**	96,675	144,578	155,791	145,971
Common Stock Data:					
Weighted average common shares outstanding (000s)	**78,352**	76,912	76,210	75,481	74,680
Return on average common equity(3)	**10.5%**	6.0%	9.5%	11.0%	10.5%
Per Share Data:					
Income from continuing operations	**$2.51**	$1.26	$1.90	$2.08	$2.13
Discontinued operations	**—**	—	—	$(0.02)	$(0.18)
Earnings per average common share (basic and diluted)	**$2.51**	$1.26	$1.90	$2.06	$1.95
Dividends declared per common share(4)	**$2.00**	$2.00	$2.00	$1.97	$1.94
Book value at year-end(3)	**$27.29**	$20.69	$21.24	$18.91	$18.70
Market value at year-end(4)	**$27.50**	$32.25	$33.13	$28.13	$30.63
Other Selected Financial Data:					
Construction and acquisition expenditures	**$478,573**	$372,058	$328,040	$412,274	$375,184
Total assets at year-end(3)	**$6,075,683**	$4,959,337	$4,923,550	$4,639,826	$4,476,406
Long-term obligations, net	**$1,660,558**	$1,713,649	$1,604,305	$1,444,355	$1,357,755
Times interest earned before income taxes(5)	**3.38X**	2.25X	2.90X	3.38X	3.36X
Capitalization Ratios:					
Common equity(3)	**57%**	49%	51%	52%	51%
Preferred and preference stock	**3%**	4%	3%	4%	4%
Long-term debt, excluding current portion	**40%**	47%	46%	44%	45%
Total	**100%**	100%	100%	100%	100%

(1) The 1999 financial results reflect pre-tax gains of $40 million realized from sales of McLeod stock.

(2) The 1998 financial results reflect the recording of $54 million of pre-tax merger-related charges.

(3) In the third quarter of 1997, Alliant Energy began adjusting the carrying value of its investments in McLeod to its estimated fair value, pursuant to the applicable accounting rules. At December 31, 1999, the adjustment reflected an unrealized gain of approximately $1.1 billion with a net of tax increase to common equity of $640 million. At December 31, 1998, the adjustment reflected an unrealized gain of approximately $291 million with a net of tax increase to common equity of $170 million.

(4) Represents data for WPLH for periods prior to the consummation of the merger.

(5) Represents income before income taxes plus preferred dividend requirements of subsidiaries plus interest expense divided by interest expense.

ALLIANT ENERGY CORPORATION

Electric Operating Information (Utility Only)	1999	1998	1997	1996	1995
Operating Revenues (000s):					
Residential	**$541,714**	$532,676	$521,574	$506,784	$509,970
Commercial	**329,487**	317,704	307,941	296,345	290,990
Industrial	**476,140**	477,241	455,912	428,726	412,711
Total from ultimate customers	**1,347,341**	1,327,621	1,285,427	1,231,855	1,213,671
Sales for resale	**155,801**	199,128	192,346	181,365	143,726
Other	**45,796**	40,693	37,980	27,155	24,271
Total	**$1,548,938**	$1,567,442	$1,515,753	$1,440,375	$1,381,668
Electric Sales (000s MWH):					
Residential	**7,024**	6,826	6,851	6,826	6,860
Commercial	**5,260**	4,943	4,844	4,720	4,661
Industrial	**13,036**	12,718	12,320	11,666	11,360
Total from ultimate customers	**25,320**	24,487	24,015	23,212	22,881
Sales for resale	**5,566**	7,189	6,768	7,459	5,001
Other	**162**	158	161	161	163
Total	**31,048**	31,834	30,944	30,832	28,045
Customers (End of Period):					
Residential	**790,669**	781,127	772,100	762,665	751,998
Commercial	**122,509**	121,027	119,463	117,846	116,228
Industrial	**2,730**	2,618	2,555	2,472	2,418
Other	**3,282**	3,267	3,281	3,207	2,749
Total	**919,190**	908,039	897,399	886,190	873,393
Other Selected Electric Data:					
Maximum peak hour demand (MW)(1)	**5,233**	5,228	5,045	4,953	5,032
Sources of electric energy (000s MWH):					
Coal and gas	**19,078**	19,119	17,423	17,014	17,606
Purchased power	**8,619**	10,033	10,660	10,895	7,416
Nuclear	**4,362**	4,201	3,874	4,054	4,166
Other	**528**	504	565	392	349
Total	**32,587**	33,857	32,522	32,355	29,537
Revenue per KWH from ultimate customers (in cents)	**5.32**	5.42	5.35	5.31	5.30

(1) 1999 data represents the coincident peak of the entire Alliant Energy system. 1998 to 1995 data represents a summation of the individual peak demands of IESU, WP&L and IPC thus they do not represent the coincident peak of the entire Alliant Energy system.

ALLIANT ENERGY CORPORATION

Gas Operating Information (Utility Only)	1999	1998	1997	1996	1995
Operating Revenues (000s):					
Residential	**$185,090**	$175,603	$225,542	$216,268	$179,761
Commercial	**89,118**	85,842	115,858	108,187	87,951
Industrial	**21,855**	20,204	27,393	27,569	30,462
Transportation/other	**18,256**	13,941	25,114	23,931	21,952
Total	**$314,319**	$295,590	$393,907	$375,955	$320,126
Gas Sales (000s Dekatherms):					
Residential	**30,309**	28,378	33,894	37,165	33,827
Commercial	**18,349**	17,760	21,142	22,613	20,599
Industrial	**5,963**	5,507	6,217	6,856	6,381
Transportation/other	**46,954**	52,389	56,719	55,240	54,267
Total	**101,575**	104,034	117,972	121,874	115,074
Customers at End of Period (Excluding Transportation/Other):					
Residential	**347,533**	342,586	337,956	331,919	326,005
Commercial	**44,289**	43,825	43,316	42,658	42,095
Industrial	**1,037**	982	963	1,022	1,059
Total	**392,859**	387,393	382,235	375,599	369,159
Other Selected Gas Data:					
Revenue per dekatherm sold (excluding transportation/other)	**$5.42**	$5.45	$6.02	$5.28	$4.90
Purchased gas costs per dekatherm sold (excluding transportation/other)	**$3.30**	$3.22	$4.23	$3.61	$3.31

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