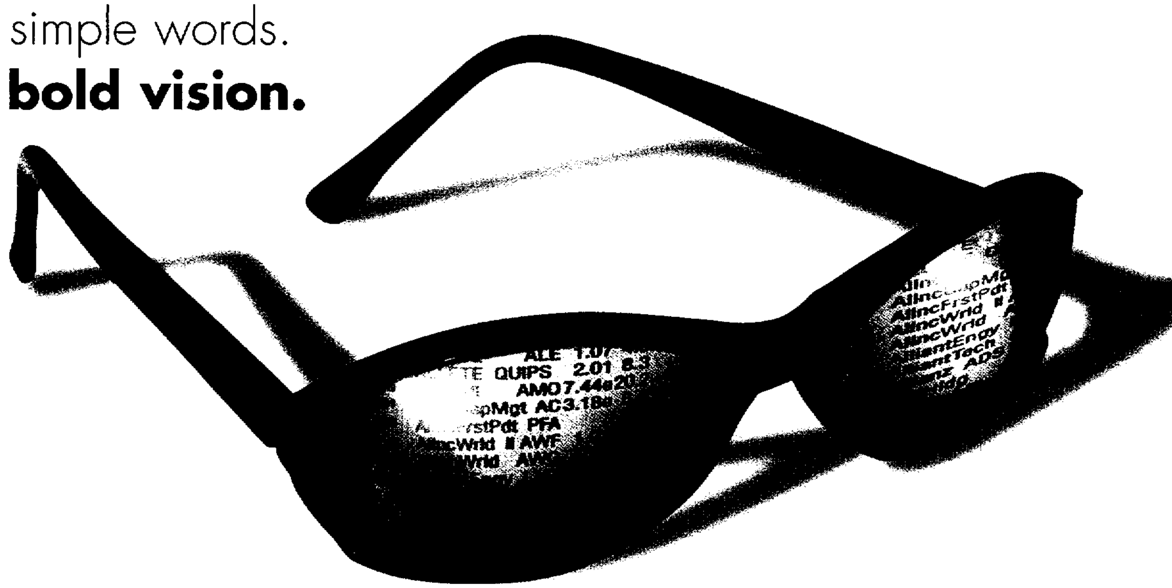
2000 ANNUAL REPORT

invest. connect. grow.

Three simple words.
One bold vision.



ALLIANT ENERGY™

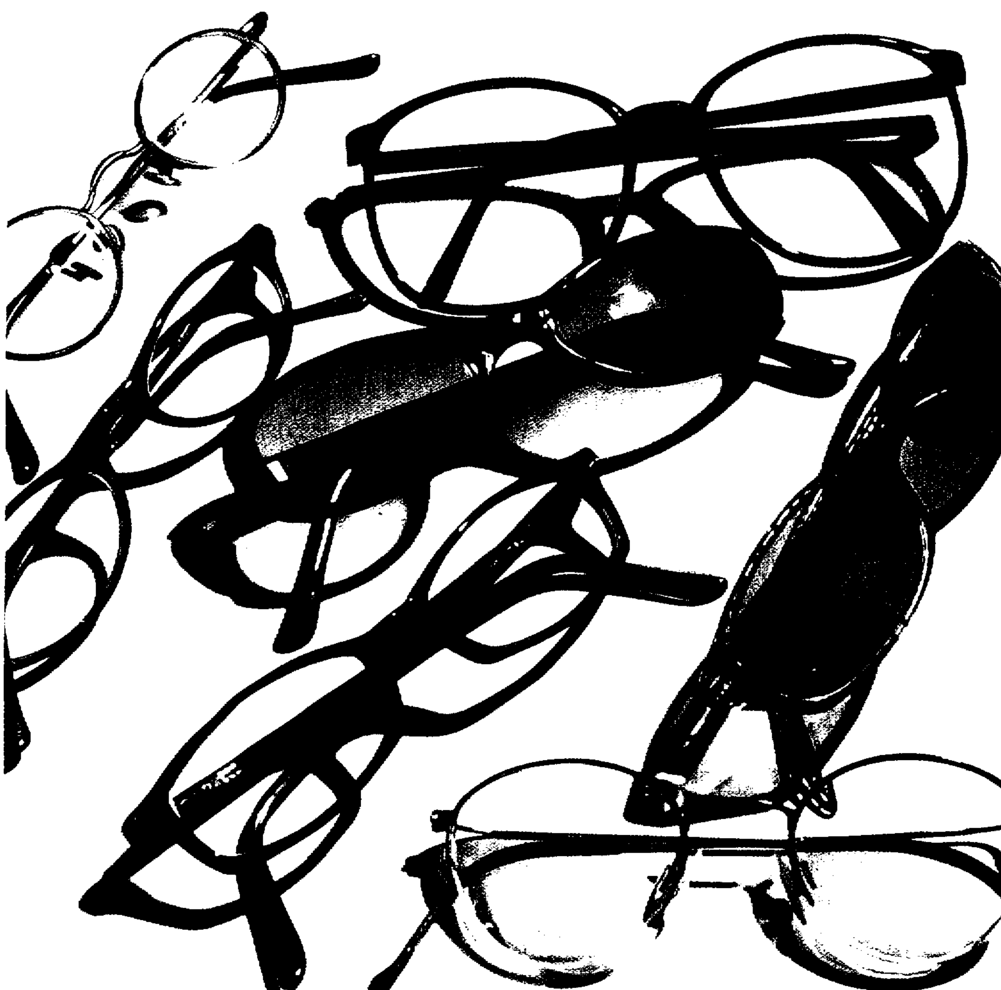
Choosing a pair of eyeglasses is never easy.

Eyeglasses are designed to help people see better. And the way the glasses look also says a lot about a person's style. The right pair of frames can help to define and distinguish us as individuals.

Like the eyeglasses that improve our sight, a company's vision can help to provide focus and clarity to make success achievable. And that vision can also help a company define and distinguish itself from the pack.

That is true of Alliant Energy's strategy and vision for the future: **Invest. Connect. Grow.** These simple words define a bold plan for our company, one that is transforming our ideas and aspirations into action. In fact, together, these words have given us a common focus and a new way of looking at things.

Our story follows. We think you'll agree that our strategy reflects a style and a fit for everyone — shareowners, customers, communities and employees alike.



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This annual report contains forward-looking statements. These statements should be considered in light of the disclaimer on page 33.

FINANCIAL HIGHLIGHTS

(Dollars in millions except for per share data)	2000	1999	Change
Operating Results:			
Operating revenues [a]	**$2,405**	$2,128	13%
Operating income	**$381**	$377	1%
Net income [b][c]	**$399**	$197	103%
Net income, excluding SFAS No. 133 adoption income [c]	**$195**	$197	(1%)
Net income, excluding SFAS No. 133 adoption income and gains on sales of McLeodUSA stock	**$179**	$171	5%
Return on average common equity, excluding SFAS No. 133 adoption income [c]	**9.28%**	10.45%	(11%)
Utility electric sales from ultimate customers (thousands of MWh)	**25,617**	25,320	1%
Total utility electric sales (thousands of MWh)	**30,697**	31,048	(1%)
Utility gas sold and transported (thousands of dekatherms)	**101,003**	101,575	(1%)
Construction and acquisition expenditures	**$1,066**	$479	123%
Total assets at year-end	**$6,734**	$6,076	11%
Per Share Data:			
Basic Earnings Per Share:			
Earnings per average common share [b][c]	**$5.05**	$2.51	101%
Earnings per average common share, excluding SFAS No. 133 adoption income [c]	**$2.46**	$2.51	(2%)
Earnings per average common share, excluding SFAS No. 133 adoption income and gains on sales of McLeodUSA stock	**$2.27**	$2.19	4%
Average number of common shares outstanding (in thousands)	**79,003**	78,352	1%
Diluted Earnings Per Share:			
Earnings per average common share [b][c]	**$5.03**	$2.51	100%
Earnings per average common share, excluding SFAS No. 133 adoption income [c]	**$2.46**	$2.51	(2%)
Earnings per average common share, excluding SFAS No. 133 adoption income and gains on sales of McLeodUSA stock	**$2.26**	$2.19	3%
Average number of common shares outstanding (in thousands)	**79,193**	78,395	1%
Book value at year-end [d]	**$25.79**	$27.29	(5%)

(a) The 1999 results have been reclassified on a basis consistent with current year presentation; such reclassifications had no impact on operating income or net income.

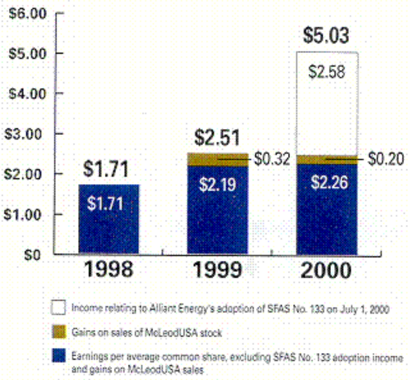
(b) Includes $204 million ($2.58 per diluted share) of non-cash income related to Alliant Energy Corporation's adoption of Statement of Financial Accounting Standards No. 133 on July 1, 2000.

(c) Includes $16 million ($0.20 per diluted share) and $25 million ($0.32 per diluted share) of net income from gains on sales of McLeodUSA Incorporated stock in 2000 and 1999, respectively.

(d) The decrease is due to changes in the value of Alliant Energy Corporation's investment in McLeodUSA, which impacts the company's common equity balance based on the current market value of such investment.

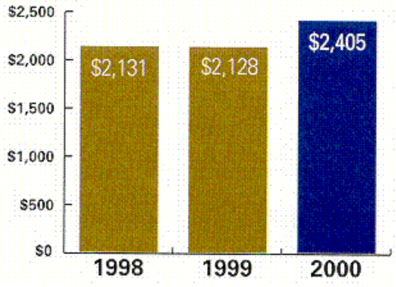
The financial data should be read in conjunction with the audited financial statements and related notes of Alliant Energy Corporation. The reported financial data are not necessarily indicative of future operating results or financial position.

Earnings per average common share (diluted) *



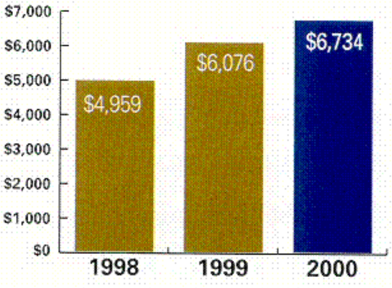
*The 1998 results exclude merger-related charges of $0.45 per share. Components may not foot to total due to rounding.

Operating revenues (in millions) †



† The 1999 results have been reclassified on a basis consistent with current year presentation; such reclassifications had no impact on operating income or net income.

Total assets at year-end (in millions)



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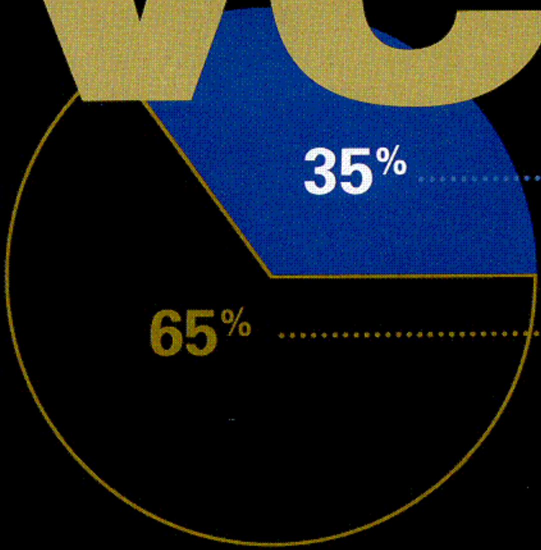
We've

Total assets
(at Dec. 31, 2000)



Alliant Energy Corporation (NYSE: LNT) is a holding company with a diversified portfolio of energy businesses — regulated utility providers as well as non-utility companies involved in energy-related products and services.

Our mission: TO EXCEED THE CUSTOMER'S EXPECTATION FOR COMFORT, SECURITY AND PRODUCTIVITY AROUND THE WORLD.

We are headquartered in Madison, Wis., and have nearly 8,000 employees in locations across the United States and around the globe. We've built a solid foundation and a good reputation. Now we are accelerating our "Invest, Connect and Grow" strategy. To increase efficiency. To sharpen our customer focus. To deliver new levels of growth.

ALLIANT ENERGY™

ALLIANT ENERGY. Corporate Services

ALLIANT ENERGY. Resources

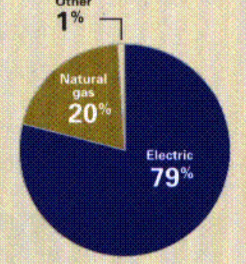
grown

Utility Operations

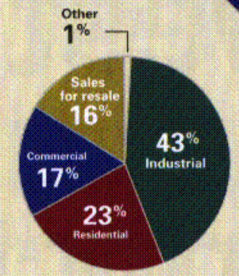
Our three utility subsidiaries provide traditional, regulated electric, natural gas, steam and water services to more than 1.3 million customers in Iowa, Wisconsin, Minnesota and Illinois. Ours is a diverse power portfolio. We have a strong fleet of fossil-fuel, nuclear and renewable generating facilities across the Midwest.

Always attentive to cost considerations, our utilities consistently rank at the top of national surveys measuring customer satisfaction and maintain above-industry-average marks for safety procedures and results.

Sources of utility operating revenue

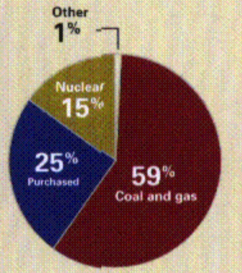


Electric sales mix



Maximum peak hour demand (megawatts)	5,397
Total utility electric sales (thousands of MWh)	30,697
Utility gas sold and transported (thousands of dekatherms)	101,003
Number of utility electric customers	929,525
Number of utility gas customers	397,597

Electric power portfolio



Our utility service territories

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

- Interstate Power Co.*
- IES Utilities Inc.*
- Wisconsin Power and Light Co.

* Regulatory and shareowner approval is pending for the planned merger of IES Utilities Inc. and Interstate Power Co., our two Iowa-based utility operating companies.

Diversified Operations

Alliant Energy Resources

We've set our sights on boldly generating growth. We've looked beyond our regulated utilities for expansion opportunities in less-regulated areas. And we've been successful.

Alliant Energy Resources, Inc., the parent company for Alliant Energy's diversified businesses, has established global partnerships to develop energy generation, delivery and infrastructure in growing markets throughout the world.

We have also cultivated a profitable portfolio of businesses in the non-utility domestic market, including oil and gas operations, transportation services, energy-trading partnerships, environmental and engineering services, and affordable-housing companies.

Alliant Energy Resources' divisions include: Integrated Services, International, Investments, Mass Marketing and Trading. Each plays a key role in our "Invest, Connect and Grow" strategy.

Integrated Services

As its name suggests, Alliant Energy Integrated Services Company offers a wide range of energy and environmental services for businesses across the United States. From on-site generation and waste-water treatment to energy management and indoor air quality, Integrated Services helps clients increase the productivity, profitability and efficiency of their operations.

Integrated Services, which changed its name from Industrial Services in early 2001, is executing its growth strategy as a full-service, national energy-services company. The new name reflects the breadth of services the group of companies provides as well as the strength of the partnerships it builds with customers.

In December 2000, Integrated Services acquired EUA Cogenex and Energy Assets to form a new company — Cogenex — providing business customers with on-site energy services. Integrated Services also invested in and developed a strategic partnership with Enermetrix, an Internet-based energy-procurement retailer for commercial and industrial customers, adding to the portfolio of services that this division provides.

- Integrated Services
- International
- Investments
- Mass Marketing
- Trading

International

Alliant Energy International, Inc. has invested in energy generation and distribution companies and projects in developing markets throughout the world. Currently, Alliant Energy International has operations in Brazil, New Zealand, Australia, China and Mexico.

Alliant Energy International has focused on these locations because they offer a growing demand for energy and are receptive to foreign investment.

Capitalizing on the power of teamwork, this division has developed partnerships with other players who have intimate knowledge of each local market's business trends and customs. We will invest only where we can find sustainable niches, and where we believe the level of risk is manageable.

Investments

Through Alliant Energy Resources, we invest in businesses supporting our strategic focus. Investments include ownership of an oil and natural-gas company (Whiting Petroleum Corp.), transportation companies (Cedar Rapids and Iowa City Railway Co. and IEI Barge Services, Inc.), and affordable-housing initiatives (Heartland Properties, Inc.). We also own a 9-percent equity stake in McLeodUSA Inc., a leading telecommunications provider.

In 2000, Alliant Energy Resources invested in distributed resources (Capstone Turbine Corp.) and a venture capital fund specializing in emerging energy-technology companies (Nth Power Technologies Fund II). While complementing our successful core utility operations, these value-producing ventures allow our company to stay on the cutting edge of energy industry technology.

Mass Marketing

Our Mass Marketing Division is focused on developing and marketing energy-related products and services that enhance our customers' comfort, security and lifestyles. Key programs include our home-appliance-repair protection plan, as well as home-protection and energy-efficiency products.

In 2000, this division expanded its catalog business by opening an on-line storefront full of energy-smart products designed to help keep our customers safe, warm and comfortable *(powerhousecatalog.com)*.

In addition, an investment in SmartEnergy, an Internet-based company that sells power to residential customers in deregulated states, positions us to deliver value from the evolving retail energy market.

Trading

Working together, Alliant Energy Resources and international commodity trader Cargill Inc. formed Cargill-Alliant, L.L.C., an energy-trading company.

In an increasingly volatile market, this growing endeavor helps utilities, municipalities, cooperative wholesale customers and large retail customers in competitive markets reduce their electricity costs and better manage their energy risks.

Additionally, Cargill-Alliant connects with another market segment by providing fuel supply management (coal, oil and natural gas), plant operations assistance and risk-management consultation.

Alliant Energy is an increasingly global company. Our subsidiaries have investments in the highlighted countries to the right.

C03

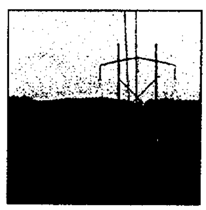
been busy

THE YEAR 2000 IN REVIEW

As the calendar flipped from 1999 to 2000, about 1,000 Alliant Energy employees spent New Year's Eve at work. Thanks to more than two years of intense preparation for the "Y2K bug," it was a quiet night for employees on the job. But, the calm didn't last for long, as we got busy making good things happen in 2000. Here are just a few of the highlights.

January Alliant Energy International expanded into Brazil, acquiring a significant stake in four well-run electric utilities. In early 2001, we acquired additional assets, increasing our Brazilian customer base to about 1.6 million.

February We kicked off PowerPledge — a four-year, $1.3 billion commitment to upgrading our Midwest utility infrastructure.



Alliant Energy International made an initial investment in Southern Hydro, a peak hydroelectric generator in Australia. Later in the year, we purchased additional interests in Southern Hydro, increasing our ownership to 70 percent.

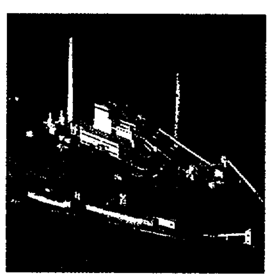
March Continuing our support for distributed generation, Alliant Energy Resources invested $10 million in Capstone Turbine — a venture that experienced substantial growth by year-end.

April Alliant Energy employees kicked off Earth Year celebrations by participating in environmental-stewardship projects, including cleaning trash from highways and clearing trails in state parks.

May We broke ground for our Worldwide Headquarters building in Madison, Wis., a model of energy efficiency for others.

The Nuclear Management Company received formal approval to operate five nuclear plants in the Midwest, including two of our plants.

June Through the initiation of the Second Nature™ program, our Wisconsin utility customers may purchase energy produced by "renewable" sources, including wind, sun and biomass power. The program was expanded to include Iowa utility customers in January 2001.



July Our utility subsidiaries' plants performed well throughout the summer, even as the temperatures rose and demand for electricity increased.

August We partnered with the Wisconsin Department of Natural Resources and others to use fly ash from our utilities' power plants as a stabilization material for roads and highways.

September We were awarded the 2000 Wisconsin Business Friend of the Environment Award in recognition of our outstanding commitment to the environment.

October While seeking to clarify certain provisions of the Wisconsin Utility Holding Company Act, we filed a federal lawsuit challenging WUHCA's constitutionality.

November As part of our focus on e-business, we launched e-procurement and streamlined Web-based internal processes company-wide.

December New generation projects — including a 600-megawatt plant near Beloit, Wis., and two landfill gas operations — were announced, demonstrating our commitment to a diverse energy portfolio.

The American Transmission Company, the first U.S. for-profit, stand-alone transmission company, received all regulatory approvals needed to become operational on Jan. 1, 2001.

Alliant Energy Integrated Services acquired EUA Cogenex and Energy Assets. The company also launched a strategic partnership with Enermetrix to automate business processes, and will use the Enermetrix Network to enable its large industrial customers to buy natural gas and electricity on-line.

Fellow

A LETTER FROM THE CHAIRMAN, PRESIDENT AND CEO

Last year in our annual report, we said we were on our way. This year, we proved it.

We continued to move forward with a strategy designed to increase the long-term value of your investment. We challenged ourselves. We capitalized on many opportunities. We focused on our goals.

We chose to

invest

wisely — over $1 billion — establishing footholds in markets rich with opportunity.

We aggressively used technology and other resources to better

connect

with our customers. We also laid the groundwork to

grow

in the future.

Invest. Connect. Grow. As our results prove, these simple words form one powerful plan.

Our earnings for 2000 were $5.03 per diluted share. Despite a significant increase in start-up and growth-related interest expenses, our 2000 net income was up 5 percent over 1999 (excluding the income realized from adopting a new accounting standard in 2000 and gains on sales of McLeodUSA stock in both years). After also excluding the company's start-up and growth-related interest expenses, our earnings increased 8 percent over 1999.

We achieved our goals for 2000 ... and then some. In fact, we outperformed Wall Street's expectations, beating consensus estimates. We also proved we were a solid investment, as total return to shareowners — including appreciation of our common stock and dividend payments — was 23 percent. And, we expect our plans will pay off even more in the years to come.

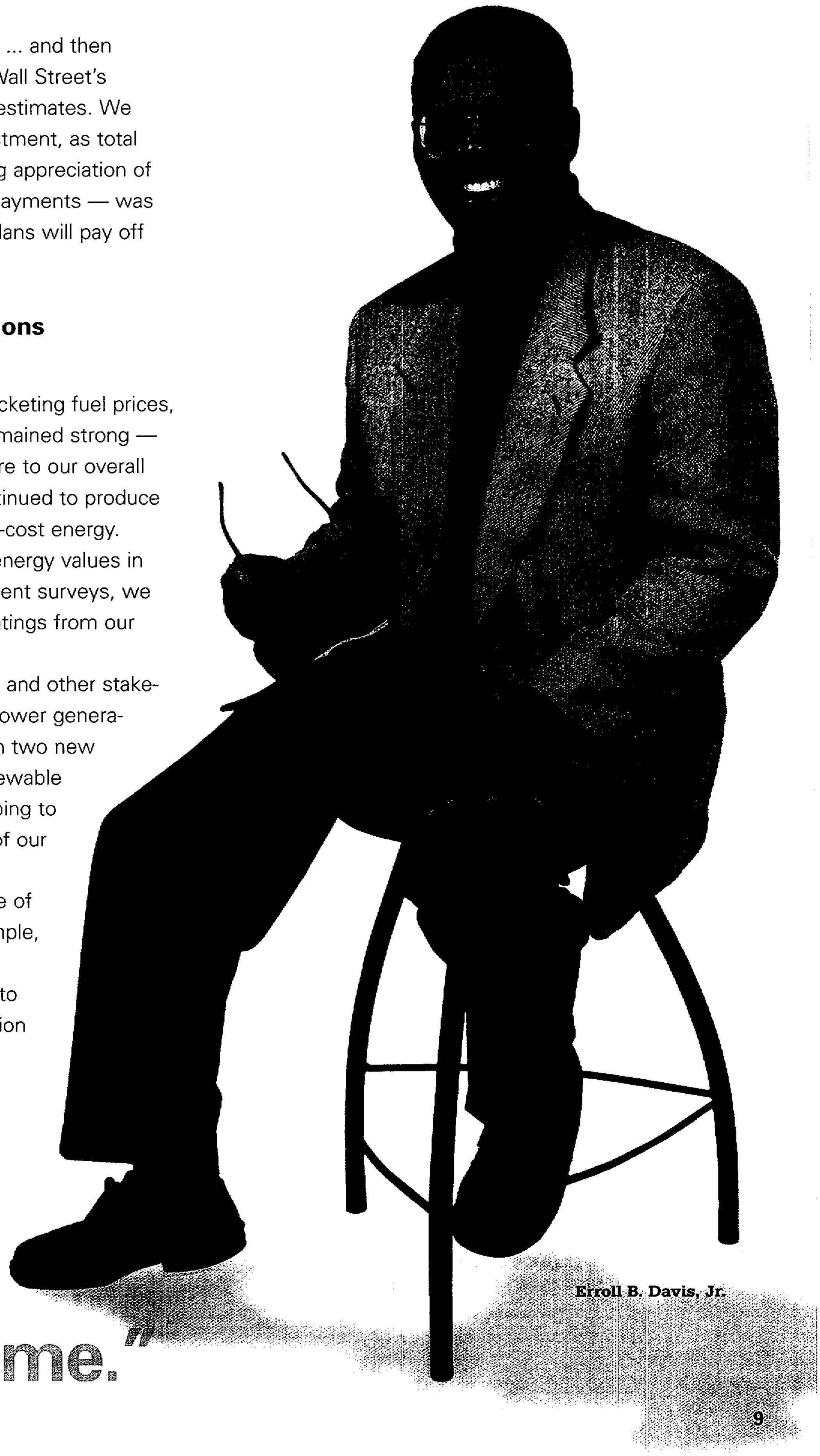
Regulated utilities' operations yield solid performance

Despite the challenges of skyrocketing fuel prices, our utilities' operational results remained strong — contributing $2.12 per diluted share to our overall 2000 corporate earnings. We continued to produce and deliver highly reliable and low-cost energy. In fact, we offer one of the best energy values in the country. And, according to recent surveys, we continued to earn high approval ratings from our customers.

We collaborated with regulators and other stakeholders to secure much-needed power generation for our utility customers. With two new generating plants and several renewable projects in the works, we are helping to meet the growing energy needs of our customers in the Midwest.

In 2000, we also took advantage of the power of teamwork. For example, through our Wisconsin utility subsidiary, we partnered with others to establish the American Transmission Company, the first for-profit utility in the United States dedicated exclusively to providing electric-transmission service.

We also worked with other industry players to create the Nuclear Management



Erroll B. Davis, Jr.

and then some."

Company, which operates and maintains five nuclear plants in the Midwest — including two of our utility subsidiaries' facilities. Both examples show our commitment to increasing reliability and safety for our customers ... and returns for our shareowners.

But, as in life, the bold course of action is not always the easiest, nor is it without controversy. Late in 2000, we filed a federal lawsuit challenging the constitutionality of the Wisconsin Utility Holding Company Act (WUHCA). We took action because we believe WUHCA rules restrict us from reaching our goals to increase in size and scale. This outdated 1985 law sharply limits the investments we can make in other companies, as well as the investments others can make in us.

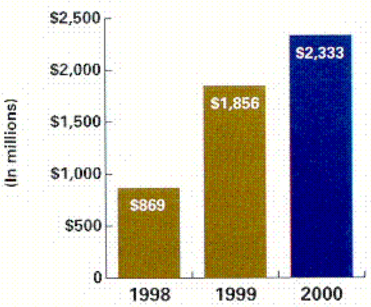
Early in 2001, our initial lawsuit was dismissed. This was obviously a setback, but our commitment to resolve this issue remains rock solid. We are continuing to pursue legal actions to answer the questions about WUHCA's constitutionality, as we need to welcome outside capital from investors in order to realize our growth plans. Expect to hear more on our progress in the months to come.

Diversified assets continue to grow

Our regulated utility operations remain the foundation of our company. But our non-regulated ventures offer the greatest growth potential. Through Alliant Energy Resources, the parent company for our diversified holdings, we are creating added value both in the U.S. and abroad.

In fact, in 2000, our diversified ventures delivered on their promises ... and then some. Even after factoring out the income realized from the adoption of a new

Diversified assets



accounting standard, our diversified businesses added 41 cents per share to our corporate earnings.

Excluding gains on sales of McLeodUSA stock in excess of our start-up and growth-related interest expenses, our non-regulated earnings were up 71 percent over 1999.

But these numbers are only one measure of our success. We are building more generation to increase the world's electric supply, and we're making that energy cleaner and greener. We've also built a foundation for more long-term rewards for our shareowners.

For example, in early 2000, we made a $347 million investment in the Brazilian electric-utility market. In January 2001, we purchased additional Brazilian utility assets, increasing our base to about 1.6 million customers in Brazil. We acquired interests in Southern Hydro, a peak hydroelectric generating facility in Australia. We took an increased ownership position in TrustPower Ltd., the fourth-largest power producer in New Zealand. We also added to our growing fleet of efficient and cleaner power plants in China. Many of these international investments are focused on the generation side of the business, which we believe offers the greatest earnings growth potential.

We continued to push the envelope in developing new energy technology by both investing in and launching a marketing arrangement with Capstone Turbine, a leader in manufacturing distributed resources. Our $10 million Capstone investment

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grew significantly throughout the year. At the end of January 2001, it was valued at $60 million.

While rising natural-gas prices took their toll on the regulated utility side of our business, they benefited several of our diversified businesses. Whiting Petroleum, our oil and gas subsidiary, had an outstanding year — increasing its earnings 176 percent over 1999. Cargill-Alliant, our three-year-old energy-trading joint venture, also turned a healthy profit, increasing its earnings 225 percent over 1999.

Additionally, Heartland Properties continued to sponsor successful developments in targeted areas of our regulated utility service territory. And, through our Mass Marketing Division and Integrated Services Company, we created and partnered with others to provide new energy products and services for our customers — including several exciting e-business initiatives.

People still drive the business

It's no secret that our industry and our company have changed. We began as a merger of three well-run Midwest utilities. But today, we are establishing ourselves as a formidable competitor in the international energy-services arena, with both utility and diversified holdings. We are creating and using new technology to outperform others. And, I am pleased to say, we are generating added value for our shareowners.

We are embracing all types of change ... and creating success. But one thing has stayed the same: Our employees remain focused on old-fashioned, friendly service, hard work, safety and results. And that makes me proud.

I would like to thank my current fellow directors as well as Robert Ray, former governor of Iowa, who retired in 2000 after serving as a director for 13 years. I'd also like to thank Lee Liu, who stepped down in 2000 as chairman, and Wayne Stoppelmoor, who stepped down as vice chairman, but who remain board members. Both continue to provide insights, optimism and energy to our leadership team.

A special welcome to David Perdue, president of the Reebok brand at Reebok International Limited, who joined our board of directors in February 2001. We're confident that David's experience and knowledge of global competitive markets and brand-development strategies will be a great benefit to our company as we work to increase the value of your investment.

I think I speak for all employees at Alliant Energy in saying that the year 2000 ranks as one of the most provocative, challenging and successful years in both our pre- and post-merger history. And, with our **"Invest, Connect and Grow"** strategy, I expect to renew this sentiment at year-end 2001.

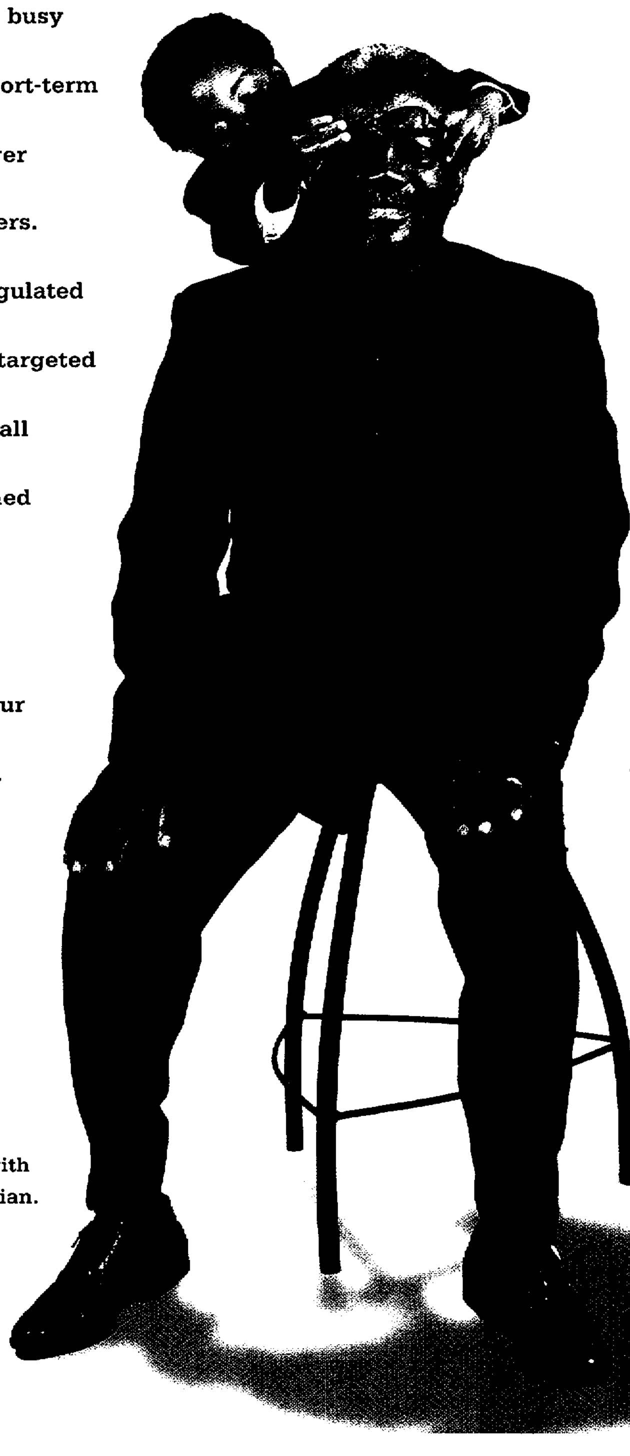
Thanks for your continued confidence and support.

Erroll B. Davis, Jr.
Chairman, President and CEO
Alliant Energy Corporation

Aggressively investin

for today and tomorrow

At Alliant Energy, we are busy making both long- and short-term investments to build bigger returns for our shareowners. We're investing in our regulated businesses, as well as in targeted diversified ventures that all build upon what we learned through decades of experience in the utility industry. It's all part of our bold vision for the future.



"I'M PROUD TO BE A PART OF A TEAM that has its sights fixed on keeping your home cool in summer and warm in winter. We focus on keeping our plants in top-notch shape so we can meet our customers' needs not only today, but also for the future ... and that's important for our children and grandchildren."

—NATHANIEL (NATE) RHODES
POWER PLANT AND SUBSTATION ELECTRICIAN

Nate is pictured with his grandson, Davian.

ALWAYS KEEPING OUR UTILITY CUSTOMERS IN FOCUS

g

Reliable. Low-cost. Environmentally conscious. Exceptionally customer focused. Attentive to safety considerations. These are the characteristics our customers use to define a first-rate energy value. That's why we never let them out of our sight and continually focus on getting them right.

In 2000, we made substantial investments in our utility businesses to better take care of our customers at home in the Midwest. Our goal is to never settle for anything less than operational excellence.

Our emphasis on cost control and careful planning has kept energy rates for our utility customers among the lowest in the area for many years. And although skyrocketing wholesale natural-gas prices caused customers to see increases in their bills, our prices remain extremely competitive.

Hundreds of specialized outside contractors, along with Alliant Energy employees, performed extensive work at six power stations during early 2000 to ensure electric reliability during peak summer months.

Despite more temperate weather during the summer, our utilities set new peak demand records in August 2000. While other parts of the country were left wondering if their lights and air conditioners would stay on, our customers enjoyed rock-solid reliability.

But because the demand for energy has continued to grow across our utility service territories, we know the time to plan for future demand is now. That's why we've turned our attention to attracting new generation into our regulated service territories. And, we've been successful.

By working with regulators and other external audiences to balance the need for energy infrastructure with environmental concerns, we cleared the way for two new generating plants to

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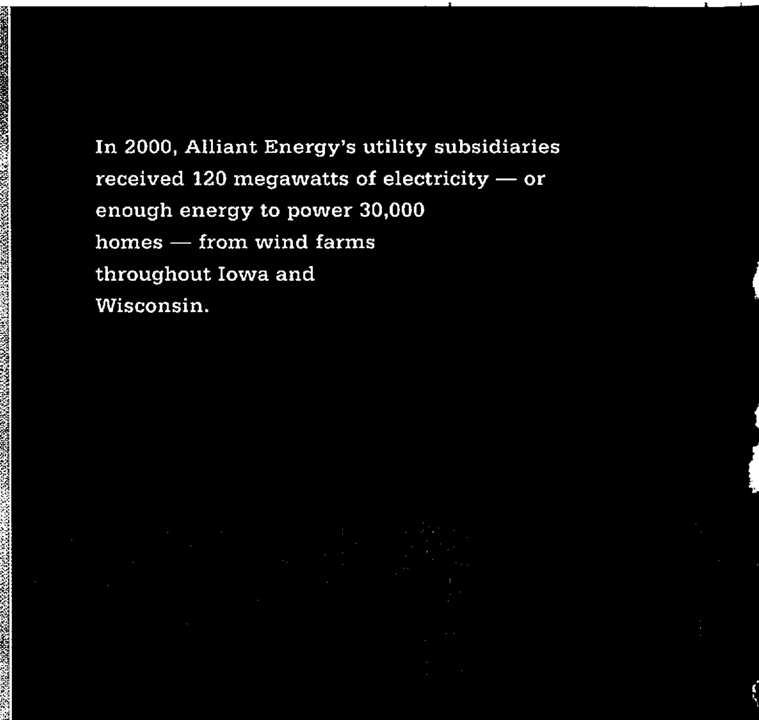
In December 2000, we partnered with others in the private and public sector to plan a 90- to 100-megawatt power plant on the campus of the University of Wisconsin. The proposed plant would help meet the growing demand for power at the university and throughout Madison.

One of our Iowa utility companies entered into an agreement with Top Deck Farms of Westgate, Iowa, to be the first company in the state to commercially produce electricity using livestock manure as a fuel source.

Aggressively investing

for today and tomorrow



In 2000, Alliant Energy's utility subsidiaries received 120 megawatts of electricity — or enough energy to power 30,000 homes — from wind farms throughout Iowa and Wisconsin.

be built in Wisconsin — a 450-megawatt plant near Madison and another 600-megawatt plant in Beloit. These plants, which together will supply power for about 275,000 average homes, are expected to become operational in 2001 and 2003, respectively.

Developing large-scale, more traditional power generation isn't our only focus. We also continue to explore and develop new ways of producing cleaner, "greener" power. And, much of our research is cutting edge.

For example, in 2000, one of our Iowa utility companies contracted with the Department of Energy to use switchgrass as a fuel source at the Ottumwa Generating Station in Southern Iowa. It also partnered with the Iowa Department of Natural Resources and members of the Iowa farm community to be the first company in Iowa to construct an electric-generation system that runs on methane from animal waste. Our utilities' investments in wind power, landfill gas and fuel cells continue to grow as well.

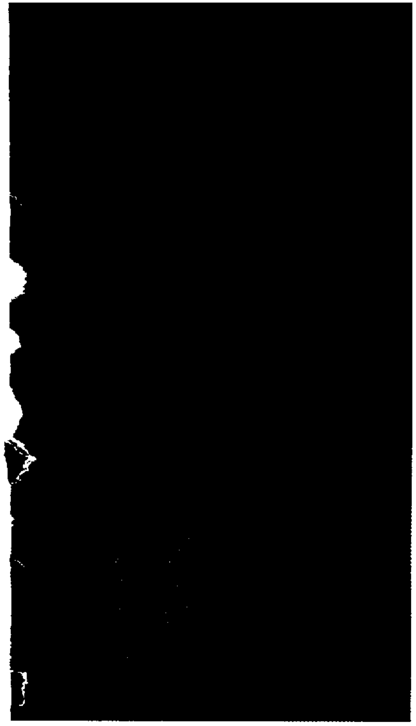
Traditional power generation isn't our only investment in energy production. We also continue to help explore and develop new ways of producing cleaner, "greener" power. And, some of our research is cutting edge.

While we have committed to providing more generation for our utility customers in the Midwest, we remain close to our core corporate goal of protecting the environment and improving air quality.

To further that goal, in 2000, we initiated a comprehensive combustion initiative to reduce emissions from our utilities' generating stations. Through this proactive research-and-development approach, we've cut in half nitrogen-oxide emissions at the M.L. Kapp Plant in Clinton, Iowa, and we intend to apply what we learn through the program at all of our utilities' other power plants. Through projects such as this, we're striving to make every megawatt we produce in 2001 cleaner than it was in the years before.

The year 2000 was also a time to continue

Through our combustion initiative, we are working to reduce utility emission rates to levels below those required by the U.S. Environmental Protection Agency. Long term, this integrated approach will lower operation and maintenance costs and improve air quality.



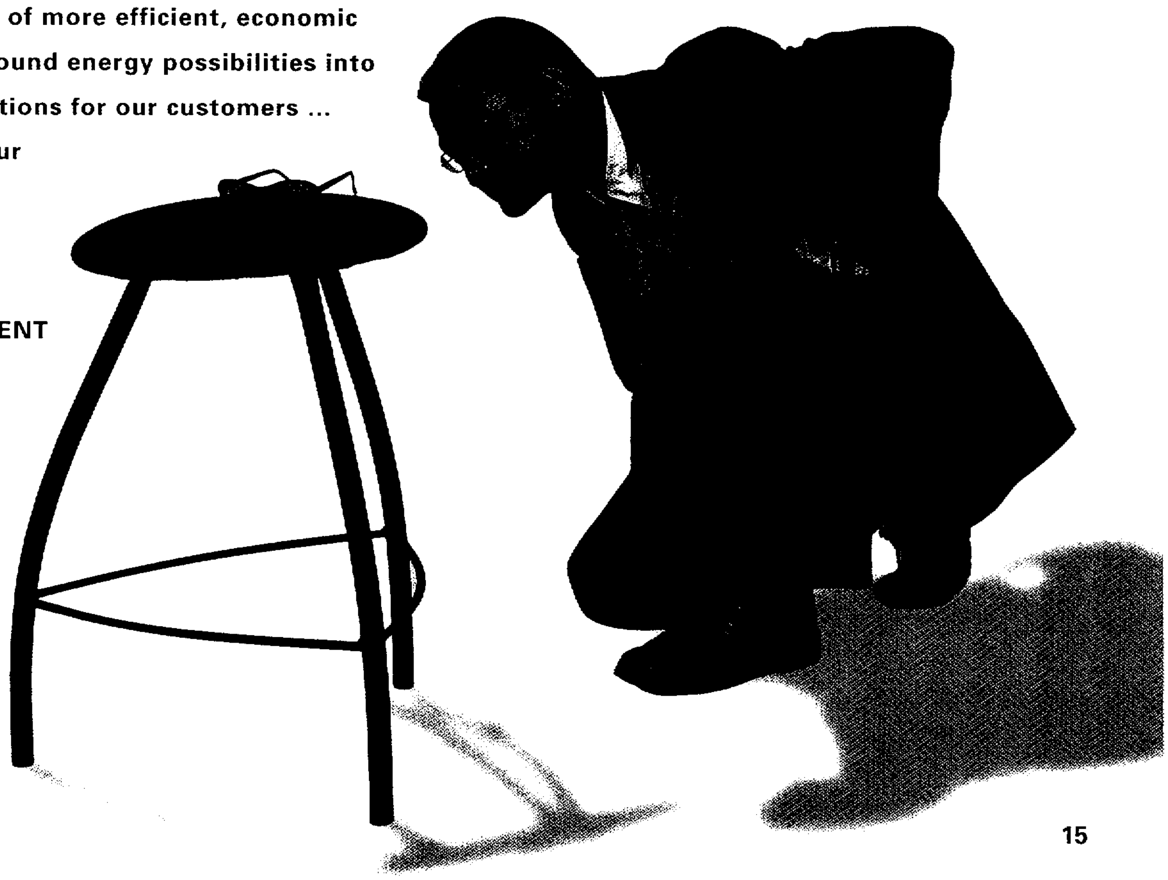
investing in traditional ways of upgrading our utilities' plants, transmission lines and distribution systems. In fact, through a program called PowerPledge, our utility subsidiaries are in the process of improving all of their critical systems over the next four years, and have pledged to spend about $1.3 billion on such improvements.

Under the PowerPledge umbrella, our Wisconsin utility subsidiary spearheaded an eight-week, $30 million overhaul of the Columbia Energy Center in Portage, Wis., one of the most highly regarded facilities in the nation. Major renovations also took place in five of our utilities' other power plants.

We expect these investments to pay off many times over by keeping our utilities' facilities running smoothly for years to come and, in turn, helping to ensure reliable electricity for our customers.

"WE'RE CONTINUALLY ON THE LOOKOUT for how we can encourage new energy supply technologies via investments, as well as implement them ourselves. We convert that vision of more efficient, economic and environmentally sound energy possibilities into real-world energy solutions for our customers ... and solid returns for our shareowners."

—JOHN WEYER
BUSINESS DEVELOPMENT
MANAGER



Aggressively investing
for today and tomorrow

Leading research ... maximizing opportunity

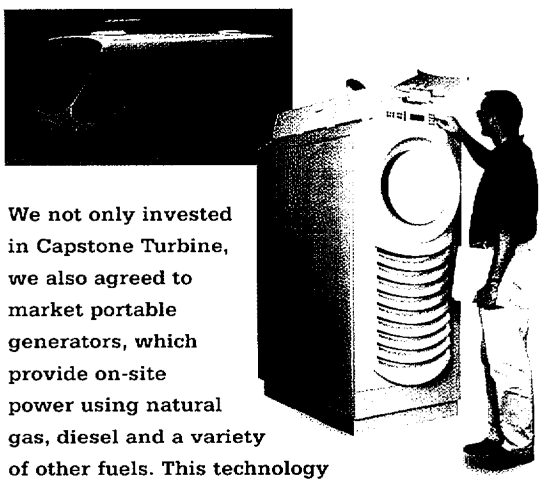
While we are making investments in our energy infrastructure to better serve our utility customers, we are also making investments to become a technological leader ... and, of course, to create new value for our shareowners.

In short, while we expect to add shareowner value through positive returns from these investments, our participation also gives us a head start in the world of emerging energy technologies, which we expect will be an important part of our future business.

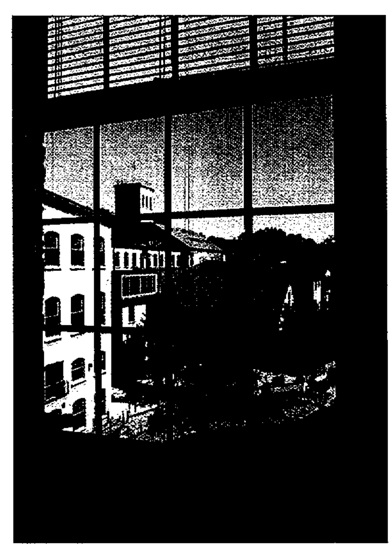
For example, Alliant Energy Resources invested $10 million in Capstone Turbine to support the research and development of distributed resources. These small-scale power generators, only about the size of a household refrigerator, provide on-site electric power to the customer. And we're not just a passive investor. We are connecting with our customers by marketing this distributed generation to customers both inside and outside our traditional utility service territories.

Another partnership that is helping move us to the forefront of emerging technologies is an investment in Nth Power Technologies Fund II. This venture capital fund invests in rapid growth, energy-related businesses, including companies involved in the growing fields of distributed resources and information technology.

Additionally, we expect that Alliant Energy Resources' investment in SmartEnergy, an Internet-based energy retailer, will help us gain further expertise in creating Web-based personalized approaches for attracting and connecting with customers in competitive markets. SmartEnergy currently serves residential and small business customers in 15 deregulated markets by finding the best, most cost-effective electricity and natural-gas providers on their behalf. ■



We not only invested in Capstone Turbine, we also agreed to market portable generators, which provide on-site power using natural gas, diesel and a variety of other fuels. This technology is adaptable for both stationary and vehicular applications.



The historic Lincoln Mills Apartments, created from abandoned industrial buildings in Appleton, Wis., are among the unique affordable-housing developments in the Heartland Properties portfolio. Housing investments strengthen local communities and provide Alliant Energy with tax credits worth approximately $7 million annually.

Investments fuel expanding diversified operations

At a time when some energy-services companies have been forced to cut their dividend payments to finance their capital expenditures and expansion plans, Alliant Energy has consistently delivered shareowner dividends and funded new growth areas while maintaining a healthy balance sheet.

That was true in 2000 as cash flows from our utility businesses virtually financed dividend payments and capital improvements associated with our utility systems. Meanwhile, several stellar investments helped to fuel Alliant Energy Resources, the parent company of our diversified businesses and holdings. These investments provide a competitive advantage among similar-sized companies in our industry.

While we expect our utility subsidiaries to continue to contribute solid earnings in the years to come, critical earnings growth will come from Alliant Energy Resources, which contributed 17 percent of our 2000 corporate earnings. Plus, in the next two to four years, we expect Alliant Energy Resources to contribute a larger piece of the earnings pie — about 25 percent.

The most powerful engine fueling our growth plans is our investment in McLeodUSA.

While other telecommunications stocks took a dramatic downturn in 2000, telecommunications analysts maintained their high ratings for McLeodUSA, which continues its significant growth. In fact, our $30 million initial investment in McLeodUSA was valued at nearly $1 billion at the end of January 2001.

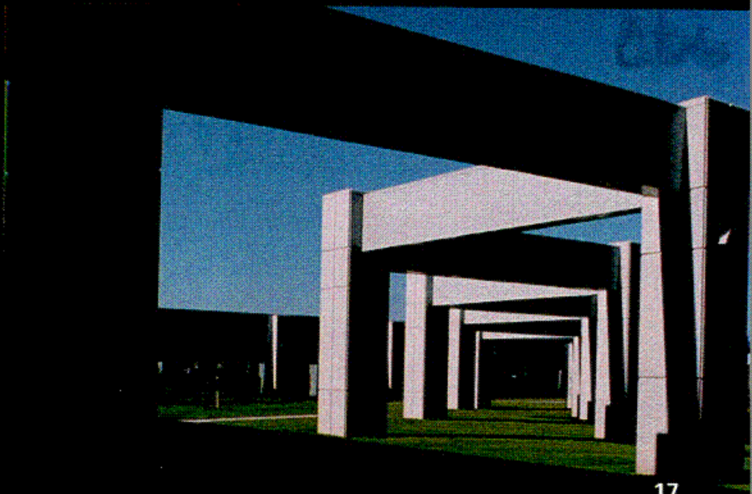
Another of our investments grew significantly in 2000. Our $10 million initial investment in distributed resources through Capstone Turbine was worth about $60 million at the end of January 2001.

And while skyrocketing natural-gas prices challenged Alliant Energy's utility subsidiaries, they benefited Whiting Petroleum, our Denver, Colo.-based independent oil and natural-gas subsidiary. In addition to developing much needed new supply, the company's earnings rose 176 percent over 1999.

Additionally, Cedar Rapids and Iowa City Railway and Heartland Properties remain extremely valuable assets as they continue to enhance their positions in their respective markets.

Our investment portfolio plays a vital role in our strategy for future growth. In fact, the proceeds from these valuable investments will allow us to pursue new partnerships — particularly in the merchant plant arena and in international markets — which we expect will contribute to greater earnings growth for years to come. ■

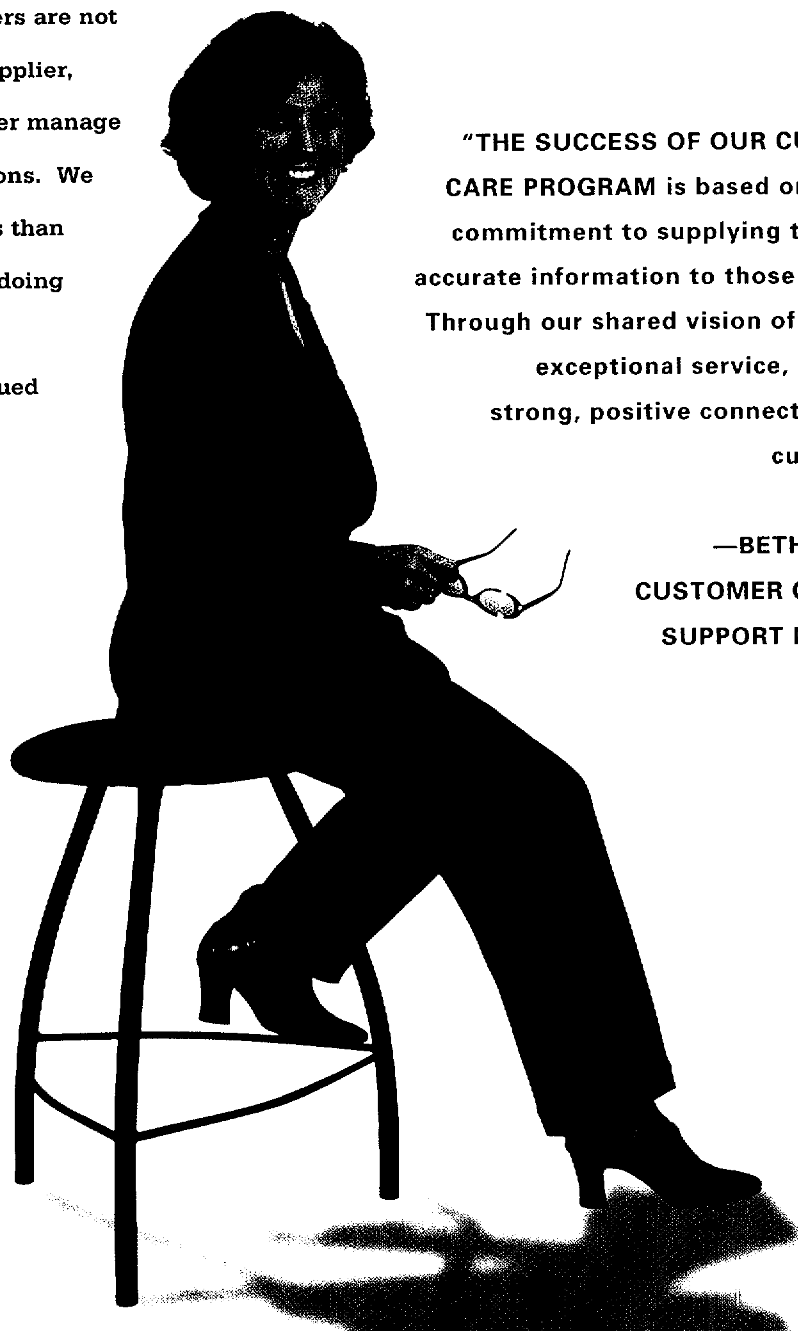
Alliant Energy Resources holds a 9-percent equity stake in McLeodUSA, a growing telecommunications company headquartered in Cedar Rapids, Iowa (pictured below). In 2000, we sold limited shares in McLeodUSA to offset start-up and growth-related interest expenses and to reinvest the proceeds in new strategic investments. Alliant Energy Resources still beneficially owns 56 million shares of McLeodUSA stock.



Connecting with our

in so many ways

At Alliant Energy, we know that increasing our "connection" to both our current and potential customers is the key to ensuring our competitive edge in the long haul. Although the majority of our utility customers are not yet able to choose their energy supplier, we are working to help them better manage and understand their energy options. We also never settle for anything less than exceptional customer service. By doing this, we expect to increase their satisfaction and earn their continued loyalty.



"THE SUCCESS OF OUR CUSTOMER CARE PROGRAM is based on a strong commitment to supplying timely and accurate information to those we serve. Through our shared vision of providing exceptional service, we form a strong, positive connection to our customers."

—BETH WALTON
CUSTOMER CARE AND
SUPPORT MANAGER

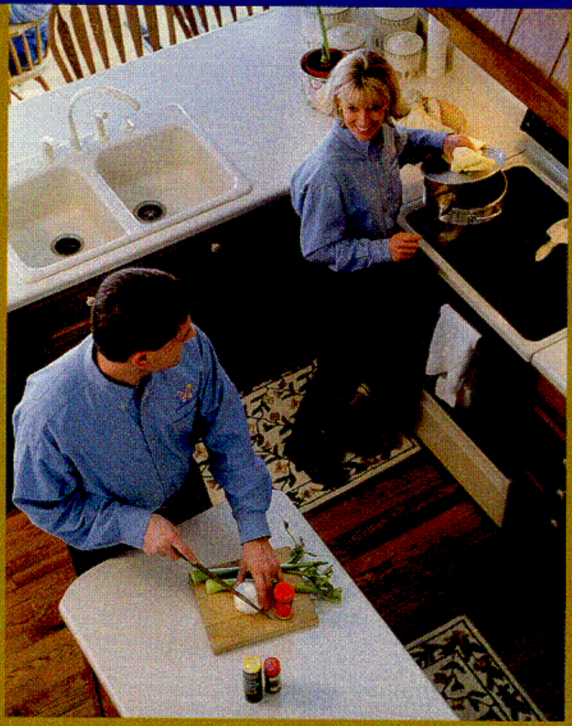
customers

Providing a variety of energy-related programs maximizes the value of our business and allows us to better connect with our customers.

Through our energy-conservation programs, we help our utility customers save on their energy costs — while also reducing the growing strain on our transmission and distribution systems and the need to build expensive new generation plants. And that benefits everyone.

To assist residential consumers, we expanded our *PowerHouse: Home Comfort Tips* television program and Web site, which features energy-efficiency and home comfort tips. We also routinely visited community events and meetings to promote practical and easy ways to save energy.

Our commercial and industrial utility customers become more efficient and profitable through our individualized energy-efficiency programs. Through our Year of the School program, we helped school districts across our utility service territories improve their energy efficiency and realize long-term energy savings. Plus, the energy savings achieved were reinvested in our schools.

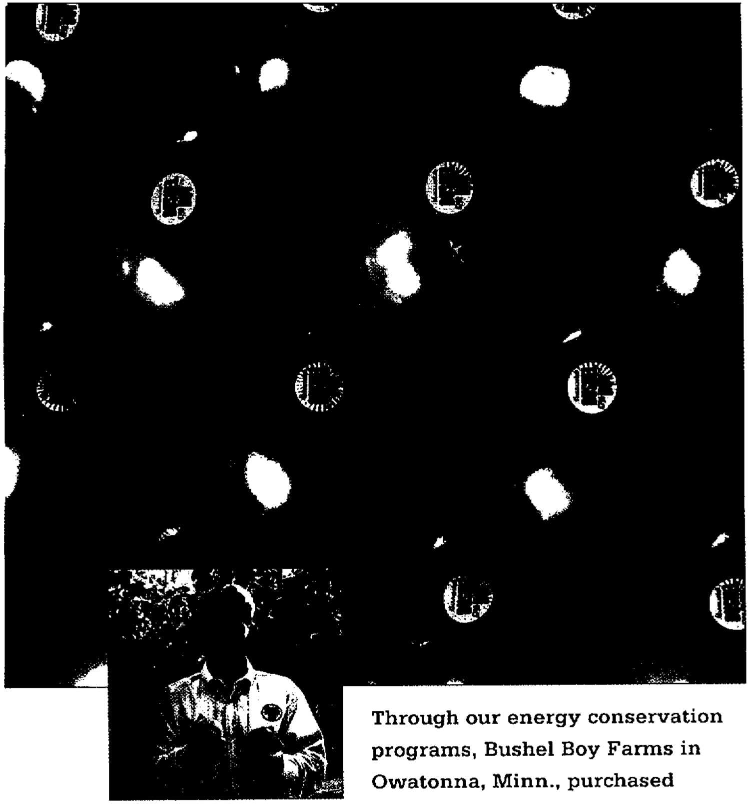


From insulation to air conditioning and cooking to light bulbs, *PowerHouse: Home Comfort Tips* offers viewers practical ideas and expert advice to help them reduce their energy costs and make their homes more comfortable. The weekly television program airs on broadcast stations and cable networks across Alliant Energy's utility service territories.

C07

Safety has always been a top priority at Alliant Energy. In 2000, we further improved our safety record, reducing our lost-time injury rate over 1999 results. Our safety programs were recognized by both the Iowa-Illinois Safety Council and the Wisconsin Safety Council.

A nationwide customer satisfaction study released in July 2000 ranked Alliant Energy's utility companies among the top five residential electric-utility service providers in the Midwest and in the top 15 nationally.



Through our energy conservation programs, Bushel Boy Farms in Owatonna, Minn., purchased high-pressure, energy-efficient sodium lights for its glass greenhouses. The lighting, which replaced older fluorescent lights, is expected to increase the productivity of the farm by about 25 percent, while saving on energy costs.

In 2000, we not only offered our customers programs to help them use less energy, we also launched a program that provides customers with a choice of how their power is generated — Second Nature™. This program gives residential customers in Wisconsin and Iowa the option of purchasing electricity from renewable sources, including wind, sun and biomass. Through Second Nature™, we are offering our customers a choice that research confirms they want. It also helps to reduce our reliance on coal and natural gas while improving the air quality for everyone.

Another key program introduced in 2000 is Energy Options. Through this program, we are providing our commercial and industrial customers an opportunity to outsource some areas of their business infrastructures. For example, rather than purchasing and operating an air compressor, Energy Options customers can simply buy compressed air from us. Other services include external lighting and emergency power — all of which further enhance our relationships with our valued customers.

We also connect with the communities we serve through our economic development efforts. By assisting companies in their efforts to build and expand within our utility service territories, we help our customers, our communities ... and our bottom line. For example, we helped SMI Joist, a steel joist and beam manufacturer, find an existing building in Iowa Falls, Iowa, to locate a new plant. This expansion, which will boost our energy sales in the area, should also bring about 200 new jobs to Iowa Falls.

Embracing e-business

At Alliant Energy, technology and innovation are the cornerstones of our growth strategies. And we know that introducing e-business into our company means improved operations, increased sales and better communications with our customers, shareowners, partners and employees.

In 2000, we launched a freshly-designed corporate Internet site, featuring improved navigation to help visitors quickly find what they need. The site was designed to continually change. We will add new products and programs and offer updates on issues important to customers, such as easy ways to control energy costs and guidelines for working safely near our powerlines and pipelines.

Through CIS2000, our Customer Information Services initiative, we opened a storefront for our utility customers on the Web — giving residential customers access to their bills and usage history on-line through a program called Your Account. We plan to offer a similar program for our commercial and industrial customers in 2001.

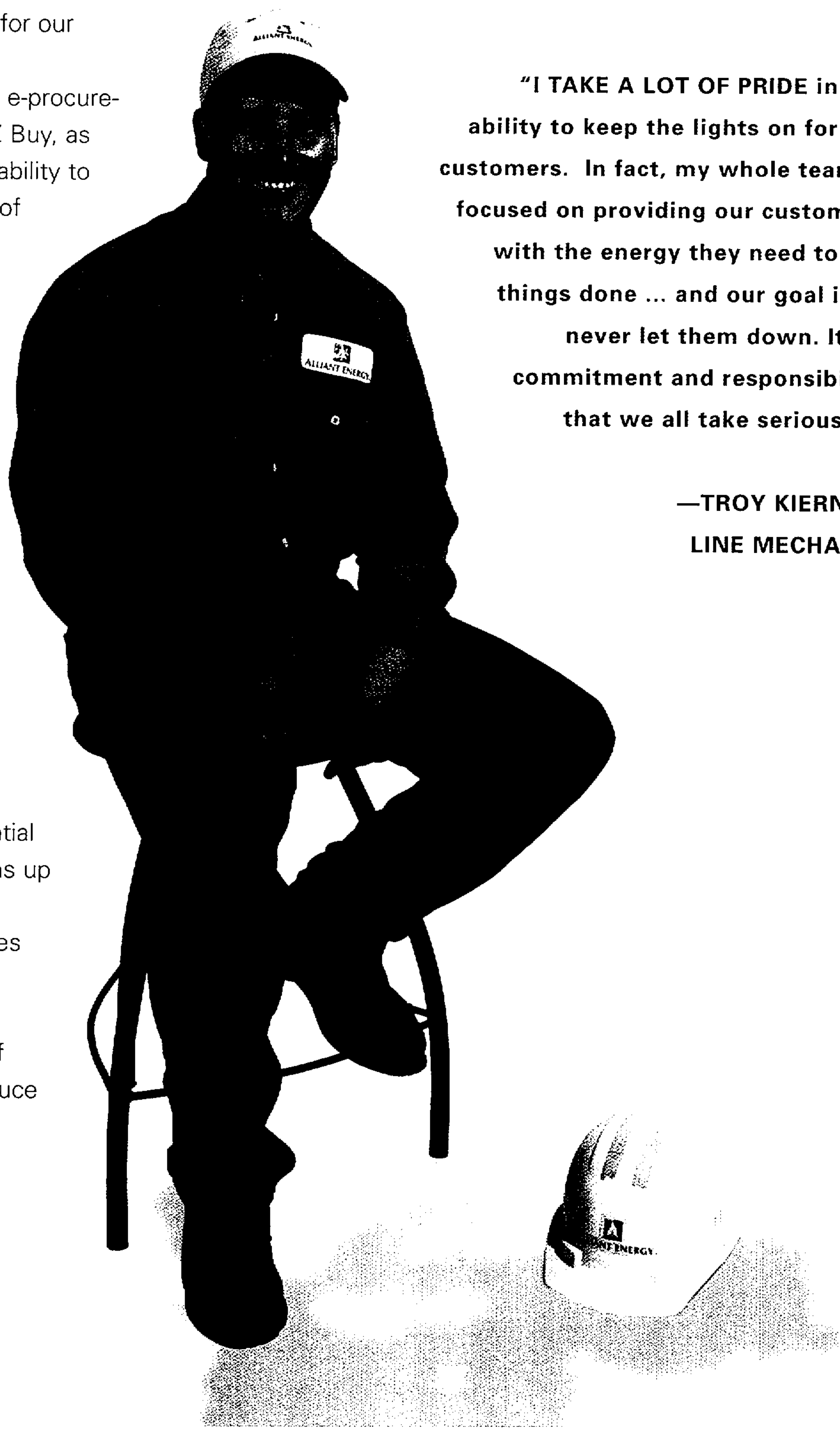
Knowing that our customers increasingly rely on the Internet as a way to stay connected, we also initiated PayWise in 2000. The program gives customers the choice of viewing and paying their bills on-line. By eliminating the costs of mailing and producing bills, we expect this program to help streamline operating costs in the near term ... and also save time and trouble for our customers.

We're also busy finalizing our e-procurement strategies. Simply put, EZ Buy, as we're calling it, represents the ability to "click" and order a wide range of services and products on the Internet, at a reduced cost — with a quick turnaround. By initiating an e-procurement strategy company-wide, we expect to capture significant savings in the coming years.

Internally, e-business is also changing how we work. We have embarked on an ambitious program to replace the human resources, materials management and financial systems that we inherited from our predecessor companies.

While we will make a substantial investment to get these systems up and running, we know they will quickly help streamline processes and increase efficiencies — yielding a healthy return.

In short, we've designed all of our e-business strategies to reduce our costs, better reach our customers and — ultimately — increase shareowner value.



"I TAKE A LOT OF PRIDE in our ability to keep the lights on for our customers. In fact, my whole team is focused on providing our customers with the energy they need to get things done ... and our goal is to never let them down. It's a commitment and responsibility that we all take seriously."

—TROY KIERNAN
LINE MECHANIC

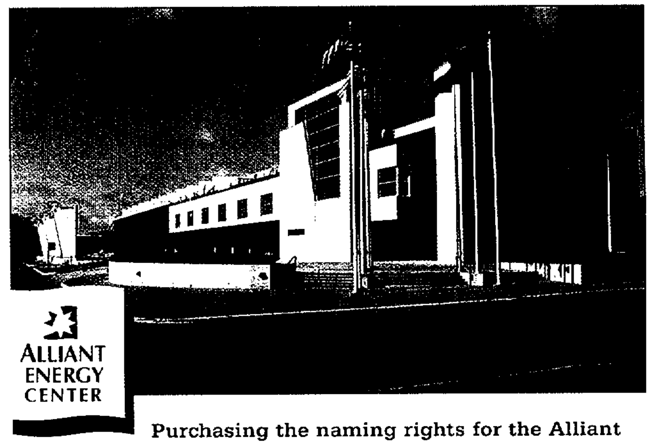
Bringing the Alliant Energy "brand" to life

All of our products and services contribute to forming a positive, strong Alliant Energy brand name. We have also invested in other ways to build the Alliant Energy brand.

In 2000, we purchased the naming rights of the former Dane County Expo Center in Madison, Wis. Today, it proudly bears the name Alliant Energy Center of Dane County. The regional and national coverage of events from the Center will clearly put our name in front of millions of consumers across the country — consumers who someday may have the ability to choose an energy provider.

We've also increased our name recognition in targeted areas through an energetic advertising campaign exclaiming in song and words our corporate themeline: "We're on for you."

Through the Alliant Energy Foundation, as well as through our corporate-giving initiatives, we generously give back to the communities where we live and work. In 2000, the Foundation gave nearly $3 million in contributions to support programs that improve the quality of life in the communities we serve. The corporation also directly invested more than $400,000 to sponsor family-friendly events and programs. And through our environmental-stewardship efforts, we have made a substantial commitment to preserving our natural resources.



Purchasing the naming rights for the Alliant Energy Center in Madison, Wis., not only helps to promote our strong brand name, but also reaffirms our commitment to the communities where we live and work. The Alliant Energy Center includes the Memorial Coliseum, Exhibition Hall (pictured above), Arena Building and agricultural exhibit buildings that attract more than one million visitors every year.

The Alliant Energy Foundation supports health and human services programs, educational endeavors, cultural initiatives and environmental efforts. Since 1998, the Foundation has awarded more than $1 million in scholarships to promote personal development and a stronger future for the communities we proudly serve.

While all of these initiatives are contributing to building a strong, positive Alliant Energy brand in advance of a restructured energy market in our service territories, we never forget the most important factor in shaping our brand ... our people. Every time we interact with our customers, we're shaping our brand. Each time we quickly restore power after a devastating storm, we reinforce our corporate image. When we answer questions about energy management and safety practices through our Customer Service Centers, we also enhance the quality of our reputation.

We're focused on always improving our "human connections." And, according to recent surveys, we are doing well. Results from a survey ranking the 75 largest U.S. utility companies place Alliant Energy's utility subsidiaries among the top five residential electric-utility providers in the Midwest and among the top 15 in the nation. ■

Formation of ATC was facilitated by electric-reliability legislation passed in Wisconsin late in 1999. ATC, which became operational Jan. 1, 2001, is regulated by the Federal Energy Regulatory Commission for all rate terms and conditions of service and is a transmission-owning member of the Midwest Independent System Operator, located in Indianapolis.

Building the first stand-alone, for-profit transmission company

Always looking for new ways to create better "paths" for electricity, our Wisconsin utility subsidiary partnered with four other regional energy companies to launch the nation's first for-profit electric-transmission company, the American Transmission Company, (ATC).

The idea behind the company is that a separate, independent entity dedicated exclusively to electric-transmission services can help plan, construct, operate, maintain and expand the electric-transmission grid more efficiently than numerous transmission owners performing these functions separately.

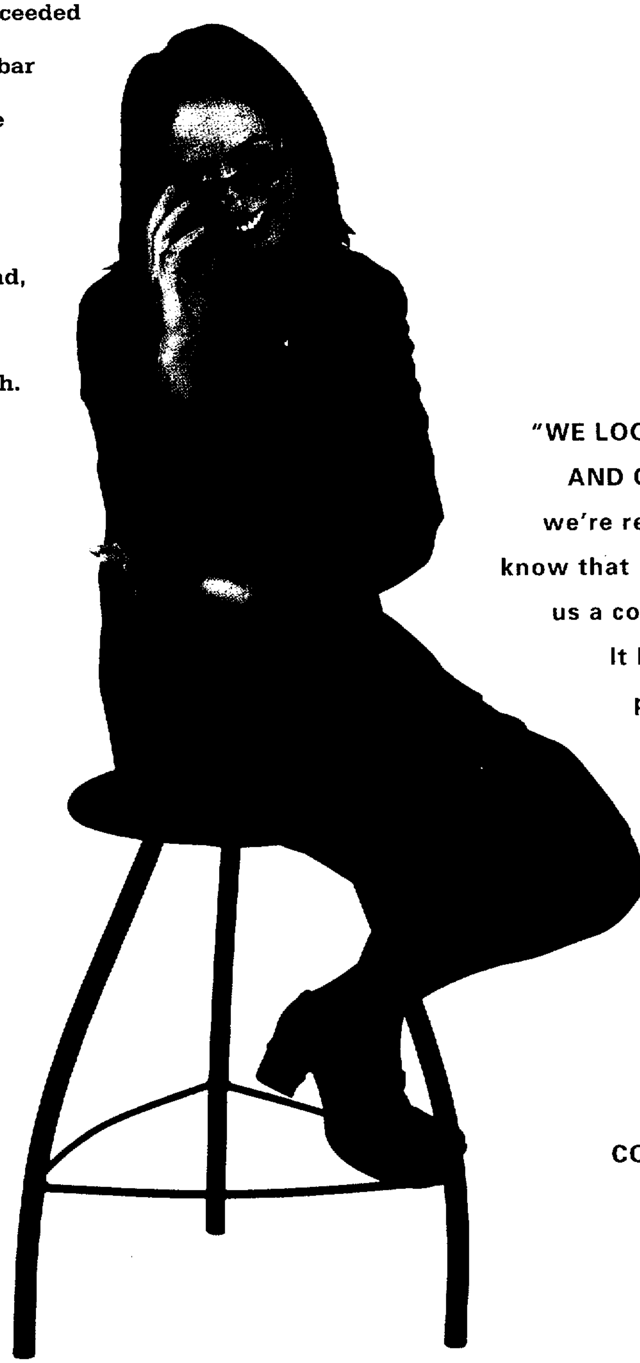
ATC was formed in 2000 in response to Wisconsin's Act 9, or as it has come to be known — Reliability 2000. Five utilities have pooled their Wisconsin transmission assets or contributed cash to form the new company.

In exchange for contributing our Wisconsin transmission assets to the new company, our Wisconsin utility subsidiary will receive approximately a 26-percent equity interest in ATC.

We expect the new company to increase reliability for our customers ... and, long term, we expect it to positively affect our bottom line. ■

Growing more com

We must grow. We cannot realize our full potential in the marketplace of the near future without growing significantly. 2000 was a successful year ... we exceeded our goals. But, we plan to raise the bar even higher in 2001. In fact, we are setting our sights on growing our earnings by about 7 to 10 percent annually for the next five years. And, with our "Invest, Connect and Grow" strategy, it's within our reach.



"WE LOOK FOR NEW TRENDS AND OPPORTUNITIES. And we're relentless, because we know that our research can give us a competitive advantage. It helps us develop new products, make smart investments and enter potentially profitable markets ASAP. It's all part of our vision to grow ... and grow quickly."

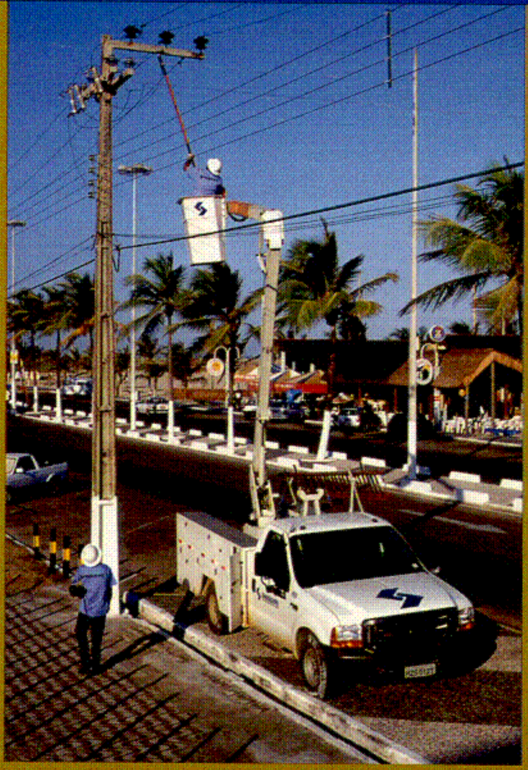
—TERESA VIVANCOS
CORPORATE RESEARCH
DATA ANALYST

petitive

While we are investing in generation in the U.S., we are also widening our boundaries of achievement abroad. It's all part of our plan for long-term growth. And, we've been successful. In September 2000, Alliant Energy Resources, parent company for all of Alliant Energy's diversified businesses and holdings, was recognized by the business community in its headquarter-city of Cedar Rapids, Iowa, for its excellence and expertise in international business.

Early in 2000, Alliant Energy International formed a partnership with Brazil-based Companhia Força E Luz Cataguazes-Leopoldina (Cataguazes) and invested $347 million in the Brazilian electric utility market. In January 2001, we purchased additional key utility assets in the area, building our base of customers to 1.6 million in Brazil.

As expected, our Brazil investment diluted earnings in 2000. We expect it will be slightly accretive to earnings in 2001 and generate significant earnings growth beginning in 2002.



Alliant Energy International acquired about 49 percent of Cataguazes in January 2000. Cataguazes is an award-winning Brazilian electric utility in the areas of customer service, conservation and safety.

C09

As part of our "Invest, Connect and Grow" strategy, we are taking what we've learned in the U.S. energy-services market to other areas that offer high-growth opportunities.

Alliant Energy International and Infratil NZ own interests in TrustPower Ltd., which produces both wind and hydroelectric power in New Zealand.

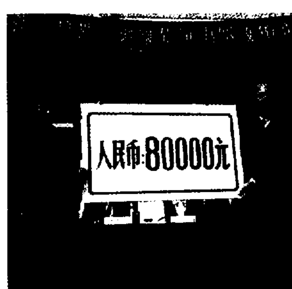
With its partner, Cataguazes, Alliant Energy International acquired interests in Sociedade Anonima de Eletrificação da Paraiba (Saelpa) in January 2001. Saelpa is a Brazilian electric utility serving more than 760,000 customers and had annual sales of more than 2,088 gigawatt hours in 2000.

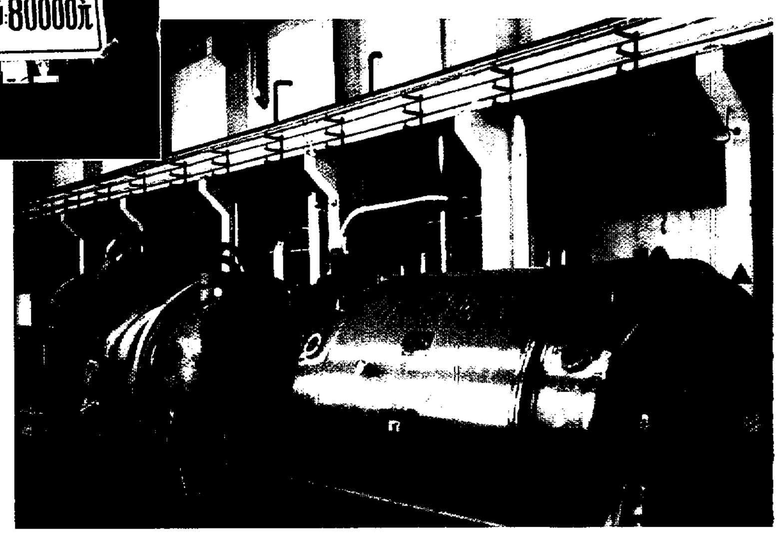
But Latin America isn't the only market ripe with potential. We also invested in Australia, by acquiring a portion of Southern Hydro — a 479-megawatt hydroelectric facility in the state of Victoria. We acquired 22 percent early in the year and another 48 percent in the fall. And New Zealand also has a place in our international utility investment portfolio. With our partner Infratil NZ, we own a significant interest in TrustPower Ltd., New Zealand's fourth-largest electricity retailer.

In 1998, we expanded our foothold in China by announcing a partnership with Peak Pacific Investment Co. — and we capitalized on that partnership in 2000. In October, we commissioned a new, highly efficient combined heat and power plant in Zhengding, which is a part of our fleet of six operating plants in China. These plants not only improve the country's power supply, they do so with a significantly smaller environmental "footprint" than existing plants and boilers in the area.

Fueling future growth

Another key directive of our "Invest, Connect and Grow" strategy is to expand the diversified part of our business through partnerships and acquisitions in generation projects. In 2000, we explored opportunities in the non-regulated generation market, setting our sights on partnering with Corn Products International, Inc. to build our first merchant plant near Chicago.





While commissioning a new plant in Zhengding, China — Jim Hoffman, president of Alliant Energy Resources, visited the plant's neighboring school, JieFang Jie. He presented the school a check for RMB 80,000 (approximately $10,000) on behalf of Peak Pacific Investment to demonstrate our commitment to improving education and the quality of life in the communities we serve.

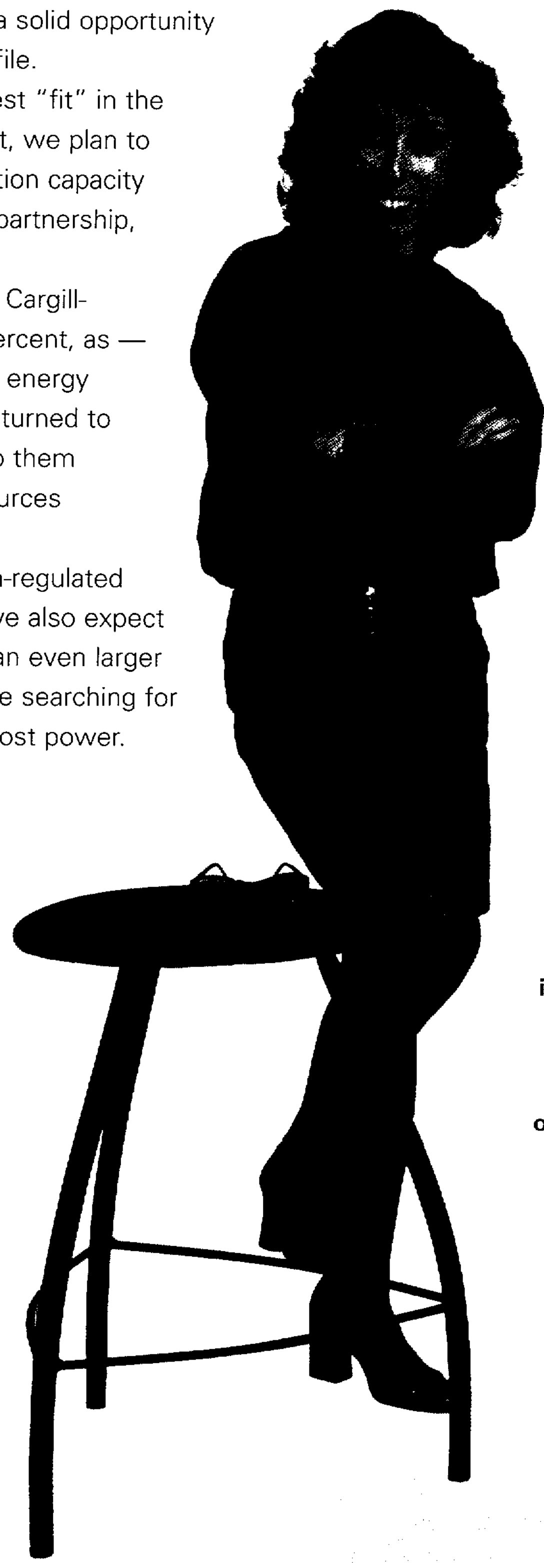
Significant changes in economic conditions, however, made the project much less financially attractive. Therefore, during the first quarter of 2001, we decided to withdraw from the partnership. However, we will continue to pursue new non-regulated generation projects when they make economic sense. We won't buy or partner on every project that comes our way ... only the best projects that present a solid opportunity with the right risk profile.

After we find the best "fit" in the merchant plant market, we plan to link our added generation capacity to our energy-trading partnership, Cargill-Alliant.

In 2000, earnings at Cargill-Alliant were up 225 percent, as — in the wake of volatile energy costs — more buyers turned to energy experts to help them find stable, reliable sources of supply.

As we grow our non-regulated generation portfolio, we also expect Cargill-Alliant to build an even larger base of clients who are searching for better access to low-cost power.

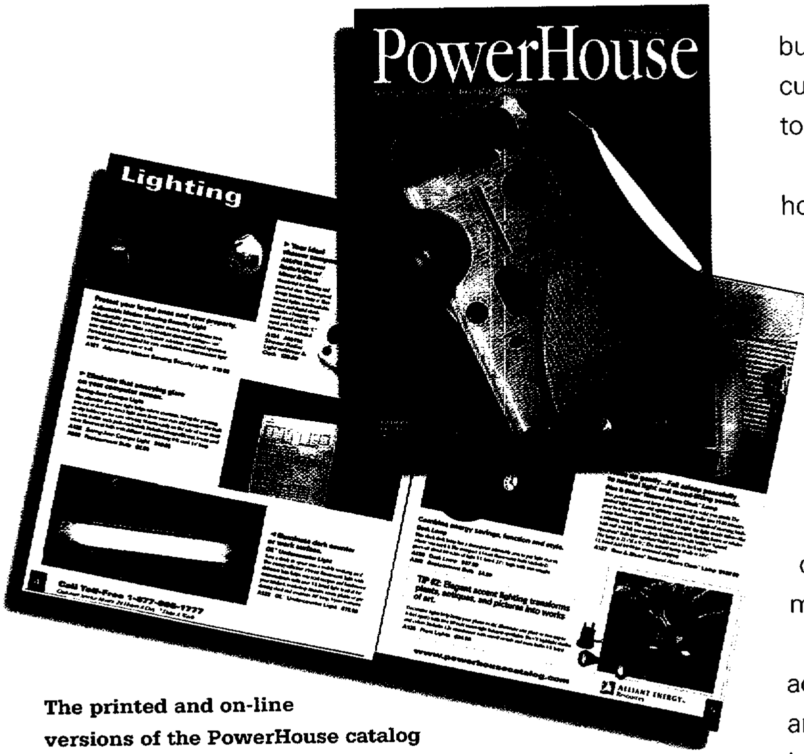
We won't buy or partner on every project that comes our way ... only the best projects that present a solid opportunity with the right risk profile.



"SUCCESS IN THE GLOBAL MARKETPLACE requires visualizing growth opportunities early and connecting with a strong local partner who knows the market. We've done both. Our Brazilian partner, Cataguazes, has a strong management team and a proven track record. And we expect energy usage in our Brazilian utility service territory to grow 6 to 8 percent annually. This scenario presents a clear view of how our investment in Brazil will help drive future earnings growth."

—FELICIA BELLOWS
MANAGING DIRECTOR-LATIN AMERICA

Growing more competitive



The printed and on-line versions of the PowerHouse catalog make it easy for customers to shop for energy-smart products from the comfort of their homes.

Tapping new markets with innovative products and services

Through our non-utility businesses, we are busy increasing our product lines for our existing customers and also extending our market reach to new areas.

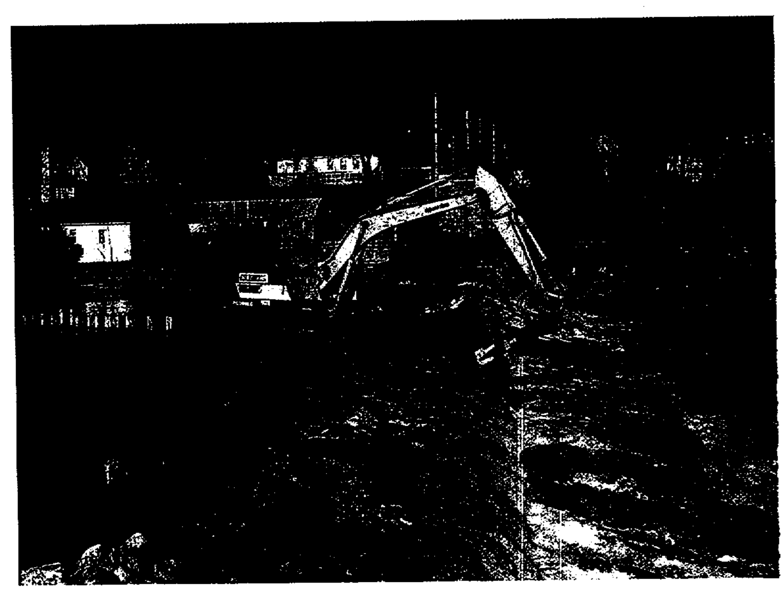
For example, in October, we partnered with a home securities firm to launch Alliant Energy Resources Home Protection Services, a 24-hour, monitored security, fire and home protection service for residential homeowners in Southern Wisconsin.

Building off our existing printed PowerHouse catalog, in 2000, we went on-line with an enhanced catalog *(powerhousecatalog.com)* full of energy-related products and services designed to make our customers' lives safer and more productive.

Alliant Energy Integrated Services grew through acquisitions and expanded its platform of products and services for large commercial customers. Late in 2000, we acquired two energy-services companies to provide on-site energy infrastructure and performance contracting services for customers.

We also launched a strategic partnership with Enermetrix, the leading provider of Internet commerce solutions to businesses operating in competitive energy markets. With Enermetrix's technology platform and our energy experience, we will help our customers efficiently secure energy under terms best suited to their individual needs.

RMT, Inc., a subsidiary of Alliant Energy Resources, received a 2001 Engineering Excellence Award from the Wisconsin Association of Consulting Engineers for its work in restoring a portion of the Baraboo River. In 2000, RMT spearheaded a river remediation project near the Oak Street Dam in Baraboo, Wis., where contaminated sediment had been found. The management, engineering and consulting firm collaborated with the Wisconsin Department of Natural Resources to excavate the sediment, remove the concrete dam and re-grade the riverbanks. As a result, the river's natural gradient has been restored and area residents are able to better enjoy the river.



WUHCA undermines our growth potential. It limits our opportunities, and it restricts us from capitalizing on the opportunities now available in the energy-services marketplace.

Eliminating legal constraints that prohibit growth

Growth requires skill, financial strength, passion and the desire to win for all players. And, for us, it also requires dealing with some unique barriers.

Growing as a Wisconsin-based utility holding company is problematic, as certain provisions of the Wisconsin Utility Holding Company Act (WUHCA) could keep us from fully executing our strategic plan to become an industry leader.

Under WUHCA, corporations that own 5 percent or more of a Wisconsin utility must be incorporated in the state of Wisconsin. This, of course, inhibits our ability to attract strategic investors that will help finance our growth strategy.

WUHCA undermines our growth potential. It limits our opportunities, and it restricts us from capitalizing on the opportunities now available in the energy-services marketplace. It forces us to lose ground in the new global marketplace in which others are profiting.

To resolve this issue, in October 2000, we moved forward with a federal proceeding to clarify the constitutionality of certain WUHCA provisions. Although the initial lawsuit was dismissed in January 2001, it certainly did not end our quest to remove this significant barrier to our growth.

In 2000, Alliant Energy went to federal court to challenge certain provisions of the Wisconsin Utility Holding Company Act. Although the initial case was dismissed in January 2001, we are continuing to pursue legal actions to resolve the basic question of the constitutionality of the 1985 state law that restricts ownership in Wisconsin utility holding companies. (Pictured above: Ritchie Sturgeon, senior regulatory attorney for Alliant Energy, and David Helbach, director-Corporate Public Affairs at Alliant Energy)

In February 2001, we amended the complaint and asked the court to reconsider its decision. In short, we will continue to pursue avenues to resolve the constitutionality of WUHCA and modify or remove the restrictions it places on Wisconsin-based energy companies. Resolution of this issue will empower us to build on our long-standing commitment to Wisconsin and chart a successful course for our next 100 years of growth. ■

C 10

Erroll B. Davis, Jr.
Chairman of the Board,
President and Chief Executive Officer
Alliant Energy Corp.
Madison, Wis.
Age 56; elected in 1982;
elected chair in 2000

Alan B. Arends
Chairman of the Board
Alliance Benefit Group
Financial Services Corp.
(employee benefits company)
Albert Lea, Minn.
Age 67; elected in 1993

Jack B. Evans
Director and President
The Hall-Perrine Foundation
(private philanthropic corporation)
Cedar Rapids, Iowa
Age 52; elected in 2000

Rockne G. Flowers
President
Nelson Industries, Inc.
(muffler, filter and industrial silencer
technology and manufacturing firm)
Stoughton, Wis.
Age 69; elected in 1979

Joyce L. Hanes
Chairman of the Board
Midwest Wholesale, Inc.
(products wholesaler)
Mason City, Iowa
Age 68; elected in 1982

Lee Liu
Retired Chairman of the Board
Alliant Energy Corp.
Cedar Rapids, Iowa
Age 67; elected in 1981

Katharine C. Lyall
President
University of Wisconsin System
Madison, Wis.
Age 59; elected in 1986

Arnold M. Nemirow
Chairman, President and CEO
Bowater Incorporated
(pulp and paper company)
Greenville, S.C.
Age 57; elected in 1991

Milton E. Neshek
Director, Secretary and General Counsel
Kikkoman Foods, Inc.
(food products manufacturer)
Walworth, Wis.
Age 70; elected in 1984

David A. Perdue
President of the Reebok brand
Reebok International Limited
(designer, distributor and marketer
of footwear, apparel and sports equipment)
Canton, Mass.
Age 51; appointed in 2001

Judith D. Pyle
Vice Chair
The Pyle Group
(financial services company)
Madison, Wis.
Age 57; elected in 1992

Robert W. Schlutz
President
Schlutz Enterprises
(diversified farming and retailing business)
Columbus Junction, Iowa
Age 64; elected in 1989

Wayne H. Stoppelmoor
Retired Vice Chairman of the Board
Alliant Energy Corp.
Dubuque, Iowa
Age 66; elected in 1986

Anthony R. Weiler
Corporate Consultant to
the Home Furnishings Industry
White Stone, Va.
Age 64; elected in 1979

Ages are as of Dec. 31, 2000. Each election date represents the first year of board affiliation with a company that ultimately became part of the Alliant Energy family.

Audit Committee
Jack B. Evans (Chair)
Alan B. Arends
Katharine C. Lyall
Milton E. Neshek
Judith D. Pyle

Compensation and Personnel Committee
Judith D. Pyle (Chair)
Alan B. Arends
Jack B. Evans
Arnold M. Nemirow
David A. Perdue

Nominating and Governance Committee
Anthony R. Weiler (Chair)
Rockne G. Flowers
Joyce L. Hanes
Katharine C. Lyall
Robert W. Schlutz

Environmental, Nuclear, Health and Safety Committee
Robert W. Schlutz (Chair)
Joyce L. Hanes
Milton E. Neshek
David A. Perdue
Anthony R. Weiler

Capital Approval Committee
Jack B. Evans
Judith D. Pyle
Anthony R. Weiler

EXECUTIVE MANAGEMENT TEAM

Erroll B. Davis, Jr.
Chairman, President and Chief Executive Officer
Responsible for overall strategic direction and vision for long-term growth of Alliant Energy. Age 56; joined the company in 1978.

William D. Harvey
Executive Vice President-Generation
President, Wisconsin Power and Light Company
Responsible for the operations of Alliant Energy's generation activities, including fossil-fuel and renewable power. Also has responsibility for merchant plant development. Age 51; joined the company in 1986.

James E. Hoffman
Executive Vice President-Business Development
President, Alliant Energy Resources, Inc.
Provides executive oversight for all non-regulated subsidiaries. Also has responsibility for shaping and implementing Alliant Energy's e-business strategies and initiatives. Age 47; joined the company in 1995.

Eliot G. Protsch
Executive Vice President-Energy Delivery
President, IES Utilities Inc. and Interstate Power Co.
Responsible for all utility transmission and distribution services, marketing activities and customer relations. Also responsible for guiding the development of distributed resources technology at the company. Age 47; joined the company in 1978.

Barbara J. Swan
Executive Vice President and General Counsel
Responsible for all legal and regulatory matters involving Alliant Energy and its utility and non-utility subsidiaries. Also has oversight for public relations, advertising and community affairs. Age 49; joined the company in 1987.

Thomas M. Walker
Executive Vice President and Chief Financial Officer
Responsible for accounting, finance, investor relations and shareowner services. Also has oversight for the financial activities in all business units and subsidiary companies. Age 53; joined the company in 1996.

Pamela J. Wegner
Executive Vice President-Corporate Services
President, Alliant Energy Corporate Services, Inc.
Responsible for environmental, health and safety; human resources and labor relations; information technology; sourcing; facilities; and project management. Also has executive oversight for all strategic planning activities throughout the company. Age 53; joined the company in 1993.

ALLIANT ENERGY CORPORATION OFFICERS

Erroll B. Davis, Jr., 56 [1978]
Chairman, President and Chief Executive Officer

William D. Harvey, 51 [1986]
Executive Vice President-Generation

James E. Hoffman, 47 [1995]
Executive Vice President-Business Development

Eliot G. Protsch, 47 [1978]
Executive Vice President-Energy Delivery

Barbara J. Swan, 49 [1987]
Executive Vice President and General Counsel

Thomas M. Walker, 53 [1996]
Executive Vice President and Chief Financial Officer

Pamela J. Wegner, 53 [1993]
Executive Vice President-Corporate Services

Edward M. Gleason, 60 [1977]
Vice President-Treasurer and Corporate Secretary

John E. Kratchmer, 38 [1985]
Corporate Controller and Chief Accounting Officer

Joan M. Thompson, 43 [1977]
Assistant Controller

Linda J. Wentzel, 52 [1978]
Assistant Corporate Secretary

Enrique Bacalao, 51 [1998]
Assistant Treasurer

ALLIANT ENERGY CORPORATE SERVICES OFFICERS*

Erroll B. Davis, Jr., 56 [1978]
Chairman and Chief Executive Officer

Pamela J. Wegner, 53 [1993]
President

William D. Harvey, 51 [1986]
Executive Vice President-Generation
(President, Wisconsin Power and Light Company)

James E. Hoffman, 47 [1995]
Executive Vice President-Business Development

Eliot G. Protsch, 47 [1978]
Executive Vice President-Energy Delivery
(President, IES Utilities Inc. and Interstate Power Company)

Barbara J. Swan, 49 [1987]
Executive Vice President and General Counsel

Thomas M. Walker, 53 [1996]
Executive Vice President and Chief Financial Officer

Edward M. Gleason, 60 [1977]
Vice President-Treasurer and Corporate Secretary

Dundeana K. Langer, 42 [1984]
Vice President-Customer Operations

Daniel L. Mineck, 52 [1970]
Vice President-Performance Engineering and Environmental

Kim K. Zuhlke, 47 [1978]
Vice President-Engineering, Sales and Marketing

John E. Kratchmer, 38 [1985]
Corporate Controller and Chief Accounting Officer

Kent M. Ragsdale, 51 [1985]
Assistant Corporate Secretary

Linda J. Wentzel, 52 [1978]
Assistant Corporate Secretary

Enrique Bacalao, 51 [1998]
Assistant Treasurer

Steven F. Price, 48 [1984]
Assistant Treasurer

ALLIANT ENERGY RESOURCES OFFICERS†

Erroll B. Davis, Jr., 56 [1978]
Chairman and Chief Executive Officer

James E. Hoffman, 47 [1995]
President

William D. Harvey, 51 [1986]
Executive Vice President

Eliot G. Protsch, 47 [1978]
Executive Vice President

Thomas M. Walker, 53 [1996]
Executive Vice President

Thomas L. Aller, 51 [1993]
Vice President
(President, Alliant Energy Investments, Inc.)

Charles Castine, 51 [1998]
Vice President
(President, Alliant Energy Integrated Services Company)

John K. Peterson, 48 [1998]
Vice President
(President, Alliant Energy International, Inc.)

Edward M. Gleason, 60 [1977]
Vice President-Treasurer and Corporate Secretary

John E. Kratchmer, 38 [1985]
Corporate Controller and Chief Accounting Officer

Daniel L. Siegfried, 40 [1992]
Assistant Corporate Secretary

Linda J. Wentzel, 52 [1978]
Assistant Corporate Secretary

Enrique Bacalao, 51 [1998]
Assistant Treasurer

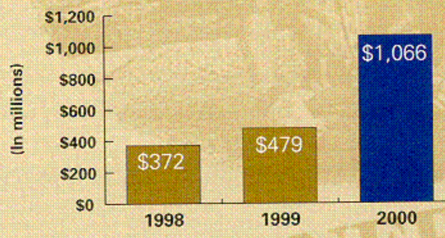
Steven F. Price, 48 [1984]
Assistant Treasurer

Ages are as of Dec. 31, 2000. Dates in brackets represent the year each person joined a company that ultimately became part of the Alliant Energy family.

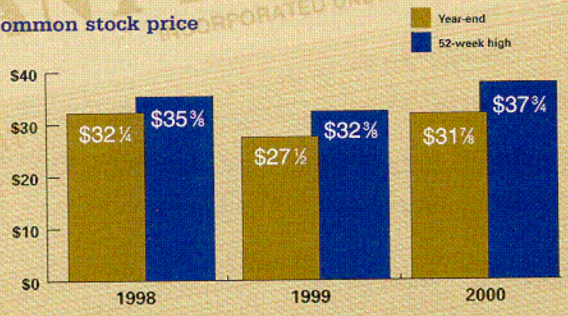
*Alliant Energy Corporate Services, Inc. provides internal support to all business units within the company.
†Alliant Energy Resources, Inc. is the parent of the company's non-regulated businesses.

Financial info

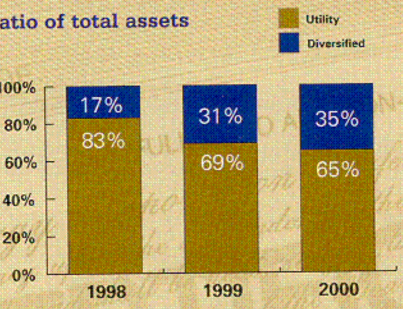
Construction and acquisition expenditures



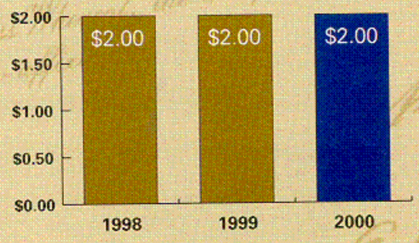
Common stock price



Ratio of total assets



Cash dividend paid per common share



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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

A listing of abbreviations and acronyms used in the text and notes of this report is on page 76.

FORWARD-LOOKING STATEMENTS

Statements contained in this report (including Management's Discussion and Analysis of Financial Condition and Results of Operations) 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. 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; general economic conditions in the utility subsidiaries' service territories; federal, state and international regulatory or government actions, including issues associated with the deregulation of the domestic utility industry and the setting of rates and recovery of costs; unanticipated construction and acquisition expenditures; issues related to stranded costs and the recovery thereof; unanticipated issues related to the supply of purchased electricity and price thereof; unexpected issues related to the operations of Alliant Energy's nuclear facilities; unanticipated costs associated with certain environmental remediation efforts being undertaken by Alliant Energy; Alliant Energy's ability to successfully implement its growth strategy, including the acquisition and operation of foreign companies; unanticipated developments that adversely impact Alliant Energy's strategy to grow its non-regulated businesses; material changes in the value of Alliant Energy's investments in McLeod and Capstone; technological developments; employee workforce factors, including changes in key executives, collective bargaining agreements or work stoppages; political, legal, economic and exchange rate conditions in foreign countries Alliant Energy has investments in; and changes in the rate of inflation.

UTILITY INDUSTRY OUTLOOK

OVERVIEW - As a public utility holding company with significant utility assets, Alliant Energy competes in an ever-changing utility industry. Electric energy generation, transmission and distribution are in a period of fundamental change resulting from legislative, regulatory, economic and technological changes. These changes impact competition in the electric wholesale and retail markets as customers of electric utilities are being offered alternative suppliers. Such competitive pressures could result in electric utilities losing customers and incurring stranded costs (i.e., assets and other costs rendered unrecoverable as the result of competitive pricing) which would be borne by security holders if the costs cannot be recovered from customers.

Alliant Energy's utility subsidiaries are currently subject to regulation by FERC, and state regulation in Iowa, Wisconsin, Minnesota and Illinois. FERC regulates competition in the electric wholesale power generation market and each state regulates 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. Alliant Energy cannot predict the timing of a restructured electric industry or the impact on its financial condition or results of operations but does believe it is well positioned to compete in a deregulated competitive market. Although Alliant Energy ultimately believes that the electric industry will be deregulated, the pace of deregulation in its retail electric service territories will likely be delayed due to recent events related to California's restructured electric utility industry.

In 1999, Wisconsin enacted "Reliability 2000" legislation which included, among other items, the formation of a Wisconsin transmission company (American Transmission Company, or ATC) for those Wisconsin utility holding companies who elected to take advantage of the modified asset cap law and others who elected to join. ATC received all necessary regulatory approvals and began operations on January 1, 2001. WP&L, including South Beloit Water, Gas & Electric Company (South Beloit), transferred its transmission assets (approximate net book value of $177 million) to ATC on January 1, 2001. WP&L

will receive cash of $88 million in 2001 and currently has an $89 million equity investment in ATC, resulting in no gain or loss for WP&L. WP&L does not expect this transfer to result in a significant impact on its financial condition or results of operations because it believes FERC will allow WP&L to earn a return on the contributed assets comparable to the return currently allowed by the PSCW and FERC. In addition to transferring its transmission assets, WP&L also transferred ownership of its System Operations Center to ATC. WP&L's ownership percentage in ATC is approximately 26 percent and its investment is accounted for under the equity method. Although no assurance can be given, it is currently anticipated that ATC's dividend policy will support a return of a significant portion of these earnings to the equity holders. ATC is expected to realize its revenues from the provision of transmission services to both participants in ATC as well as nonparticipants. ATC's current rates are subject to refund pending final approval by FERC. ATC is a transmission-owning member of the Midwest Independent System Operator (ISO) and the Mid-America Interconnected Network, Inc. (MAIN) Regional Reliability Council. At this time, the decision has been made not to contribute IESU's and IPC's transmission assets to ATC.

IESU and IPC are reviewing, with several other utilities, the viability of developing an independent transmission company for various Midwest utilities not included in ATC. The present schedule is to make the necessary filings with FERC and the various states by mid-2001, with a possible operational date of 2002.

WP&L's transfer of its transmission assets to ATC and the participation of IESU, WP&L and IPC in the Midwest ISO are expected to comply with the provisions of a FERC order requiring utilities to turn over voluntarily the operational control of their transmission systems to a regional entity by the end of 2001.

RATES AND REGULATORY MATTERS - As part of its merger approval, FERC accepted a proposal by Alliant Energy's utility subsidiaries which provides for a four-year freeze on wholesale electric prices beginning with the effective date of the April 1998 merger forming Alliant Energy. Each of the utilities also agreed with their respective state commissions to provide customers a four-year retail electric and gas price freeze (the ICC granted IPC and South Beloit a three-year rate freeze), excluding the electric fuel adjustment clause (FAC) and purchased gas adjustment (PGA) clause, which commenced on the effective date of the April 1998 merger. In Iowa, the retail rate freeze excludes price changes due to government-mandated programs (such as energy efficiency cost recovery) and unforeseen dramatic changes in operations. In Wisconsin, 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. 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.

In January 2001, the IUB issued an order requiring IESU and IPC to file a joint fuel procurement plan in May 2001 for the purpose of evaluating the reasonableness of the Iowa utilities' fuel procurement contracts. While IESU and IPC cannot predict the outcome of this process, it will result in formal hearings for IESU and IPC in Iowa. These hearings may address fuel procurement practices, changes in the fuel cost recovery mechanism and contingency actions to ensure reliability for the Summer of 2001.

In connection with a statewide docket to investigate compliance issues associated with the EPA's NOx emission reductions, in March 1999, the PSCW authorized deferral of all incremental NOx compliance costs excluding internal labor and replacement purchased-power costs. In March 2000, the PSCW issued an order approving WP&L's NOx compliance plans, including additional investments at several WP&L generating units. The order also approved a 10-year straight-line depreciation method for NOx compliance investments. Such depreciation is also being deferred and WP&L anticipates recovery of all deferred NOx compliance costs beginning with the first rate changes after the rate freeze expires. The depreciation lives will be reviewed every two years. Refer to "Liquidity and Capital Resources - Environmental" for a further discussion of the NOx issue.

WP&L's retail electric rates are based in part on forecasted fuel and purchased-power costs. Under PSCW rules, WP&L can seek emergency rate increases if the annual fuel and purchased-power costs are more than 3 percent higher than the estimated costs used to establish rates. 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 2000, WP&L requested a $73 million (revised to $64 million) annual retail electric rate increase from the PSCW to cover increases in WP&L's 2001 fuel and purchased-power costs due to the continued increases in natural gas prices which impact WP&L's generation costs and the increased costs of purchased-power. The PSCW approved a $46 million interim retail electric rate increase effective February 9, 2001. A decision on a permanent rate increase is expected in the second quarter of 2001. The PSCW also granted WP&L annual retail electric rate increases of $14.8 million, $14.5 million and $16.5 million in July 1998, March 1999 and May 2000, respectively, due to higher fuel and purchased-power costs, some of which have been caused by the transmission constraints and electric reliability concerns in the Midwest. WP&L does not believe any revenues collected to date are subject to refund.

In November 1999, the PSCW allowed WP&L rate recovery of $6.3 million of its Year 2000 (Y2K) program expenditures, but it denied rate recovery of the first $4.5 million.

These costs were expensed in 1999. The PSCW's decision to allow rate recovery was appealed by certain intervenors in Dane County, Wisconsin district court. In April 2000, the intervenors withdrew their appeal. WP&L began recovering such costs in May 2000 and is amortizing the deferred costs as the amounts are recovered in rates.

In February 2000, the PSCW issued an order allowing WP&L to defer certain incremental costs it incurred after February 16, 2000 relating to the development of ATC. In December 2000, the PSCW issued an order allowing WP&L to defer incremental operating costs associated with ATC. Recovery of such costs will be addressed in WP&L's next retail rate case.

In 2000, the NRC raised several areas of concern with Kewaunee's operations. The concerns raised by the NRC are estimated to result in additional operating costs to WP&L in 2001 of approximately $5 million. Additional operating costs to WP&L over the period of 2002 through 2005 are estimated to be approximately $20 million and will be included in a future rate request. WP&L submitted a request to the PSCW for deferral of incremental costs associated with this issue. The NRC has acknowledged the safety record of Kewaunee and its ability to continue operations.

WP&L is in the process of pursuing a rate complaint against Union Pacific Railroad with the Surface Transportation Board (STB). WP&L believes Union Pacific Railroad is charging an excessive rate for transporting low-sulfur coal from the Powder River Basin to the Edgewater Generating Station located in Sheboygan, Wisconsin. To contest the rate, WP&L filed a rate case with the STB and upon the expiration of the existing contract, began moving coal under a tariff rate beginning January 1, 2000. Final briefs were filed in December 2000 and the STB has until September 2001 to issue a final decision. If the STB rules in WP&L's favor, a refund to WP&L's customers will need to be considered in conjunction with the electric FAC in Wisconsin.

Alliant Energy 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 accrued as 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's operations no longer complies with SFAS 71, 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 meets the requirements under generally accepted accounting principles for continued accounting as regulatory assets during such recovery period. In addition, each utility would be required to determine any impairment of other assets and write-down any impaired assets to their fair value. Alliant Energy believes its utility subsidiaries currently meet the requirements of SFAS 71.

RESULTS OF OPERATIONS

Unless otherwise noted, all "per share" references in the Results of Operations section refer to earnings per **diluted** share.

OVERVIEW - Alliant Energy's earnings for 2000, 1999 and 1998 were as follows (in thousands, except per share amounts):

	2000	1999	1998
Net income	**$398,662**	$196,581	$96,675
Average number of common shares outstanding (diluted)	**79,193**	78,395	76,929
Earnings per average common share (EPS)	**$5.03**	$2.51	$1.26
EPS related to the adoption of SFAS 133	**$2.58**	—	—
EPS related to gains on sales of McLeod stock	**$0.20**	$0.32	—
EPS related to merger expenses	—	—	($0.45)

Alliant Energy's 2000 earnings increase was primarily due to $204 million of non-cash net income ($2.58 per share) relating to Alliant Energy's adoption of a new accounting pronouncement, SFAS 133, on July 1, 2000. Earnings in 2000 also benefited from increased earnings at Alliant Energy's non-regulated oil and gas and electricity trading businesses. Partially offsetting these items were higher interest expense to fund Alliant Energy's strategic growth initiatives, the dilutive effect of Alliant Energy's January 2000 investment in several Brazilian utilities and lower gains from certain asset sales in 2000 compared to 1999. Within the utility business, increased electric margins were offset by higher operating expenses.

The 2000 utility earnings were $167.8 million ($2.12 per share) compared to $161.1 million ($2.06 per share) for the same period in 1999. The increase resulted primarily from higher electric and gas margins ($0.28 and $0.03 per share, respectively) and interest income realized from a tax settlement at IESU ($0.03 per share). These items were offset by increases in operation and maintenance ($0.15 per share), depreciation and amortization ($0.15 per share) and interest ($0.04 per share) expenses. Lower taxes also contributed to the earnings increase in 2000.

Resources reported net income of $236.8 million ($2.99 per share) in 2000, including $204 million related to the adoption of SFAS 133. Excluding the SFAS 133 income, earnings were $0.41 per share in 2000. Net income for 1999 was $37.8 million ($0.48 per share). The decrease in 2000 earnings was due to lower gains on sales of McLeod stock ($0.12 per share), the dilutive impact of Alliant Energy's January 2000 investment in several Brazilian utilities ($0.12 per share), a one-time charge ($0.03 per share) related to a loss on a contract at Alliant Energy's integrated services business and lower gains from asset sales in New Zealand ($0.03 and $0.05 per share in 2000 and 1999, respectively). These items were partially offset by significant earnings increases from Alliant Energy's oil and gas ($0.20 per share) and electricity trading ($0.08 per share) businesses. Increased interest expense to fund various other strategic growth initiatives also impacted the earnings comparison. The dilutive impact of the Brazil investment was higher than initially anticipated, largely due to unexpected regulatory delays in the implementation of tariff adjustments. Alliant Energy expects these delays to be resolved in the first half of 2001 and expects the earnings from the Brazil investments to be positive in 2001 and subsequent years.

Alliant Energy's 1999 earnings increase 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 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 percent 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).

ELECTRIC UTILITY OPERATIONS - Electric margins and MWh sales for Alliant Energy for 2000, 1999 and 1998 were as follows:

	Revenues and Costs (in thousands)					MWhs Sold (in thousands)				
	2000	1999	*	1998	**	**2000**	1999	*	1998	**
Residential	**$567,283**	$541,714	5%	$532,676	2%	**7,161**	7,024	2%	6,826	3%
Commercial	**349,019**	329,487	6%	317,704	4%	**5,364**	5,260	2%	4,943	6%
Industrial	**501,155**	476,140	5%	477,241	—	**13,092**	13,036	—	12,718	3%
Total from ultimate customers	**1,417,457**	1,347,341	5%	1,327,621	1%	**25,617**	25,320	1%	24,487	3%
Sales for resale	**173,148**	155,801	11%	199,128	(22%)	**4,906**	5,566	(12%)	7,189	(23%)
Other	**57,431**	45,796	25%	40,693	13%	**174**	162	7%	158	3%
Total revenues/sales	**1,648,036**	1,548,938	6%	1,567,442	(1%)	**30,697**	31,048	(1%)	31,834	(2%)
Electric production fuels expense	**271,073**	247,136	10%	283,866	(13%)					
Purchased power expense	**294,818**	255,446	15%	255,332	—					
Margin	**$1,082,145**	$1,046,356	3%	$1,028,244	2%					

* Reflects the percent change from 1999 to 2000. ** Reflects the percent change from 1998 to 1999.

Electric margin increased $35.8 million, or 3 percent, and $18.1 million, or 2 percent, for 2000 and 1999, respectively. The 2000 increase was primarily due to increased sales to retail customers due to continued economic growth in Alliant Energy's utility subsidiaries' service territories, a favorable $10 million change in estimate of WP&L's utility services rendered but unbilled at month-end, increased energy conservation revenues and increased capacity sales. These items were partially offset by higher purchased-power and fuel expenses and the impact of milder weather conditions (approximately $12 million) on electric margin in 2000 compared to 1999. The 1999 margin also included a favorable $9 million change in estimate of IESU's and IPC's utility services rendered but unbilled at month-end in Iowa.

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 IESU's and IPC's utility services rendered but unbilled at month-end in Iowa, increased retail sales of 3 percent due to more favorable weather conditions in 1999 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 and maintenance expense). The lower sales to off-system and wholesale customers were primarily due to lower wholesale customer contractual commitments and transmission constraints.

IESU's and IPC's electric tariffs include EACs that are designed to currently recover the costs of fuel and the energy portion of purchased-power billings (refer to Note 1(j) of the "Notes to Consolidated Financial Statements" for discussion of the EAC). Refer to "Utility Industry Outlook - Rates and Regulatory Matters" for additional information on the IUB fuel investigation and the December 2000 FAC filing by WP&L.

GAS UTILITY OPERATIONS - Gas margins and Dth sales for Alliant Energy for 2000, 1999 and 1998 were as follows:

	Revenues and Costs (in thousands)					Dths Sold (in thousands)				
	2000	1999	*	1998	**	**2000**	1999	*	1998	**
Residential	**$245,697**	$185,090	33%	$175,603	5%	**32,026**	30,309	6%	28,378	7%
Commercial	**127,104**	89,118	43%	85,842	4%	**19,696**	18,349	7%	17,760	3%
Industrial	**27,752**	21,855	27%	20,204	8%	**5,350**	5,963	(10%)	5,507	8%
Transportation/other	**14,395**	18,256	(21%)	13,941	31%	**43,931**	46,954	(6%)	52,389	(10%)
Total revenues/sales	**414,948**	314,319	32%	295,590	6%	**101,003**	101,575	(1%)	104,034	(2%)
Cost of utility gas sold	**278,734**	180,519	54%	166,453	8%					
Margin	**$136,214**	$133,800	2%	$129,137	4%					

* Reflects the percent change from 1999 to 2000. ** Reflects the percent change from 1998 to 1999.

Gas margin increased $2.4 million, or 2 percent, and $4.7 million, or 4 percent, for 2000 and 1999, respectively. The 2000 increase was largely due to more favorable weather conditions in the 2000 heating season compared to 1999. Due to Alliant Energy's rate recovery mechanisms for gas costs, the significant increase in Alliant Energy's cost of gas sold during 2000 had little impact on gas margin. The 1999 increase was primarily due to higher retail sales due to customer growth and more favorable weather conditions in 1999. The 1999 sales increase was partially offset by decreased recoveries of $2.6 million of concurrent and previously deferred energy efficiency expenditures for Iowa-mandated energy efficiency program costs in accordance with IUB orders (portions of these recoveries offset as they are also amortized to expense in other operation and maintenance expense).

IESU's and IPC's gas tariffs include PGA clauses that are designed to currently recover the cost of utility gas sold (refer to 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 2000, 1999 and 1998 were as follows (in millions):

	2000	1999	1998
ISCO	**$172**	$126 *	$127
Oil and gas production	**94**	63	65
Steam	**30**	28	27
Transportation	**20**	22	22
Other	**26**	26	27
	$342	$265	$268

* Refer to Note 1(a) of the "Notes to Consolidated Financial Statements" for additional information related to a reclassification.

The 2000 ISCO increase was primarily due to various business acquisitions in 2000, increased activity in Alliant Energy's energy marketing business and greater demand for environmental and engineering services. Oil and gas production revenues increased in 2000 primarily due to higher oil and gas prices (partially offset by hedging) and oil volumes, partially offset by reduced gas volumes. The 1999 ISCO revenues decreased due to reduced activity in the energy marketing business, mostly offset by greater demand for environmental and engineering services. Refer to Note 10(a) of the "Notes to Consolidated Financial Statements" for a discussion of oil swaps and collars and natural gas swaps at Whiting.

OTHER OPERATING EXPENSES - Other operation and maintenance expenses for 2000, 1999 and 1998 were as follows (in millions):

	2000	1999	1998
Utility subsidiaries	**$497**	$477	$540
ISCO	**158**	114 *	118
Oil and gas production	**37**	35	38
Transportation	**11**	10	10
Other	**32**	33	37
	$735	$669	$743

* Refer to Note 1(a) of the "Notes to Consolidated Financial Statements" for additional information related to a reclassification.

Other operation and maintenance expenses at the utility subsidiaries increased $20 million in 2000 primarily due to:

(a) A planned refueling outage at Kewaunee.

(b) Higher expenses in the utility subsidiaries' energy delivery and generation business units (including $3 million of one-time fees related to the transfer of the Iowa utility businesses from the Mid-Continent Area Power Pool reliability region to the MAIN region).

(c) Increases in administrative and general expenses.

(d) Higher energy conservation expenses.

The 2000 increases were partially offset by expenses incurred in 1999 relating to Alliant Energy's Y2K program.

Other operation and maintenance expenses at ISCO increased $44 million in 2000 primarily due to increased expenses: at the energy marketing business; from 2000 business acquisitions; and at Alliant Energy's environmental and engineering services business, including a one-time charge of $4 million related to a loss on a contract.

Other operation and maintenance expenses at the utility subsidiaries decreased $63 million in 1999 primarily due to the following factors:

(a) $34 million of merger-related expenses incurred in 1998, which were for employee retirements ($15 million), separations ($13 million), relocations ($4 million) and other ($2 million).

(b) Reduced expenses in the energy delivery and generation business units.

(c) Lower energy efficiency expenses of $17 million in Iowa.

(d) A 1998 write-off of $9 million of certain employee benefits-related regulatory assets at IESU, which resulted from IESU's 1998 assessment regarding 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.

(e) Reduced insurance-related expenses.

(f) Lower costs in 1999 due to merger-related operating efficiencies.

The 1999 decreases were partially offset by higher expenses for employee incentive compensation, Alliant Energy's Y2K program, energy conservation expense at WP&L and employee benefits.

Other operation and maintenance expenses at ISCO decreased $4 million in 1999 primarily due to lower operation expenses in the energy marketing business, partially offset by increased demand for environmental and engineering services.

Depreciation and amortization expense increased $43.2 million and decreased $0.4 million in 2000 and 1999, respectively. The 2000 increase was primarily due to utility property additions and acquisitions at the non-regulated businesses, increased earnings in the WP&L nuclear decommissioning trust fund of approximately $20 million (offset entirely in "Miscellaneous, net") and increased amortization expenses. The 1999 decrease was primarily due to reduced earnings in WP&L's nuclear decommissioning trust fund, 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.

INTEREST EXPENSE AND OTHER - Interest expense increased $37.4 million and $6.9 million in 2000 and 1999, respectively. The 2000 increase was primarily due to higher non-regulated and utility borrowings to fund Alliant Energy's strategic growth initiatives, including Resources' $347 million investment in several Brazilian electric utilities in January 2000, and higher interest rates associated with short-term debt outstanding. The 1999 interest expense increase was primarily due to higher utility and non-regulated borrowings and higher nuclear decommissioning trust fund interest expense at IESU, which was offset entirely in "Miscellaneous, net."

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 trust 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.

On July 1, 2000, Alliant Energy adopted SFAS 133. Related to the adoption, Alliant Energy recorded a $321.3 million gain related to the designation of a portion of Alliant Energy's McLeod holdings as "trading securities." This gain related to the unrealized appreciation in value of approximately 27 percent of Alliant Energy's McLeod holdings. Alliant Energy will reflect in earnings all future changes in the value of the shares of McLeod stock designated as trading, which is expected to substantially offset the earnings impact of corresponding changes in the value of the derivative component of the 30-year exchangeable senior notes issued by Resources in February 2000.

In 2000, Alliant Energy continued to sell limited shares of its investment in McLeod to offset its start-up and growth-related interest expenses and re-deploy such proceeds into strategic earnings-generating investments. In 2000, Alliant Energy sold approximately 1.3 million shares (as adjusted for the 3-for-1 stock split effective April 2000) of its investment in McLeod, resulting in pre-tax gains of approximately $24 million. In 1999, Alliant Energy sold approximately 4.3 million shares (as adjusted for both the 2-for-1 stock split effective July 1999 and the 3-for-1 stock split effective April 2000), or 7 percent of its investment in McLeod, resulting in pre-tax gains of approximately $40 million, of which approximately $10 million was used for start-up expenses. As of December 31, 2000, Alliant Energy beneficially owned 56.1 million shares of McLeod common stock.

Miscellaneous, net income increased $30.3 million and $35.2 million in 2000 and 1999, respectively. The 2000 increase was primarily due to a change of $102 million in the value of the derivative component of Resources' exchangeable senior notes, increased interest income (including nuclear decommissioning trust fund earnings and $4 million recognized from a tax settlement at IESU), increased earnings of $10 million from Alliant Energy's electricity trading business and improved operations from other Alliant Energy unconsolidated non-regulated businesses. These items were partially offset by a decrease of $103 million in value of the McLeod trading securities, a decrease of $4 million in gains from sales of certain investments at Whiting and New Zealand completed during both periods and reduced income of $2 million realized from weather hedges at WP&L. Refer to Note 10(b) of the "Notes to Consolidated Financial Statements" for a discussion of WP&L's weather hedges.

The 1999 increase in miscellaneous, net income was primarily due to the non-recurrence of $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; 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; a $7 million increase in pre-tax earnings from Alliant Energy's electricity trading joint venture; and $5 million of income realized from weather hedges at WP&L. The 1999 increase in miscellaneous, net income was partially offset by a decrease of $11 million in earnings in the nuclear decommissioning trust funds.

Refer to Note 10(a) of the "Notes to Consolidated Financial Statements" for additional information related to the exchangeable senior notes derivative, the McLeod trading securities and the cumulative effect of a change in accounting principle.

INCOME TAXES - The effective income tax rates for Alliant Energy were 38.1 percent, 37.2 percent and 36.0 percent in 2000, 1999 and 1998, respectively. Refer to Note 5 of the "Notes to Consolidated Financial Statements" for additional information.

LIQUIDITY AND CAPITAL RESOURCES

OVERVIEW - Given Alliant Energy's financing flexibility, including 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. Alliant Energy's capital requirements are primarily attributable to Resources' acquisition and investment opportunities, its utility subsidiaries' construction and acquisition programs and its debt maturities. Alliant Energy expects to meet its future capital requirements with cash generated from operations, sale of investments and external financing. The level of cash generated from operations is partially dependent on economic conditions, legislative activities, environmental matters and timely regulatory recovery of utility costs. Liquidity and capital resources will be affected by costs associated with environmental and regulatory issues. Changes in the utility industry could also impact Alliant Energy's liquidity and capital resources, as discussed in "Utility Industry Outlook."

CASH FLOWS - In 2000, Alliant Energy's cash flows from financing activities increased $507 million primarily as a result of $402.5 million of exchangeable senior notes issued in February 2000 used to fund investments in the non-regulated businesses, including a $347 million investment in Brazil in January 2000.

In 1999, Alliant Energy's cash flows from operating activities decreased $45 million primarily due to changes in working capital; cash flows used for financing activities decreased $161 million largely due to changes in debt outstanding; and cash flows used for investing activities increased $39 million due to increased levels of construction and acquisition expenditures, primarily in the non-regulated businesses, partially offset by increased proceeds from sales of McLeod stock and other investments.

ENVIRONMENTAL - Alliant Energy's pollution abatement programs are subject to continuing review and are periodically revised due to changes in environmental regulations, construction plans and escalation of construction costs. While management cannot precisely forecast the effect of future environmental regulations on operations, it has taken steps to anticipate the future while also meeting the requirements of current environmental regulations.

Wisconsin is subject to the Clean Air Act due to its non-attainment status with respect to the one-hour ozone standard in the Lake Michigan region. The Wisconsin Department of Natural Resources (WDNR) has developed a rule that contains a plan for the state to meet the one-hour ozone attainment standard. The plan focuses on rate of progress requirements that are specified by the Clean Air Act for the years 2002, 2005 and 2007. The rule requires NOx reductions in counties that are currently in non-attainment of the one-hour ozone standard which includes WP&L's Edgewater power plant. Alliant Energy is currently evaluating various alternatives to achieve the proposed reductions and to reduce the emission levels at various power plants. Based on existing technology, preliminary estimates indicate that capital investments in the range of $30 to $40 million could be required.

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.

In 1998, the EPA issued the final report to Congress on the Study of Hazardous Air Pollutant Emissions (HAPs) from Electric Utility Steam Generating Units regarding hazardous air pollutant emissions from electric utilities, which concluded that mercury emissions from coal-fired generating plants were a concern. The EPA is developing regulations that are expected to be in place by 2004. In December 2000, the EPA made a regulatory determination in favor of controlling HAPs (including mercury) from electric utilities, which is being challenged by utility industry groups in two lawsuits filed in February 2001. Although the control of mercury emissions from generating plants is uncertain at this time, Alliant Energy believes that the capital investments and/or modifications that may be required to control mercury emissions could be significant.

Also in December 2000, the Wisconsin Natural Resources Board (WNRB) voted to allow the WDNR to proceed with mercury rulemaking. WP&L and the other Wisconsin Utility Association members have recommended to WNRB a workable mercury program that protects reliability and does not disadvantage Wisconsin when federal mercury rules are developed. The WDNR has indicated its desire to have the proposed rule written by the Spring of 2001. Alliant Energy cannot presently predict the final outcome of the regulation, but believes that capital investments and/or modifications required could be significant.

WP&L has been notified by the EPA that it is a PRP with respect to 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 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 and discovery is ongoing.

In 2000, WP&L was notified by Monroe County, Wisconsin that it does not have liability for costs associated with the Monroe County Interim Landfill in Sparta, Wisconsin. Monroe County has decided that it will pay for the investigation and cleanup of the landfill through community-wide funding.

In December 2000 and February 2001, the EPA requested certain information relating to the historical operation of WP&L's major coal-fired generating units in Wisconsin. WP&L has responded to the December 2000 request and is in the process of preparing its response to the February 2001 request. In some cases involving similar EPA requests from other electric generating facilities, penalties and capital expenditures have resulted. WP&L cannot presently predict what impact, if any, the EPA's request may have on its financial condition or results of operations. However, any required remedial action resulting from this matter could be significant.

A global treaty has been negotiated that could require reductions of greenhouse gas emissions from utility plants. In 1998, the U.S. signed the treaty and agreed with other countries to resolve all remaining issues by the end of 2000. That deadline has not been met and significant differences remain between the U.S. and other countries. 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 utility subsidiaries' operations.

Refer to Note 11(e) of the "Notes to Consolidated Financial Statements" for further discussion of Alliant Energy's environmental matters.

LONG-TERM DEBT - At December 31, 2000, Resources had available $450 million of committed bank lines of credit extending through October 2003 for direct borrowing or to support commercial paper, of which $321 million of commercial paper was outstanding and was classified as long-term debt. Commitment fees are paid to maintain this facility and there are no conditions restricting the unused credit. Currently, Resources anticipates that this facility will be renewed upon expiration.

In March 2000, WP&L issued $100 million of senior unsecured debentures at a fixed interest rate of 7-5/8%, due 2010. The net proceeds were primarily used to repay short-term debt. In February 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.

In March 2001, IESU issued $200 million of senior unsecured debentures at a fixed interest rate of 6-3/4%, due 2011. The net proceeds were primarily used to refinance $81.6 million of long-term debt maturing in 2001 and to repay short-term debt.

Alliant Energy has $607 million of long-term debt that will mature prior to December 31, 2005. Depending on market conditions, it is anticipated that a majority of the maturing debt will be refinanced with the issuance of long-term securities.

Refer to Note 8(b) of the "Notes to Consolidated Financial Statements" for additional information on long-term debt.

SHORT-TERM DEBT - At December 31, 2000, Resources had available $150 million of committed bank lines of credit extending through October 2001 for direct borrowing or to support commercial paper. Commitment fees are paid to maintain this facility and there are no conditions restricting the unused credit. Currently, Resources anticipates that this facility will be renewed upon expiration.

Alliant Energy also has $300 million of committed bank lines of credit extending through October 2001 available for direct borrowing or to support commercial paper, of which $284 million of commercial paper was outstanding at December 31, 2000. Commitment fees are paid to maintain these lines and there are no conditions restricting the unused lines of credit. Alliant Energy anticipates that this facility will be renewed upon expiration. Alliant Energy has agreements with several financial institutions to periodically borrow from uncommitted "as-offered" credit lines in lieu of commercial paper. There are no commitment fees associated with these agreements and $50 million of borrowings were outstanding under these agreements at December 31, 2000.

In addition to funding working capital needs, the 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. At December 31, 2000, IESU, WP&L and IPC were authorized by the applicable federal or state regulatory agency to issue short-term debt of $150 million, $128 million and $72 million, respectively.

The utility subsidiaries 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 can only borrow money from the utility money pool.

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. Refer to Note 8(a) of the "Notes to Consolidated Financial Statements" for additional information on short-term debt.

SALE OF ACCOUNTS RECEIVABLE - To maintain flexibility in its capital structure and to take advantage of favorable short-term rates, IESU and WP&L use proceeds from the sale of accounts receivable and unbilled revenues to finance a portion of their long-term cash needs. Alliant Energy and the utility subsidiaries have filed applications with the SEC and various state regulatory agencies for approval of a combined accounts receivable sale program whereby each utility, including IPC, 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 be substantially similar to the prior programs. All necessary approvals are expected by mid-2001.

FINANCIAL GUARANTEES AND COMMITMENTS - Alliant Energy had certain off-balance sheet financial guarantees and commitments outstanding at December 31, 2000. These largely consisted 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 and EUA Cogenex Corporation. Refer to Note 11(d) of the "Notes to Consolidated Financial Statements" for additional information.

INVESTMENTS - Under PUHCA, certain investments of Alliant Energy in exempt wholesale generators and foreign utility companies are limited to 50 percent of Alliant Energy's consolidated retained earnings. Alliant Energy is pursuing making the necessary regulatory filings requesting an increase in this limitation. Under the Wisconsin Utility Holding Company Act, there is an asset cap provision that limits certain non-utility assets in a utility holding company to 25 percent of utility assets. Under the provisions of the law, assets related to the provision of various energy-related, environmental engineering and telecommunications services are not 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 or non-regulated investments. Such risks could include foreign government actions, economic and currency risks and others. However, Alliant Energy will strive to select investments where risks are both understood and manageable.

In January 2000, Resources acquired a stake in four Brazilian electric utilities for a total of approximately $347 million (and has closed on additional Brazilian investments in the first quarter of 2001). Refer to Note 9 of the "Notes to Consolidated Financial Statements" for additional information related to Alliant Energy's investments in foreign entities. Alliant Energy expects its Brazil investments will be slightly accretive to earnings in 2001 and generate significant earnings growth beginning in 2002.

CONSTRUCTION AND ACQUISITION EXPENDITURES - Capital expenditure and investment and financing plans are subject to change 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. Refer to Note 11(a) of the "Notes to Consolidated Financial Statements" for information on Alliant Energy's anticipated construction and acquisition expenditures.

Alliant Energy's utility subsidiaries anticipate financing utility construction expenditures during 2001-2005 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.

OTHER MATTERS

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. 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. Assuming no change in Alliant Energy's financial structure, if variable interest rates were to average 1 percent higher (lower) in 2001 than in 2000, interest expense and pre-tax earnings would increase (decrease) by approximately $8.0 million. Comparatively, if variable interest rates had averaged 1 percent higher (lower) in 2000 than in 1999, interest expense and pre-tax earnings would have increased (decreased) by approximately $5.1 million. These amounts were determined by considering the impact of a hypothetical 1 percent increase (decrease) in interest rates on the variable-rate debt held by Alliant Energy as of December 31, 2000 and 1999.

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.

WP&L periodically utilizes gas commodity swap arrangements 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 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 substantially offset by changes in the value of the gas commodity swaps. To the extent actual storage withdrawals vary from forecasted withdrawals, WP&L has physical commodity price exposure. A 10 percent 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, 2000 and 1999.

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. Alliant Energy periodically 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 2001, and the swaps and forward contracts outstanding for such period, a sustained 10 percent increase (decrease) in gas and crude oil prices would impact Alliant Energy's pre-tax 2001 earnings by approximately $14.5 million. A sustained 10 percent increase (decrease) in prices during 2000 would have impacted Alliant Energy's 2000 pre-tax earnings by approximately $3.8 million, based on Whiting's estimated gas and forward contracts outstanding at December 31, 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 venture's best estimate considering various factors, including closing exchanges and over-the-counter quotations, time value, volatility and credit risk 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, 2000 and 1999 was $1.5 million and $0.3 million, respectively, which was calculated with a 99 percent confidence level. The low, average and high VAR in 2000 were $0.1 million, $0.9 million and $2.0 million, respectively, and in 1999 were $0.1 million, $0.3 million and $1.5 million, respectively.

Equity Price Risk - IESU and WP&L maintain trust funds to fund their anticipated nuclear decommissioning costs. As of December 31, 2000 and 1999, these funds were invested primarily in domestic equity and debt instruments. Fluctuations in equity prices or interest rates will not affect Alliant Energy's 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. In February 2001, WP&L entered into a four-year hedge on equity assets in its nuclear decommissioning trust fund.

At December 31, 2000 and 1999, Alliant Energy had an investment in the stock of McLeod, a publicly traded telecommunications company, valued at $791 million and $1,124 million, respectively. In addition to the equity risk associated with the investment in McLeod, Alliant Energy also has equity risk related to the option liability embedded within Resources' exchangeable senior notes. Refer to Note 10(a) of the "Notes to Consolidated Financial Statements" for further discussion. A 10 percent increase (decrease) in the quoted market price at December 31, 2000 would not have a significant impact on net income as any resulting increase (decrease) in the value of the option would be substantially offset by a corresponding increase (decrease) in the value of the McLeod shares classified as trading (valued at $221 million at December 31, 2000). At December 31, 2000, the McLeod available-for-sale securities were valued at $570 million. A 10 percent increase (decrease) in the quoted market price would have increased (decreased) the value of the investment by $57 million. A 10 percent increase (decrease) in the quoted market price at December 31, 1999 would have increased (decreased) the value of the investment by approximately $112 million. Refer to Note 9 of the "Notes to Consolidated Financial Statements" for discussion of how Alliant Energy accounts for its investment in McLeod.

At December 31, 2000 and 1999, Alliant Energy had various investments, accounted for under the cost method of accounting, in publicly traded utility companies in New Zealand which were valued at $10 million and $97 million, respectively. A 10 percent increase (decrease) in the quoted market prices at December 31 would have increased (decreased) the value of the investments at December 31, 2000 and 1999 by approximately $1.0 million and $9.7 million, respectively.

In the second quarter of 2000, Capstone completed its initial public offering and Alliant Energy's $10 million investment in Capstone was valued at $41 million at December 31, 2000. A 10 percent increase (decrease) in the quoted market price at December 31, 2000 would have increased (decreased) the value of the investment by approximately $4.1 million.

Currency Risk - Alliant Energy has investments in various countries where the net investments are not hedged, including Australia, Brazil, China and New Zealand (Alliant Energy also had investments in Singapore as of December 31, 1999). As a result, these investments are subject to currency exchange risk with fluctuations in currency exchange rates. At December 31, 2000 and 1999, Alliant Energy had a cumulative foreign currency translation loss of $60.0 million and $9.6 million, respectively, recorded in "Accumulated other comprehensive income" on its Consolidated Balance Sheets that primarily related to decreases in value of the Brazil currency (real) and New Zealand dollar in relation to the U.S. dollar. Based on Alliant Energy's investments at December 31, 2000 and 1999, a 10 percent sustained increase (decrease) over the next 12 months in the foreign exchange rates of Australia, Brazil, China and New Zealand (and Singapore as of December 31, 1999) would increase (decrease) the cumulative foreign currency translation gain/loss by $46.5 million and $17.2 million, respectively. The significant increase in currency risk at December 31, 2000 is primarily due to the increase in the amount of Resources' investment in Brazil at December 31, 2000 compared with December 31, 1999.

Refer to Notes 1(n) and 10 of the "Notes to Consolidated Financial Statements" for further discussion of Alliant Energy's derivative financial instruments.

CARGILL - The initial term of Alliant Energy's electricity commodity trading joint venture with Cargill expires in October 2002. At this time, Alliant Energy cannot predict if this agreement will be renewed upon expiration.

OUTLOOK

Assuming normal weather conditions, Alliant Energy's utility subsidiaries' ability to recover their purchased-power and fuel costs, continued economic growth in the utility subsidiaries' service territories, increased growth and profitability of Alliant Energy's non-regulated businesses and stable business conditions, Alliant Energy currently estimates that diluted earnings per share from continuing operations for 2001 will be within the $2.40 to $2.60 range. Alliant Energy's strategic plan includes aggressively investing in generation and other energy-related projects; better connecting with customers through enhanced service reliability and e-business initiatives; and growing the non-regulated side of its business through partnerships and acquisitions in generation projects, international markets and other strategic initiatives. Alliant Energy believes that successful implementation of these strategies will contribute significantly to Alliant Energy achieving its targeted annual growth rate in earnings from continued operations of 7 to 10 percent. Alliant Energy expects its non-regulated businesses to contribute 25 percent of such earnings within the next two to four years.

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.
Chairman, President and Chief Executive Officer

Thomas M. Walker
Executive Vice President and Chief Financial Officer

John E. Kratchmer
Corporate Controller and Chief Accounting Officer

January 29, 2001

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, 2000 and 1999, 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, 2000. 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 auditing standards generally accepted in the United States. 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, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Milwaukee, Wisconsin

January 29, 2001

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31, 2000	1999	1998
	(in thousands, except per share amounts)		
Operating revenues:			
Electric utility	**$1,648,036**	$1,548,938	$1,567,442
Gas utility	**414,948**	314,319	295,590
Non-regulated and other	**342,000**	264,716	267,842
	2,404,984	2,127,973	2,130,874
Operating expenses:			
Electric and steam production fuels	**288,621**	262,305	297,685
Purchased power	**294,818**	255,446	255,332
Cost of utility gas sold	**278,734**	180,519	166,453
Other operation and maintenance	**734,675**	669,111	742,971
Depreciation and amortization	**322,334**	279,088	279,505
Taxes other than income taxes	**104,746**	104,969	105,626
	2,023,928	1,751,438	1,847,572
Operating income	**381,056**	376,535	283,302
Interest expense and other:			
Interest expense	**173,614**	136,229	129,363
Allowance for funds used during construction	**(8,761)**	(7,292)	(6,812)
Preferred dividend requirements of subsidiaries	**6,713**	6,706	6,699
Gain on reclassification of investments	**(321,349)**	—	—
Gains on sales of McLeodUSA Inc. stock	**(23,773)**	(40,272)	—
Miscellaneous, net	**(66,158)**	(35,903)	(736)
	(239,714)	59,468	128,514
Income before income taxes	**620,770**	317,067	154,788
Income taxes	**238,816**	120,486	58,113
Income before cumulative effect of a change in accounting principle, net of tax	**381,954**	196,581	96,675
Cumulative effect of a change in accounting principle, net of tax	**16,708**	—	—
Net income	**$398,662**	$196,581	$96,675
Average number of common shares outstanding - basic	**79,003**	78,352	76,912
Earnings per average common share - basic:			
Income before cumulative effect of a change in accounting principle	**$4.84**	$2.51	$1.26
Cumulative effect of a change in accounting principle	**0.21**	—	—
Net income	**$5.05**	$2.51	$1.26
Average number of common shares outstanding - diluted	**79,193**	78,395	76,929
Earnings per average common share - diluted:			
Income before cumulative effect of a change in accounting principle	**$4.82**	$2.51	$1.26
Cumulative effect of a change in accounting principle	**0.21**	—	—
Net income	**$5.03**	$2.51	$1.26
Dividends declared per common share	**$2.00**	$2.00	$2.00

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

CONSOLIDATED BALANCE SHEETS

ASSETS	December 31, 2000	1999
	(in thousands)	
Property, plant and equipment:		
Utility -		
Plant in service -		
Electric	**$5,203,069**	$5,032,675
Gas	**574,390**	540,874
Other	**474,116**	458,547
	6,251,575	6,032,096
Less - Accumulated depreciation	**3,296,546**	3,077,459
	2,955,029	2,954,637
Construction work in progress	**130,856**	119,276
Nuclear fuel, net of amortization	**61,935**	54,363
	3,147,820	3,128,276
Other property, plant and equipment, net of accumulated depreciation and amortization of $209,072 and $184,722, respectively	**571,487**	357,758
	3,719,307	3,486,034
Current assets:		
Cash and temporary cash investments	**148,415**	113,669
Accounts receivable:		
Customer, less allowance for doubtful accounts of $3,762 and $2,253, respectively	**122,895**	67,299
Unbilled utility revenues	**124,515**	48,033
Other, less allowance for doubtful accounts of $484 and $954, respectively	**45,829**	30,095
Notes receivable, less allowance for doubtful accounts of $484 and $153, respectively	**9,968**	6,328
Production fuel, at average cost	**46,627**	49,657
Materials and supplies, at average cost	**55,930**	52,440
Gas stored underground, at average cost	**41,359**	23,151
Regulatory assets	**29,348**	33,439
Prepaid gross receipts tax	**23,088**	20,864
Other	**63,007**	41,011
	710,981	485,986
Investments:		
Investment in available-for-sale securities of McLeodUSA Inc.	**569,951**	1,123,790
Investment in trading securities of McLeodUSA Inc.	**220,912**	—
Investments in unconsolidated foreign entities	**507,655**	198,055
Nuclear decommissioning trust funds	**307,940**	271,258
Other	**132,203**	59,866
	1,738,661	1,652,969
Other assets:		
Regulatory assets	**270,779**	263,610
Deferred charges and other	**294,038**	187,084
	564,817	450,694
Total assets	**$6,733,766**	$6,075,683

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

CONSOLIDATED BALANCE SHEETS (Continued)

CAPITALIZATION AND LIABILITIES	December 31, 2000	1999
	(in thousands)	
Capitalization (See Consolidated Statements of Capitalization):		
Common stock	**$790**	$790
Additional paid-in capital	**947,504**	942,408
Retained earnings	**818,162**	577,464
Accumulated other comprehensive income	**271,867**	634,903
Shares in deferred compensation trust	**(851)**	—
Total common equity	**2,037,472**	2,155,565
Cumulative preferred stock of subsidiaries, net	**113,790**	113,638
Long-term debt (excluding current portion)	**1,910,116**	1,486,765
	4,061,378	3,755,968
Current liabilities:		
Current maturities and sinking funds	**92,477**	54,795
Variable rate demand bonds	**55,100**	55,100
Commercial paper	**283,885**	374,673
Notes payable	**50,067**	50,046
Other short-term borrowings	**110,783**	—
Accounts payable	**296,959**	191,149
Accrued taxes	**87,484**	78,825
Other	**177,580**	129,037
	1,154,335	933,625
Other long-term liabilities and deferred credits:		
Accumulated deferred income taxes	**931,675**	1,018,482
Accumulated deferred investment tax credits	**67,364**	71,857
Derivative liability	**181,925**	—
Environmental liabilities	**64,532**	65,327
Pension and other benefit obligations	**65,399**	61,988
Other	**207,158**	168,436
	1,518,053	1,386,090
Commitments and contingencies (Note 11)		
Total capitalization and liabilities	**$6,733,766**	$6,075,683

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2000	1999	1998
	(in thousands)		
Cash flows from operating activities:			
Net income	**$398,662**	$196,581	$96,675
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	**322,334**	279,088	279,505
Amortization of nuclear fuel	**18,933**	17,494	17,869
Amortization of deferred energy efficiency expenditures	**25,609**	25,435	27,083
Deferred tax expense (benefits) and investment tax (credits)	**115,045**	(16,258)	(27,720)
Gains on dispositions of assets, net	**(43,148)**	(61,667)	(6,505)
Equity (income) loss from unconsolidated investments, net	**(19,138)**	(3,008)	1,339
Gain on reclassification of investments	**(321,349)**	—	—
Cumulative effect of a change in accounting principle, net of tax	**(16,708)**	—	—
Impairment of oil and gas properties	**—**	3,276	9,678
Impairment of regulatory assets	**—**	—	8,969
Other	**(1,114)**	(1,240)	(2,451)
Other changes in assets and liabilities:			
Accounts receivable	**(147,812)**	(16,407)	15,349
Gas stored underground	**(18,208)**	2,862	6,351
Accounts payable	**105,810**	(13,148)	11,663
Benefit obligations and other	**12,933**	10,121	29,957
Net cash flows from operating activities	**431,849**	423,129	467,762
Cash flows from (used for) financing activities:			
Common stock dividends declared	**(157,964)**	(156,489)	(140,679)
Dividends payable	**(167)**	13	(15,458)
Proceeds from issuance of common stock	**1,069**	36,491	33,832
Net change in Resources' credit facility	**181,652**	(113,657)	70,492
Proceeds from issuance of exchangeable senior notes	**402,500**	—	—
Proceeds from issuance of other long-term debt	**121,525**	281,299	77,544
Reductions in other long-term debt	**(64,837)**	(95,520)	(27,663)
Net change in other short-term borrowings	**156,990**	169,587	(40,216)
Other	**(31,077)**	(18,631)	(15,583)
Net cash flows from (used for) financing activities	**609,691**	103,093	(57,731)
Cash flows used for investing activities:			
Construction and acquisition expenditures:			
Utility	**(304,656)**	(285,668)	(269,133)
Non-regulated businesses and other	**(761,808)**	(192,905)	(102,925)
Nuclear decommissioning trust funds	**(22,100)**	(22,100)	(20,305)
Proceeds from dispositions of assets	**111,509**	93,443	16,677
Other	**(29,739)**	(37,150)	(29,847)
Net cash flows used for investing activities	**(1,006,794)**	(444,380)	(405,533)
Net increase in cash and temporary cash investments	**34,746**	81,842	4,498
Cash and temporary cash investments at beginning of period	**113,669**	31,827	27,329
Cash and temporary cash investments at end of period	**$148,415**	$113,669	$31,827
Supplemental cash flow information:			
Cash paid during the period for:			
Interest	**$163,728**	$130,214	$126,376
Income taxes	**$116,895**	$141,150	$84,916
Noncash investing and financing activities:			
Capital lease obligations incurred	**$20,419**	$25,040	$1,426

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

CONSOLIDATED STATEMENTS OF CAPITALIZATION

	December 31, 2000	1999
	(in thousands, except share amounts)	
Common equity:		
Common stock - $.01 par value - authorized 200,000,000 shares; outstanding 79,010,114 and 78,984,014 shares, respectively	**$790**	$790
Additional paid-in capital	**947,504**	942,408
Retained earnings	**818,162**	577,464
Accumulated other comprehensive income	**271,867**	634,903
Shares in deferred compensation trust - 28,825 shares at an average cost of $29.52 per share	**(851)**	—
Total common equity	**2,037,472**	2,155,565
Cumulative preferred stock of subsidiaries, net (Note 7(b))	**113,790**	113,638
Long-term debt:		
First Mortgage Bonds:		
4.75% variable rate at December 31, 1999, retired in 2000	**—**	1,875
8-5/8% to 9-1/8%, due 2001	**81,000**	81,000
7.75%, due 2004	**62,000**	62,000
4.85% variable rate at December 31, 2000 to 7.6%, due 2005	**88,000**	88,000
7-1/4% to 8%, due 2007	**55,000**	55,000
5% variable rate at December 31, 2000, due 2014	**8,500**	8,500
4.85% to 5.15% variable rate at December 31, 2000, due 2015	**30,600**	30,600
8-5/8%, due 2021	**25,000**	25,000
7-5/8%, due 2023	**94,000**	94,000
9.3%, due 2025	**27,000**	27,000
8.6%, due 2027	**90,000**	90,000
	561,100	562,975
Collateral Trust Bonds:		
7.65%, retired in 2000	**—**	50,000
7.25%, due 2006	**60,000**	60,000
6-7/8%, due 2007	**55,000**	55,000
6%, due 2008	**50,000**	50,000
5.5% to 7.0%, due 2023	**69,400**	69,400
	234,400	284,400
Pollution Control Revenue Bonds:		
5.45% to 5.75%, retired in 2000	**—**	1,196
5.75%, due 2001 to 2002	**1,120**	1,120
5.10% to 5.75% at December 31, 2000, due 2003	**5,080**	5,080
4.3% through 2003, due 2005 to 2008	**4,950**	4,950
6.25%, due 2009	**1,000**	1,000
4.05% through 2004 to 6.30% at December 31, 2000, due 2010	**16,550**	16,550
6.35%, due 2012	**5,650**	5,650
4.2% through 2004, due 2013	**7,700**	7,700
4.25% through 2003, due 2023	**10,000**	10,000
	52,050	53,246
Other long-term debt:		
Credit facility (6.37% to 6.65% at December 31, 2000)	**320,500**	—
Debentures, 5.7% to 7.0%, due 2007 to 2008	**165,000**	165,000
Senior Debentures, 6-5/8% to 7-5/8%, due 2009 to 2010	**235,000**	135,000
Subordinated Deferrable Interest Debentures, 7-7/8%, due 2025	**50,000**	50,000
Senior notes, 7-3/8% to 8.59%, due 2004 to 2009	**274,000**	274,000
Exchangeable senior notes, 7.25% through 2003, 2.5% thereafter, due 2030	**402,500**	—
Multifamily Housing Revenue Bonds, 5.05% to 7.55%, due 2001 to 2036	**33,366**	34,095
Other, 0% to 11%, due 2001 to 2045	**71,793**	45,926
	2,399,709	1,604,642
Less:		
Current maturities	**(92,477)**	(54,795)
Variable rate demand bonds	**(55,100)**	(55,100)
Unamortized debt premium and (discount), net	**(342,016)**	(7,982)
Total long-term debt (excluding current portion)	**1,910,116**	1,486,765
Total capitalization	**$4,061,378**	$3,755,968

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

CONSOLIDATED STATEMENTS OF CHANGES IN COMMON EQUITY

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Shares in Deferred Compensation Trust	Total Common Equity
				(in thousands)		
1998:						
Beginning balance (a)	$765	$868,903	$581,376	$173,512	$ —	$1,624,556
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 of $808				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 on securities				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
2000:						
Comprehensive income:						
Net income			**398,662**			**398,662**
Other comprehensive income (loss):						
Unrealized losses on securities:						
Unrealized holding losses arising during period, net of tax (b)				**(105,292)**		**(105,292)**
Less: adjustment for gain on reclassification of investments included in net income, net of tax of $134,053				**187,296**		**187,296**
Less: reclassification adjustment for other gains included in net income, net of tax of $8,426				**16,370**		**16,370**
Net unrealized losses on securities				**(308,958)**		**(308,958)**
Foreign currency translation adjustments				**(50,400)**		**(50,400)**
Unrealized losses on derivatives qualified as hedges:						
Unrealized holding losses arising during period due to cumulative effect of a change in accounting principle, net of tax of ($4,693)				**(6,582)**		**(6,582)**
Other unrealized holding losses arising during period, net of tax of ($2,560)				**(3,427)**		**(3,427)**
Less: reclassification adjustment for losses included in net income, net of tax of ($4,502)				**(6,331)**		**(6,331)**
Net unrealized losses on qualifying derivatives				**(3,678)**		**(3,678)**
Total comprehensive income						**35,626**
Common stock dividends			**(157,964)**			**(157,964)**
Common stock issued		**5,096**			**(851)**	**4,245**
Ending balance	**$790**	**$947,504**	**$818,162**	**$271,867**	**($851)**	**$2,037,472**

(a) The beginning accumulated other comprehensive income (loss) balance was related to: 1) $174,688 of unrealized gains on securities, net of tax; 2) ($20) of foreign currency translation adjustments; and 3) ($1,156) of minimum pension liability adjustment, net of tax.

(b) Net of tax expense (benefit) of ($3,218), $351,314, and ($77,853) in 1998, 1999 and 2000, 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 public utility holding company, whose primary subsidiaries are IESU, WP&L, IPC, Resources and Corporate Services. The utility subsidiaries 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 Iowa, Wisconsin, Minnesota and Illinois. Resources (through its numerous direct and indirect subsidiaries) has established global partnerships to develop energy generation, delivery and infrastructure in growing international markets. Resources also has domestic businesses including oil and gas operations, energy trading partnerships, energy and environmental services, transportation services and affordable housing companies. 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 the utility subsidiaries, 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 accounting principles generally accepted in the U.S., which give recognition to the rate making and accounting practices of FERC and state commissions having regulatory jurisdiction. 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.

Unconsolidated investments for which Alliant Energy has at least a 20 percent non-controlling 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.

Certain prior period amounts have been reclassified on a basis consistent with the current year presentation. The 1999 "Non-regulated and other" revenues and "Other operation and maintenance" expenses have been reclassified in accordance with Emerging Issues Task Force (EITF) 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent," which was adopted in the fourth quarter of 2000. Such reclassifications had no impact on net income.

(b) REGULATION - Alliant Energy is a registered public utility holding company subject to regulation by the SEC under PUHCA. The utility subsidiaries are subject to regulation by FERC and their respective state regulatory commissions (IUB, PSCW, Minnesota Public Utilities Commission (MPUC) and ICC).

(c) REGULATORY ASSETS - Alliant Energy is subject to the provisions of SFAS 71, "Accounting for the Effects of Certain Types of Regulation," which 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 accrued as regulatory liabilities and are recognized in the Consolidated Statements of Income at the time they are reflected in rates. At December 31, 2000 and 1999, regulatory assets of $300.1 million and $297.0 million, respectively, were comprised of the following items (in millions):

	2000	1999
Tax-related (Note 1(d))	**$154.2**	$156.1
Environmental liabilities (Note 11(e))	**66.8**	67.2
Energy efficiency program costs	**51.6**	53.1
Other	**27.5**	20.6
	$300.1	$297.0

If a portion of the utility subsidiaries' operations becomes 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, each utility subsidiary would be required to determine any impairment of 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.

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.

(e) COMMON SHARES OUTSTANDING - Weighted average common shares outstanding used to calculate basic and diluted earnings per share for 2000, 1999 and 1998 were as follows:

Weighted Average	**2000**	1999	1998
Common shares outstanding - basic earnings per share calculation	**79,002,643**	78,352,186	76,912,219
Effect of dilutive securities	**190,134**	42,961	16,412
Common shares - diluted earnings per share calculation	**79,192,777**	78,395,147	76,928,631

In 2000, 1999 and 1998, 1,358,597, 1,275,355 and 151,803 options, respectively, to purchase shares of common stock, with average exercise prices of $30.27, $30.55 and $31.48, respectively, 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 Balance Sheets and 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 - The utility subsidiaries 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 2010. Depreciation expense related to the decommissioning of DAEC and Kewaunee is discussed in Note 11(f). The average rates of depreciation for electric and gas properties, consistent with current rate making practices, were as follows:

	IESU			WP&L			IPC		
	2000	1999	1998	**2000**	1999	1998	**2000**	1999	1998
Electric	**3.5%**	3.5%	3.5%	**3.6%**	3.6%	3.6%	**3.5%**	3.6%	3.6%
Gas	**3.5%**	3.5%	3.5%	**4.1%**	3.9%	3.8%	**3.6%**	3.6%	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 Allowance for Funds Used During Construction (AFUDC). At December 31, 2000 and 1999, IESU had $24.4 million and $25.6 million, respectively, of acquisition adjustments, net of accumulated amortization, included in utility plant ($5.5 million and $5.7 million, respectively, of such balances are currently being recovered in IESU's rates). The aggregate gross AFUDC recovery rates, computed in accordance with the prescribed regulatory formula, were as follows:

	2000	1999	1998
IESU	**6.6%**	7.9%	8.9%
WP&L	**10.8%**	5.4%	5.2%
IPC	**6.5%**	5.3%	7.0%

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. 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 2000 and 1999, Alliant Energy recorded increases of $10 million (WP&L) and $9 million (IESU and IPC), respectively, in the estimate of utility services rendered but unbilled at month-end due to the implementation of refined estimation processes.

(j) UTILITY FUEL COST RECOVERY - IESU's and IPC's tariffs provide for subsequent adjustments to their electric and natural gas rates for changes in the cost of fuel, purchased energy and 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-power capacity costs are not recovered from electric customers through EACs. 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, WP&L can seek emergency rate increases if the annual costs are more than 3 percent higher than the estimated costs used to establish rates. WP&L has a gas performance incentive which includes a sharing mechanism whereby 40 percent of all gains and losses relative to current commodity prices, as well as other benchmarks, are retained by WP&L, with the remainder 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 expense 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. The next scheduled refueling outages at DAEC and Kewaunee are anticipated to commence in Spring 2001 and Fall 2001, respectively.

(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 electricity, 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 - 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. Alliant Energy also utilizes derivatives to mitigate the equity price volatility associated with certain investments in equity securities. Alliant Energy does not use such instruments for speculative purposes. In accordance with SFAS 133, as amended by SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an Amendment of SFAS 133," the fair value of all derivatives are recorded as assets or liabilities on the Consolidated Balance Sheets and gains and losses related to derivatives that are designated as, and qualify as hedges, are recognized in earnings when the underlying hedged item or physical transaction is recognized in income. Gains and losses related to derivatives that do not qualify for, or are not designated in hedge relationships, are recognized in earnings immediately. Alliant Energy has a number of commodity purchase and sales contracts for both capacity and energy that have been designated, and qualify for, the normal purchase and sale exception in SFAS 138. Based on this designation, these contracts are not accounted for as derivative instruments.

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 10 for a further discussion of Alliant Energy's derivative financial instruments.

(2) Merger

In April 1998, IES Industries Inc., WPL Holdings, Inc. and IPC completed a merger resulting in 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.

In association with the merger, Alliant Energy eliminated 167 positions in 1998 and recorded $15 million of expenses during 1998 in "Other operation and maintenance" expense related to the employee separation benefits to be paid to the impacted employees. The bulk of the positions eliminated were administrative in nature and resulted from no longer needing certain duplicative positions given the consolidation of the three companies. The departure dates for the impacted employees varied based on the need for their services during the transition period as well as certain other factors. The balance of the accrual at December 31, 2000 and 1999 was $0 and $1.0 million, respectively. As of December 31, 1999, all of the terminated employees had actually left the organization. The balance remaining in the accrued liability at December 31, 1999 related to payments to certain terminated executives that were being paid out over an 18 to 36 month period pursuant to the terms of their respective severance agreements. The only significant adjustments made to the liability after the initial accrual were to reflect the actual payments of the employee separation benefits.

In association with the merger, Alliant Energy entered into a three-year consulting agreement, which expires in the second quarter of 2001, with Wayne Stoppelmoor, the Chief Executive Officer of IPC prior to the consummation of the merger. Under the terms of the agreement, Mr. Stoppelmoor, who was also Vice Chairman of Alliant Energy's Board of Directors until April 2000, receives annual fees of $324,500, $324,500 and $200,000 for his services during the respective periods of the agreement.

(3) Leases

IESU has a capital lease covering its 70 percent undivided interest in nuclear fuel purchased for DAEC. Annual nuclear fuel lease expenses (included in "Electric and steam production fuels" in the Consolidated Statements of Income) for 2000, 1999 and 1998 were $16.0 million, $12.7 million and $14.2 million, respectively. Alliant Energy's operating lease rental expenses for 2000, 1999 and 1998 were $25.2 million, $24.6 million and $21.6 million, respectively. Alliant Energy's future minimum lease payments are as follows (in millions):

	2001	2002	2003	2004	2005	Thereafter	Total	Less: amount representing interest	Present value of net minimum capital lease payments
Operating leases	$29.8	$33.3	$31.9	$29.6	$26.7	$99.4	$250.7	N/A	N/A
Capital leases	18.2	12.4	7.9	7.3	3.3	3.2	52.3	$6.2	$46.1

(4) Utility Accounts Receivable

Utility customer accounts receivable, including unbilled revenues, arise primarily from the sale of electricity and natural gas. At December 31, 2000 and 1999, the utility subsidiaries were 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 through 2001 for IESU and WP&L, in which they may sell up to a combined maximum amount of $215 million 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 IESU and WP&L. Alliant Energy receives a fee for billing and collection functions, which remain the responsibility of the respective utilities, that approximates fair value. In 2000, 1999 and 1998, Alliant Energy received approximately $1.6 billion, $1.5 billion and $1.8 billion, respectively, in aggregate proceeds from these facilities. IESU and WP&L use proceeds from the sale of accounts receivable and unbilled revenues to finance a portion of their long-term cash needs. Included in the Consolidated Statements of Income for 2000, 1999 and 1998, were fees associated with these sales of $9.0 million, $7.1 million and $8.7 million, respectively.

(5) Income Taxes

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

	2000	1999	1998
Current tax expense	**$136.9**	$146.1	$95.0
Deferred tax expense (benefit)	**119.5**	(10.8)	(22.2)
Amortization of investment tax credits	**(4.5)**	(5.5)	(5.6)
Affordable housing tax credits	**(6.9)**	(5.9)	(6.6)
Oil, gas and alternative fuel credits	**(6.2)**	(3.4)	(2.5)
	$238.8	$120.5	$58.1

Included in "Cumulative effect of a change in accounting principle, net of tax" in the Consolidated Statements of Income is $9.8 million of income tax expense related to the adoption of SFAS 133 on July 1, 2000. 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.

	2000	1999	1998
Statutory federal income tax rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal benefits	**6.7**	6.4	8.0
Affordable housing tax credits	**(1.1)**	(1.9)	(4.1)
Amortization of investment tax credits	**(0.9)**	(1.7)	(3.4)
Adjustment of prior period taxes	**(1.0)**	(1.7)	(0.4)
Merger expenses	**—**	—	2.4
Oil, gas and alternative fuel credits	**(1.0)**	(1.0)	(1.6)
Property donation	**—**	(0.3)	(1.5)
Effect of rate making on property related differences	**0.8**	2.2	1.8
Other items, net	**(0.4)**	0.2	(0.2)
Overall effective income tax rate	**38.1%**	37.2%	36.0%

The accumulated deferred income tax (assets) and liabilities included on the Consolidated Balance Sheets at December 31 arise from the following temporary differences (in millions):

	2000	1999
Property related	**$673.6**	$669.5
McLeod investment	**318.5**	455.1
Other	**(60.4)**	(106.1)
	$931.7	$1,018.5

As of December 31, 2000 and 1999, Alliant Energy had not recorded U.S. tax provisions of approximately $4.4 million and $1.4 million, respectively, relating to approximately $12.6 million and $4.1 million, respectively, of unremitted earnings from foreign investments as these earnings are expected to be reinvested indefinitely.

(6) 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. Benefits are based on the employees' years of service and compensation. Alliant Energy also provides certain postretirement health care and life benefits to eligible retirees. In general, the health care plans are contributory with participants' contributions adjusted annually and the life insurance plans are non-contributory.

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

	Qualified Pension Benefits			Other Postretirement Benefits		
	2000	1999	1998	**2000**	1999	1998
Discount rate	**8.00%**	7.75%	6.75%	**8.00%**	7.75%	6.75%
Expected return on plan assets	**9%**	9%	9%	**9%**	9%	9%
Rate of compensation increase	**3.5-4.5%**	3.5-4.5%	3.5-4.5%	**3.5%**	3.5%	3.5%
Medical cost trend on covered charges:						
Initial trend range	**N/A**	N/A	N/A	**9%**	7%	8%
Ultimate trend range	**N/A**	N/A	N/A	**5%**	5%	5-6%

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		
	2000	1999	1998	**2000**	1999	1998
Service cost	**$11.1**	$12.8	$13.8	**$3.7**	$5.5	$5.1
Interest cost	**36.7**	35.6	35.4	**9.8**	10.4	9.7
Expected return on plan assets	**(45.7)**	(46.2)	(47.2)	**(5.3)**	(5.0)	(3.7)
Amortization of:						
Transition obligation (asset)	**(2.4)**	(2.4)	(2.4)	**3.9**	4.3	4.7
Prior service cost	**2.6**	2.5	2.8	**(0.3)**	(0.3)	(0.3)
Actuarial loss (gain)	**(1.0)**	0.2	(0.9)	**(1.9)**	(0.8)	(1.2)
Total	**$1.3**	$2.5	$1.5	**$9.9**	$14.1	$14.3

During 1998, Alliant Energy recognized an additional $10.3 million of costs in accordance with SFAS 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," for severance and early retirement programs. In addition, during 1999 and 1998, Alliant Energy recognized $0.5 million and $10.2 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 2000, 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	$1.6	($1.4)
Effect on postretirement benefit obligation	$11.4	($10.3)

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	
	2000	1999	**2000**	1999
Change in benefit obligation:				
Net benefit obligation at beginning of year	**$481.0**	$528.4	**$127.8**	$153.3
Service cost	**11.1**	12.8	**3.7**	5.5
Interest cost	**36.7**	35.6	**9.8**	10.4
Plan participants' contributions	**—**	—	**1.6**	1.5
Plan amendments	**3.6**	—	**(3.8)**	(2.5)
Actuarial loss (gain)	**(13.8)**	(60.7)	**2.4**	(29.9)
Curtailments	**—**	—	**—**	(0.3)
Gross benefits paid	**(35.0)**	(35.1)	**(10.8)**	(10.2)
Net benefit obligation at end of year	**483.6**	481.0	**130.7**	127.8
Change in plan assets:				
Fair value of plan assets at beginning of year	**525.9**	506.3	**68.3**	55.1
Actual return on plan assets	**63.1**	54.7	**8.7**	8.2
Employer contributions	**2.3**	—	**15.2**	13.6
Plan participants' contributions	**—**	—	**1.6**	1.6
Gross benefits paid	**(35.0)**	(35.1)	**(10.8)**	(10.2)
Fair value of plan assets at end of year	**556.3**	525.9	**83.0**	68.3
Funded status at end of year	**72.7**	44.9	**(47.7)**	(59.5)
Unrecognized net actuarial gain	**(69.2)**	(39.0)	**(38.3)**	(39.3)
Unrecognized prior service cost	**24.2**	23.2	**(1.2)**	(1.5)
Unrecognized net transition obligation (asset)	**(5.8)**	(8.2)	**44.8**	52.4
Net amount recognized at end of year	**$21.9**	$20.9	**($42.4)**	($47.9)
Amounts recognized on the Consolidated Balance Sheets consist of:				
Prepaid benefit cost	**$41.8**	$39.1	**$1.6**	$0.6
Accrued benefit cost	**(19.9)**	(18.2)	**(44.0)**	(48.5)
Net amount recognized at measurement date	**21.9**	20.9	**(42.4)**	(47.9)
Contributions paid after 9/30 and prior to 12/31	**—**	—	**1.5**	6.9
Net amount recognized at 12/31	**$21.9**	$20.9	**($40.9)**	($41.0)

The benefit obligation and fair value of plan assets for the postretirement welfare plans with benefit obligations in excess of plan assets were $124.5 million and $73.2 million, respectively, as of September 30, 2000 and $121.3 million and $58.7 million, respectively, as of September 30, 1999. 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. As of September 30, 2000, there were no pension plans with benefit obligations in excess of plan assets.

Alliant Energy sponsors several non-qualified pension plans that cover certain current and former officers. At December 31, 2000 and 1999, the funded balances of such plans totaled approximately $5 million. Alliant Energy's pension benefit obligation under these plans was $26.2 million and $28.0 million at December 31, 2000 and 1999, respectively. Alliant Energy's pension expense under these plans was $3.6 million, $2.5 million, and $4.5 million in 2000, 1999 and 1998, respectively.

In 2000, Alliant Energy revised its deferred compensation plans allowing certain key employees and directors to defer payment of part or all of their current compensation in that participants can now elect to allocate their deferred compensation among a company stock account or an interest account, which are held in grantor trusts. At December 31, 2000, the value of the trusts totaled approximately $1 million.

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 $8.1 million, $7.4 million, and $7.7 million in 2000, 1999 and 1998, respectively.

(b) LONG-TERM EQUITY INCENTIVE PLAN - Alliant Energy has a long-term equity incentive plan that 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, 2000, non-qualified stock options, restricted stock, performance shares and performance units had been granted. The maximum number of shares of Alliant Energy common stock that may be issued under the plan is 3.8 million.

Options granted to date under the plan were granted at the fair market value of the shares on the date of grant, vest over three years and expire no later than 10 years after the grant date with the exception of participants that retire. 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 participants leave Alliant Energy and their vested options expire after three months. A summary of the stock option activity for 2000, 1999 and 1998 is as follows:

	2000		1999		1998	
	Shares	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	**1,543,028**	**$30.32**	751,084	$30.83	191,800	$28.98
Options granted	**899,094**	**28.59**	824,564	29.88	636,451	31.32
Options exercised	**(15,486)**	**30.03**	—	—	(8,900)	28.59
Options forfeited	**(160,774)**	**29.90**	(32,620)	30.55	(68,267)	30.49
Outstanding at end of year	**2,265,862**	**$29.67**	1,543,028	$30.32	751,084	$30.83
Exercisable at end of year	**962,073**	**$30.12**	333,782	$30.80	38,250	$27.50

The range of exercise prices for the options outstanding at December 31, 2000 was $27.50 to $31.56. The value of the options using the Black-Scholes pricing method was as follows:

	2000	1999	1998
Value of options based on Black-Scholes model	**$7.71**	$4.71	$4.93
Volatility	**32.7%**	20.2%	21%
Risk free interest rate	**5.7%**	5.8%	5.8%
Expected life	**10 years**	10 years	10 years
Expected dividend yield	**6.3%**	6.7%	7.0%

Alliant Energy follows Accounting Principles Board Opinion (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:

	2000	1999	1998
Pro forma net income (in millions)	**$391.7**	$192.7	$93.5
Pro forma earnings per share (basic)	**4.96**	2.46	1.22
Pro forma earnings per share (diluted)	**4.95**	2.46	1.22

In 1999, 65,752 shares of restricted stock with a three-year restriction period were awarded, 62,490 of which were outstanding at December 31, 2000. Any unvested shares of restricted stock become fully vested upon retirement. Participants' unvested restricted stock becomes forfeited when the participant leaves Alliant Energy. Compensation cost, which is recognized over the three-year restriction period, was $0.6 million and $0.4 million in 2000 and 1999, respectively.

The payout to key employees of Corporate Services for performance shares is contingent upon achievement over a three-year period of specified earnings per share growth and specified levels of total return to shareowners of Alliant Energy compared with an investor-owned utility peer group. The payout to key employees of Resources for performance shares is contingent upon achievement over a three-year period of specified earnings per share growth. Performance shares are paid out in shares of Alliant Energy's common stock or a combination of cash and stock and are modified by a performance multiplier, which ranges from 0 to 2, 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. Prior to 1998, performance units had been granted which represent accumulated dividends on the shares underlying the non-qualified stock options based on the annual dividend rate at the grant date. As of December 31, 2000, there were no performance units outstanding. Pursuant to APB 25, Alliant Energy accrues expenses for performance shares and performance units over the three-year period the services are performed and recognized $0.4 million, $1.6 million and $0.2 million of expense in 2000, 1999 and 1998, respectively.

(7) Common and Preferred Stock

(a) COMMON STOCK - During 2000, 1999 and 1998, Alliant Energy issued 26,100 shares; 1,353,971 shares and 890,035 shares, respectively, of common stock under its various stock plans. In addition, 260,039 shares were issued in 1998 in connection with the acquisition of oil and gas properties. Pursuant to the Shareowner Direct Plan, beginning in January 2000, Alliant Energy obtained shares of Alliant Energy common stock on the open market, rather than through original issue. At December 31, 2000 and 1999, Alliant Energy had a total of 5.0 million and 7.0 million shares, respectively, available for issuance pursuant to its Shareowner Direct Plan, Long-Term Equity Incentive Plan and 401(k) Savings Plan.

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 percent 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 percent 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 percent ownership threshold to not less than 10 percent.

Alliant Energy's utility subsidiaries each have common stock dividend restrictions based on their respective bond indentures and articles of incorporation, and restrictions on the payment of common stock dividends 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 percent. Also 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 percent of total capitalization. The dividends paid by WP&L to Alliant Energy since the rate order was issued have not exceeded such level.

In 2000, 12 non-employee directors received up to $20,000 each in Alliant Energy common stock as part of the director's compensation program, for total of approximately $222,000. In 1999, matching contributions of $2,500 each were made to nine non-employee directors.

(b) PREFERRED 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, or 27,250 shares of the preferred stock.

The carrying value of Alliant Energy's cumulative preferred stock at December 31, 2000 and 1999 was $114 million. The fair market value, based upon the market yield of similar securities and quoted market prices, at December 31, 2000 and 1999 was $90 million and $97 million, respectively. Information related to Alliant Energy's cumulative preferred stock of subsidiaries, net at December 31 was as follows:

Par/Stated Value	Authorized Shares	Shares Outstanding	Series	Mandatory Redemption	**2000** (in thousands)	1999 (in thousands)
$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%	$53.20 / share	**27,250**	27,250
					116,352	116,352
Less: unamortized expenses					**(2,562)**	(2,714)
					$113,790	$113,638

* 3,750,000 authorized shares in total.
** 2,000,000 authorized shares in total.

(8) Debt

(a) SHORT-TERM DEBT - To provide short-term borrowing flexibility and security for commercial paper outstanding, Alliant Energy and its subsidiaries maintain bank lines of credit, of which most require a fee. The utility subsidiaries participate in a utility money pool, which is funded, as needed, through the issuance of commercial paper by Alliant Energy. Interest expense and other fees are allocated based on borrowed amounts. The PSCW has restricted WP&L from lending money to non-utility affiliates and non-Wisconsin utilities. As a result, WP&L can only borrow money from the utility money pool. As of December 31, 2000, IESU, WP&L and IPC had money pool borrowings of $101.1 million, $29.2 million and $68.2 million, respectively. As of December 31, 1999, IESU, WP&L and IPC had money pool borrowings of $56.9 million, $125.7 million and $39.2 million, respectively. Information regarding short-term debt and lines of credit are as follows (dollars in millions):

	2000	1999	1998
As of year end:			
Commercial paper outstanding	**$283.9**	$374.7	$64.5
Discount rates on commercial paper	**6.4-6.7%**	5.6-6.5%	5.1-6.6%
Notes payable outstanding	**$50.1**	$50.0	$51.8
Interest rates on notes payable	**6.5%**	6.3%	5.4-7.0%
For the year ended:			
Average amount of short-term debt (based on daily outstanding balances)	**$236.4**	$185.9	$126.6
Average interest rate on short-term debt	**6.5%**	5.4%	5.6%

(b) LONG-TERM DEBT - IESU's indentures securing its First Mortgage Bonds and its Collateral Trust Bonds constitute direct first mortgage liens and a second lien while First Mortgage Bonds remain outstanding, respectively, upon substantially all tangible public utility property. Substantially all of WP&L's and IPC's utility plant is secured by their First Mortgage Bonds. WP&L and IESU also maintain unsecured indentures relating to the issuance of debt securities.

Resources is party to a three-year credit agreement with various banking institutions that extends through October 2003, 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 are based on quoted market prices and maturities are set at the time of borrowing and are less than one year. At December 31, 2000, Resources had $321 million of commercial paper outstanding backed by this facility with interest rates ranging from 6.37%-6.65%. Resources intends to continue issuing commercial paper backed by this facility and no conditions existed at December 31, 2000 that would prevent the issuance of commercial paper or direct borrowings on its bank lines.

In February 2000, Resources completed a private placement of $402.5 million of exchangeable senior notes due 2030, with a stated interest rate of 7.25% through February 2003 and 2.5% thereafter. The 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 were 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 January 2000 investment in Brazil, as well as for general corporate purposes.

Debt maturities for 2001 to 2005 are $92.5 million, $3.8 million, $327.9 million, $89.4 million and $93.8 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, 2000 and 1999 was $2.1 billion and $1.6 billion, respectively. The fair market value, based upon the market yield of similar securities and quoted market prices, at December 31, 2000 and 1999 was $2.4 billion and $1.6 billion, respectively.

(9) Investments and Estimated Fair Value of Financial Instruments

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 the utility subsidiaries 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. Information relating to various investments held by Alliant Energy that are marked to market as a result of SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities," were as follows (in millions):

	December 31, 2000		December 31, 1999	
	Carrying/ Fair Value	**Net Unrealized Gains/(Losses)**	Carrying/ Fair Value	Net Unrealized Gains/(Losses)
Available-for-sale securities:				
Nuclear decommissioning trust funds:				
Equity securities	**$128**	**$50**	$112	$57
Debt securities	**180**	**3**	159	(3)
Total	**308**	**53**	271	54
Investment in McLeod	**570**	**317**	1,124	640
Investment in Capstone	**41**	**20**	—	—
Investments in New Zealand/Australia	**10**	**(1)**	97	4
Trading securities:				
Investment in McLeod	**221**	**(a)**	—	—

(a) Adjustments to the trading securities are reflected in earnings in the "Miscellaneous, net" line in the Consolidated Statements of Income.

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. As of December 31, 2000, $110 million, $24 million and $46 million of the debt securities mature in 2001-2010, 2011-2020 and 2021-2035, respectively. The fair market value of the nuclear decommissioning trust funds was 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/(losses) from the sales of securities of $5.0 million, ($7.9) million and $1.2 million in 2000, 1999 and 1998, respectively (cost of the investments based on specific identification were $213.4 million, $120.1 million and $71.9 million, respectively, and proceeds from the sales were $218.4 million, $112.2 million and $73.1 million, respectively).

Investment in McLeod - At December 31, 2000 and 1999, Alliant Energy held beneficial ownership in 56.1 million and 57.4 million shares of common stock, respectively, (including 4.7 million and 7.8 million unexercised vested options, respectively) in McLeod, a telecommunications company. Alliant Energy had 40.5 million shares classified as available-for-sale and 15.6 million shares as trading at December 31, 2000. McLeod declared a 3-for-1 stock split effective April 2000 (the December 1999 shares have been adjusted for the split). The cost basis of the investment, including the cost to exercise the options, was $30.5 million and $30.7 million at December 31, 2000 and 1999, respectively. Pursuant to the provisions of SFAS 115, the carrying value of Alliant Energy's investment in McLeod is adjusted to the estimated fair value each quarter based on the closing price at the end of the quarter. Adjustments to the available-for-sale securities 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 as 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. Adjustments to the trading securities are reflected in earnings in the "Miscellaneous, net" line in the Consolidated Statements of Income. Alliant Energy realized gains from the sales of McLeod available-for-sale securities of $23.8 million and $40.3 million in 2000 and 1999, respectively (cost of the investments based on the first-in-first-out method were $0.2 million and $0.6 million, respectively, and proceeds from the sales were $24.0 million and $40.9 million, respectively). Refer to Note 10(a) for information on the SFAS 133 impact of Alliant Energy's investment in McLeod.

Alliant Energy's ability to sell the McLeod stock is subject to various restrictions. Alliant Energy has an agreement with McLeod which 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 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 percent of the shares of McLeod stock owned by Alliant Energy and its affiliates as of December 31, 1998, then Alliant Energy may terminate the agreement.

Investments in Foreign Entities - At December 31, 2000 and 1999, Alliant Energy had investments in unconsolidated foreign entities that included investments in various New Zealand and Australian utility entities, various generation facilities in China and debentures of a development project in Mexico. Also at December 31, 2000, Alliant Energy had investments in various Brazilian utilities. At December 31, 2000, a portion of the New Zealand investments were accounted for under the cost method and the other unconsolidated equity investments were accounted for under the equity method. The carrying and fair values for the investments accounted for under SFAS 115 are listed in the previous table. Alliant Energy also had a generation investment of $50 million in China at December 31, 2000 that is consolidated.

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. As part of this investment, Resources acquired a 49.1 percent 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 percent interest in Energisa S.A. itself, which holds majority stakes in two regulated utilities (Energipe and Celb). As part owner of Cataguazes, Resources holds both indirect and direct interests in Energisa S.A.

The geographic concentration of Alliant Energy's unconsolidated foreign investments at December 31 was as follows (in millions):

	Brazil	New Zealand/Australia	China	Mexico	Other	Total
2000	**$319**	**$140**	**$30**	**$18**	**$1**	**$508**
1999	—	125	62	10	1	198

(10) Derivative Financial Instruments

(a) ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES - Alliant Energy adopted SFAS 133 as of July 1, 2000. SFAS 133 requires that every derivative instrument be recorded on the balance sheet as an asset or liability measured at its fair value and that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

SFAS 133 requires that as of the date of initial adoption, the difference between the fair value of derivative instruments recorded on the balance sheet and the previous carrying amount of those derivatives be reported in net income or other comprehensive income, as appropriate, as the cumulative effect of a change in accounting principle in accordance with APB 20, "Accounting Changes." In the third quarter of 2000, Alliant Energy recorded net income of $16.7 million for a cumulative effect of a change in accounting principle representing the impact of adopting SFAS 133 as of July 1, 2000. This transition adjustment was primarily the result of the difference between the carrying amount of Resources' exchangeable senior notes issued in February 2000 under the applicable accounting principles in effect at June 30, 2000, and the carrying values of the debt and derivative components of the notes as determined in accordance with SFAS 133 as of July 1, 2000. Transition adjustments relating to Alliant Energy's other derivative instruments had no material impact on net income.

A limited number of Alliant Energy's fixed price commodity contracts are defined as derivatives under SFAS 133. The fair values of these derivative instruments have been recorded as assets and liabilities on the balance sheet and in the transition adjustment in accordance with the transition provisions of SFAS 133. Changes in the fair values of these instruments subsequent to July 1, 2000, to the extent that the derivatives are designated in cash flow hedging relationships and are effective at mitigating the underlying commodity risk, are recorded in other comprehensive income. At the date the underlying transaction occurs, the amounts accumulated in other comprehensive income are reported in the Consolidated Statements of Income. To the extent that the hedges are not effective, the ineffective portion of the changes in fair value is recorded directly in earnings.

The financial statement impact of recording the various SFAS 133 transactions at July 1, 2000 was as follows (in millions):

Financial Statement Account	Financial Statement	Amount Increase (Decrease)
Other assets	Balance sheet	$2.0
Other liabilities (a)	Balance sheet	302.2
Cumulative effect of a change in accounting principle (other comprehensive income)	Balance sheet	(6.6)
Other comprehensive income (b)	Balance sheet	(187.3)
Long-term debt (c)	Balance sheet	(310.3)
Cumulative effect of a change in accounting principle	Income statement	16.7
Pre-tax gain on transfer to trading account (d)	Income statement	321.4
Deferred tax expense (d)	Income statement	134.1

(a) Includes the embedded derivative component of Resources' exchangeable senior notes of $283.7 million
(b) Represents net of tax reduction to other comprehensive income resulting from classification of approximately 15.6 million shares of McLeod as trading securities (equal to net amount of two line items in (d))
(c) Adjustment to the debt component of Resources' exchangeable senior notes
(d) Gain and tax expenses associated with the transfer of approximately 15.6 million shares of McLeod from available-for-sale securities to trading securities

During 2000, $6.7 million of net losses included in the cumulative effect of a change in accounting principle component of accumulated other comprehensive income were reclassified into earnings, resulting in a remaining balance of $0.1 million as of December 31, 2000.

As of December 31, 2000, Alliant Energy held derivative instruments designated as cash flow hedging instruments and other derivatives. The cash flow hedging instruments are comprised of natural gas swaps and coal purchase and sales contracts which are used to manage the price of anticipated coal purchases and sales. WP&L utilizes gas commodity swap arrangements 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 pursuant to the natural gas cost incentive sharing mechanism with customers in Wisconsin. The gas commodity swaps in place hedge the forecasted sales of natural gas withdrawn from storage during this period.

In 2000, a net gain of approximately $0.4 million was recognized in earnings (recorded in gas revenues) representing the amount of hedge ineffectiveness. Alliant Energy did not exclude any components of the derivative instruments' gain or loss from the assessment of hedge effectiveness and there were no reclasses into earnings as a result of the discontinuance of hedges. As of December 31, 2000, the maximum length of time over which Alliant Energy is hedging its exposure to the variability in future cash flows for forecasted transactions is 18 months and Alliant Energy estimates that losses of $3.7 million will be reclassified from accumulated other comprehensive income into earnings within the 12 months between January 1, 2001 and December 31, 2001 as the hedged transactions affect earnings.

Alliant Energy's derivatives that have not been designated in hedge relationships include the embedded derivative component of Resources' exchangeable senior notes, oil swaps and collars, natural gas swaps and electricity price collars.

At maturity, the holders of Resources' exchangeable senior notes are paid the higher of the principal amount of the notes or an amount based on the value of McLeod common stock. SFAS 133 requires that Alliant Energy split the value of the notes into a debt component and a derivative component. The payment feature tied to McLeod stock is considered an embedded derivative under SFAS 133 that must be accounted for as a separate derivative instrument. This component is classified as a "Derivative liability" on the Consolidated Balance Sheets. Subsequent changes in the fair value of the option are reflected as increases or decreases in Alliant Energy's reported net income. The carrying amount of the host debt security, classified as long-term debt, is adjusted for amortization of the debt discount in accordance with the interest method as prescribed by APB 21, "Interest on Receivables and Payables."

Prior to the adoption of SFAS 133, changes in fair value of all of Alliant Energy's McLeod stock had been recorded in the accumulated other comprehensive income component of shareowners' equity on Alliant Energy's Consolidated Balance Sheets, as these securities had been classified as available-for-sale. With the adoption of SFAS 133 on July 1, 2000, Alliant Energy designated 15.6 million shares of its beneficial ownership in approximately 57 million shares of McLeod stock as trading securities. Subsequent changes in the fair value of the shares designated as trading are reflected as increases or decreases in Alliant Energy's net income. These trading gains or losses are expected to correspond with and substantially offset changes in the intrinsic value of the derivative component of Resources' exchangeable senior notes. Changes in the time value portion of the derivative component will result in non-cash increases or decreases to Alliant Energy's net income. Included in "Miscellaneous, net" in Alliant Energy's Consolidated Statements of Income for 2000 was expense of $102.5 million related to the change in value of the McLeod trading securities, largely offset by income of $101.8 million related to the change in value of the derivative component of the exchangeable senior notes.

Whiting is exposed to commodity price risk in the pricing of its oil and gas production. Alliant Energy has previously utilized oil swaps and collars and natural gas swaps, which have not been designated in hedge relationships, to mitigate the impact of oil and gas price fluctuations. These derivatives are recorded at their fair value as a component of "Derivative liability" on the Consolidated Balance Sheets and as a component of "Non-regulated and other" revenues in the Consolidated Statements of Income.

Alliant Energy's utility businesses use electricity price collars, which have not been designated in hedge relationships, to manage energy costs during supply/demand imbalances. As of December 31, 2000, these derivatives were recorded at their fair value as derivative assets, derivative liabilities and regulatory assets on the Consolidated Balance Sheets in Iowa, and as derivative assets and derivative liabilities on the Consolidated Balance Sheets and purchased-power expense in the Consolidated Statements of Income in Wisconsin.

(b) WEATHER DERIVATIVES - WP&L uses weather derivatives to reduce the impact of weather volatility on its natural gas sales volumes. EITF 99-2, "Accounting for Weather Derivatives," requires the use of the intrinsic value method to account for non-exchange traded weather derivatives. In August 2000, WP&L entered into a non-exchange traded weather floor with a contract period from November 1, 2000 to March 31, 2001 that requires the counterparty pay WP&L $11,000 per heating degree-day less than 5,600 during the contract period. The maximum payout amount by the counterparty on this floor is $7 million. WP&L paid a premium to enter into this contract, which is being amortized to expense over the contract period. In August 1999, WP&L entered into a non-exchange traded "weather collar" with a contract period from November 1, 1999 to March 31, 2000. The maximum payout amount was $5 million.

(c) NUCLEAR DECOMMISSIONING TRUST FUND INVESTMENTS - WP&L previously entered into an equity collar that used written options to mitigate the effect of significant market fluctuations on its common stock investments in its nuclear decommissioning trust funds. The program was 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 was settled in December 2000. The notional amount of the options was $78 million at December 31, 1999. The options were reported at fair market value each reporting period. These fair value changes did not impact net income as they were 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 at December 31, 1999, as reported by the trustee.

(11) Commitments and Contingencies

(a) CONSTRUCTION AND ACQUISITION PROGRAM - Alliant Energy anticipates 2001 construction and acquisition expenditures will be approximately $851 million, consisting of $388 million for its utility subsidiaries' operations, $257 million for business development initiatives at Resources and $206 million for energy-related international investments. During 2002-2005, Alliant Energy expects to spend approximately $1.4 billion for its utility subsidiaries' operations, $667 million for business development initiatives at Resources and $358 million for energy-related international investments.

(b) PURCHASED-POWER AND TRANSMISSION, COAL AND NATURAL GAS CONTRACTS - Corporate Services has entered into purchased-power and transmission, coal and natural gas supply, transportation and storage contracts. The natural gas supply commitments are all index-based. Alliant Energy expects to supplement its coal and natural gas supplies with spot market purchases as needed. Alliant Energy's minimum commitments are as follows (dollars and Dths in millions; MWhs and tons in thousands):

	Purchased-power and transmission		Coal (including transportation)		Natural gas supply, transportation and storage contracts	
	Dollars	MWhs	Dollars	Tons	Dollars	Dths
2001	$74.2	926	$59.6	15,890	$125.1	221
2002	47.0	280	21.8	8,470	74.4	192
2003	32.6	280	16.8	7,564	41.7	158
2004	16.2	219	10.4	5,257	11.9	58
2005	8.0	—	5.0	2,300	11.3	57

(c) INFORMATION TECHNOLOGY SERVICES - Corporate Services has an agreement, expiring in 2004, with Electronic Data Systems Corporation (EDS) for information technology services. Alliant Energy's anticipated operating and capital expenditures under the agreement for 2001 are estimated to total approximately $14 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 approximately $27 million and $17 million outstanding at December 31, 2000 and 1999, 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.

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 $160 million and $95 million have been issued, of which approximately $42 million and $20 million were outstanding at December 31, 2000 and 1999, 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.

Alliant Energy has also made guarantees to certain counterparties regarding the performance of certain energy-related contracts. As of December 31, 2000, the amount of the guarantees outstanding was approximately $70 million.

As of December 31, 2000 and 1999, Alliant Energy had extended commitments to provide $3.9 million and $6.1 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.

During 2000, WP&L committed to transfer all of its transmission assets to ATC. This transfer occurred on January 1, 2001, at the net book value of the assets. WPL Transco LLC, a wholly-owned subsidiary of WP&L, will hold the resulting investment in ATC and follow the equity method of accounting.

(e) 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):

Environmental liabilities	2000	1999
MGP sites	**$48.0**	$48.0
NEPA	**10.4**	11.1
Oil and gas properties	**13.0**	13.0
Other	**0.5**	1.0
	$71.9	$73.1

Regulatory assets	2000	1999
MGP sites	**$54.3**	$54.4
NEPA	**11.9**	12.6
Other	**0.6**	0.2
	$66.8	$67.2

MGP 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. IESU, WP&L and IPC have received letters from state environmental agencies requiring no further action at three, four and one site(s), respectively. 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.

Each company records environmental liabilities based upon periodic studies, most recently updated in the third quarter of 2000, 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 utility subsidiary sites to be approximately $33 million to $62 million.

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. Regulatory assets have been recorded by each of the utility subsidiaries, which reflect the probable future rate recovery, where applicable. Considering the current rate treatment, and assuming no material change therein, the utility subsidiaries 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. Insurance recoveries available as of both December 31, 2000 and 1999 for IESU, WP&L and IPC were $18.5 million, $2.1 million and $5.3 million, respectively. 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 and WP&L recover the costs associated with this assessment 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 off-shore 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, which it has accrued. The most significant expenditures are not expected to be incurred until 2004.

(f) DECOMMISSIONING OF DAEC AND KEWAUNEE - Pursuant to the most recent electric rate case orders, 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 was as follows (dollars in millions):

Assumptions relating to current rate recovery amounts:	DAEC	Kewaunee
Alliant Energy's share of estimated decommissioning cost	$252.8	$212.5
Year dollars in	1993	2000
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 (DAEC rate adjusted annually)	5.80%	6.97%
External trust fund balance at December 31, 2000	$112.2	$195.8
Internal reserve at December 31, 2000	$21.7	$ —
After-tax earnings on external trust funds in 2000	$3.4	$11.3

The rate recovery amounts for DAEC only include 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 percent 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 percent share of the estimated cost to decommission DAEC based on the most recent NRC minimum formula, using the direct disposal method, is $355.3 million in 1999 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.

(g) 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.

(12) Jointly-Owned Electric Utility Plant

Under joint ownership agreements with other Iowa and Wisconsin utilities, the utility subsidiaries 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 the utility subsidiaries' ownership interest in these facilities at December 31, 2000 is as follows (dollars in millions):

	Fuel Type	Ownership Interest %	Plant in Service	Accumulated Provision for Depreciation	Construction Work-In-Progress
IESU					
Ottumwa Unit 1	Coal	48.0	$189.1	$107.3	$2.1
Neal Unit 3	Coal	28.0	59.5	33.7	0.1
DAEC	Nuclear	70.0	510.6	281.7	18.3
			$759.2	$422.7	$20.5
WP&L					
Columbia Energy Center	Coal	46.2	$175.4	$103.6	$0.5
Edgewater Unit 4	Coal	68.2	53.0	33.6	1.6
Edgewater Unit 5	Coal	75.0	230.2	98.6	0.3
Kewaunee	Nuclear	41.0	136.8	108.1	21.4
			$595.4	$343.9	$23.8
IPC					
Neal Unit 4	Coal	21.5	$83.5	$53.9	$ —
Louisa Unit 1	Coal	4.0	24.7	13.2	—
			$108.2	$67.1	$ —
			$1,462.8	$833.7	$44.3

(13) Segments of Business

Alliant Energy's principal business segments are:

- **Regulated domestic utilities -** consists of IESU, WP&L and IPC, serving customers in Iowa, Wisconsin, Minnesota and Illinois, and is broken down into three segments: a) electric operations; b) gas operations; and c) other, which includes the water and steam businesses and the unallocated portions of the utility business. Various line items in the following tables are not allocated to the electric and gas segments for management reporting purposes and therefore are included in "Other."
- **Non-regulated businesses -** represents the operations of Resources and its subsidiaries. This includes global partnerships to develop energy generation, delivery and infrastructure in growing international markets and domestic businesses including oil and gas operations, energy trading partnerships, energy and environmental services, transportation services and affordable housing companies.
- **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 were 10 percent or more of Alliant Energy's consolidated revenues. Refer to Note 9 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		Alliant Energy
	Electric	Gas	Other	Total	Businesses	Other	Consolidated
				(in millions)			
2000							
Operating revenues	$1,648.0	$415.0	$33.4	$2,096.4	$311.3	($2.7)	$2,405.0
Depreciation and amortization expense	252.6	27.7	3.1	283.4	38.9	—	322.3
Operating income	330.6	26.6	4.5	361.7	19.2	0.2	381.1
Interest expense, net of AFUDC			103.1	103.1	53.3	8.5	164.9
Preferred dividends			6.7	6.7	—	—	6.7
Net income from equity method subsidiaries			(0.5)	(0.5)	(18.6)	—	(19.1)
Gain on reclassification of investments			—	—	(321.3)	—	(321.3)
Gains on sales of McLeod stock			—	—	(23.8)	—	(23.8)
Miscellaneous, net (other than equity income)			(23.3)	(23.3)	(21.1)	(2.7)	(47.1)
Income tax expense			107.9	107.9	130.6	0.3	238.8
Cumulative effect of a change in accounting principle, net of tax			—	—	16.7	—	16.7
Net income (loss)			167.8	167.8	236.8	(5.9)	398.7
Total assets	3,402.2	554.4	427.2	4,383.8	2,333.3	16.7	6,733.8
Investments in equity method subsidiaries			6.5	6.5	487.3	—	493.8
Construction and acquisition expenditures	265.9	35.8	3.0	304.7	750.7	11.1	1,066.5

	Regulated Domestic Utilities				Non-regulated		Alliant Energy
	Electric	Gas	Other	Total	Businesses	Other	Consolidated
				(in millions)			
1999							
Operating revenues	$1,548.9	$314.3	$32.1	$1,895.3	$235.0	($2.3)	$2,128.0
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 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	1,855.6	35.5	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

	Regulated Domestic Utilities				Non-regulated		Alliant Energy
	Electric	Gas	Other	Total	Businesses	Other	Consolidated
				(in millions)			
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 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

Products and Services

	Revenues							
	Regulated			Non-regulated				
Year	Electric	Gas	Other	Integrated Services	Oil and Gas Production	Transportation	Other	Total Non-regulated Businesses
				(in millions)				
2000	**$1,648.0**	**$415.0**	**$33.4**	**$172.2**	**$94.1**	**$20.1**	**$24.9**	**$311.3**
1999	1,548.9	314.3	32.1	126.0	62.6	21.6	24.8	235.0
1998	1,567.5	295.6	31.2	127.2	64.6	22.0	24.9	238.7

(14) Selected Consolidated Quarterly Financial Data (Unaudited)

	Quarter Ended			
	March 31	June 30	September 30	December 31
	(in millions, except per share data)			
2000				
Operating revenues	**$574.1**	**$523.9**	**$603.2**	**$703.8**
Operating income	**88.4**	**60.2**	**140.0**	**92.5**
Income before cumulative effect of a change in accounting principle, net of tax (a)	**19.3**	**42.3**	**259.5**	**60.9**
Cumulative effect of a change in accounting principle, net of tax (a)	**—**	**—**	**16.7**	**—**
Net income (a)	**19.3**	**42.3**	**276.2**	**60.9**
Earnings per average common share - diluted: (a)				
Income before cumulative effect of a change in accounting principle	**0.24**	**0.54**	**3.28**	**0.76**
Cumulative effect of a change in accounting principle	**—**	**—**	**0.21**	**—**
Net income	**0.24**	**0.54**	**3.49**	**0.76**
1999				
Operating revenues	$546.9	$477.9	$571.5	$531.7
Operating income	93.0	60.2	130.8	92.5
Net income (b)	41.7	38.6	71.5	44.8
Earnings per average common share (basic and diluted) (b)	0.54	0.49	0.91	0.57

(a) The third quarter of 2000 includes $204 million ($2.58 per diluted share) of non-cash income related to Alliant Energy's adoption of SFAS 133 on July 1, 2000. The first and fourth quarters of 2000 include $7 million ($0.09 per diluted share) and $9 million ($0.11 per diluted share), respectively, of net income from gains on sales of McLeod stock.

(b) The second and fourth quarters of 1999 include $21 million ($0.27 per diluted share) and $4 million ($0.05 per diluted share), respectively, of net income from gains on sales of McLeod stock.

FINANCIAL INFORMATION

	2000 (1)	1999 (2)	1998 (3)	1997	1996
	(Dollars in thousands except for per share data)				
Income Statement Data:					
Operating revenues (4)	**$2,404,984**	$2,127,973	$2,130,874	$2,300,627	$2,232,840
Operating expenses (4)	**2,023,928**	1,751,438	1,847,572	1,964,244	1,867,401
Operating income	**381,056**	376,535	283,302	336,383	365,439
Income before discontinued operations and cumulative effect of a change in accounting principle, net of tax	**381,954**	196,581	96,675	144,578	157,088
Discontinued operations, net of tax	—	—	—	—	(1,297)
Cumulative effect of a change in accounting principle, net of tax	**16,708**	—	—	—	—
Net income	**398,662**	196,581	96,675	144,578	155,791
Common Stock Data:					
Weighted average common shares outstanding - basic (000s)	**79,003**	78,352	76,912	76,210	75,481
Weighted average common shares outstanding - diluted (000s)	**79,193**	78,395	76,929	76,212	75,484
Return on average common equity (5)	**19.0%**	10.5%	6.0%	9.5%	11.0%
Per Share Data:					
Earnings per average common share - basic:					
Income before discontinued operations and cumulative effect of a change in accounting principle	**$4.84**	$2.51	$1.26	$1.90	$2.08
Discontinued operations	—	—	—	—	($0.02)
Cumulative effect of a change in accounting principle	**$0.21**	—	—	—	—
Net income	**$5.05**	$2.51	$1.26	$1.90	$2.06
Earnings per average common share - diluted:					
Income before discontinued operations and cumulative effect of a change in accounting principle	**$4.82**	$2.51	$1.26	$1.90	$2.08
Discontinued operations	—	—	—	—	($0.02)
Cumulative effect of a change in accounting principle	**$0.21**	—	—	—	—
Net income	**$5.03**	$2.51	$1.26	$1.90	$2.06
Dividends declared per common share	**$2.00**	$2.00	$2.00	$2.00	$1.97
Book value at year-end (5)	**$25.79**	$27.29	$20.69	$21.24	$18.91
Market value at year-end	**$31.88**	$27.50	$32.25	$33.13	$28.13
Other Selected Financial Data:					
Construction and acquisition expenditures	**$1,066,464**	$478,573	$372,058	$328,040	$412,274
Total assets at year-end (5)	**$6,733,766**	$6,075,683	$4,959,337	$4,923,550	$4,639,826
Long-term obligations, net	**$2,128,496**	$1,660,558	$1,713,649	$1,604,305	$1,444,355
Times interest earned before income taxes (6)	**4.61X**	3.38X	2.25X	2.90X	3.38X
Capitalization Ratios:					
Common equity (5)	**50%**	57%	49%	51%	52%
Preferred stock	**3%**	3%	4%	3%	4%
Long-term debt, excluding current portion	**47%**	40%	47%	46%	44%
Total	**100%**	100%	100%	100%	100%

(1) Includes $204 million ($2.58 per diluted share) of non-cash income related to Alliant Energy's adoption of SFAS 133 on July 1, 2000 and $16 million ($0.20 per diluted share) of net income from gains on sales of McLeod stock in 2000.

(2) Includes $25 million ($0.32 per diluted share) of net income from gains on sales of McLeod stock in 1999.

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

(4) The 1999 results have been reclassified on a basis consistent with current year presentation; such reclassifications had no impact on operating income or net income.

(5) 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, 2000, 1999, 1998 and 1997, the adjustment reflected an unrealized gain of approximately $543 million, $1.1 billion, $291 million and $299 million, respectively, with a net of tax increase to common equity of $317 million, $640 million, $170 million and $175 million, respectively.

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

ELECTRIC OPERATING INFORMATION (UTILITY ONLY)

	2000	1999	1998	1997	1996
Operating Revenues (000s):					
Residential	**$567,283**	$541,714	$532,676	$521,574	$506,784
Commercial	**349,019**	329,487	317,704	307,941	296,345
Industrial	**501,155**	476,140	477,241	455,912	428,726
Total from ultimate customers	**1,417,457**	1,347,341	1,327,621	1,285,427	1,231,855
Sales for resale	**173,148**	155,801	199,128	192,346	181,365
Other	**57,431**	45,796	40,693	37,980	27,155
Total	**$1,648,036**	$1,548,938	$1,567,442	$1,515,753	$1,440,375
Electric Sales (000s MWh):					
Residential	**7,161**	7,024	6,826	6,851	6,826
Commercial	**5,364**	5,260	4,943	4,844	4,720
Industrial	**13,092**	13,036	12,718	12,320	11,666
Total from ultimate customers	**25,617**	25,320	24,487	24,015	23,212
Sales for resale	**4,906**	5,566	7,189	6,768	7,459
Other	**174**	162	158	161	161
Total	**30,697**	31,048	31,834	30,944	30,832
Customers (End of Period):					
Residential	**799,603**	790,669	781,127	772,100	762,665
Commercial	**123,833**	122,509	121,027	119,463	117,846
Industrial	**2,773**	2,730	2,618	2,555	2,472
Other	**3,316**	3,282	3,267	3,281	3,207
Total	**929,525**	919,190	908,039	897,399	886,190
Other Selected Electric Data:					
Maximum peak hour demand (MW) (1)	**5,397**	5,233	5,228	5,045	4,953
Sources of electric energy (000s MWh):					
Coal and gas	**19,139**	19,078	19,119	17,423	17,014
Purchased power	**8,058**	8,619	10,033	10,660	10,895
Nuclear	**4,675**	4,362	4,201	3,874	4,054
Other	**427**	528	504	565	392
Total	**32,299**	32,587	33,857	32,522	32,355
Revenue per KWh from ultimate customers (cents)	**5.53**	5.32	5.42	5.35	5.31

(1) 2000 and 1999 data represent the coincident peak of the entire Alliant Energy system. 1998 to 1996 data represent 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.

GAS OPERATING INFORMATION (UTILITY ONLY)

	2000	1999	1998	1997	1996
Operating Revenues (000s):					
Residential	**$245,697**	$185,090	$175,603	$225,542	$216,268
Commercial	**127,104**	89,118	85,842	115,858	108,187
Industrial	**27,752**	21,855	20,204	27,393	27,569
Transportation/other	**14,395**	18,256	13,941	25,114	23,931
Total	**$414,948**	$314,319	$295,590	$393,907	$375,955
Gas Sales (000s Dekatherms):					
Residential	**32,026**	30,309	28,378	33,894	37,165
Commercial	**19,696**	18,349	17,760	21,142	22,613
Industrial	**5,350**	5,963	5,507	6,217	6,856
Transportation/other	**43,931**	46,954	52,389	56,719	55,240
Total	**101,003**	101,575	104,034	117,972	121,874
Customers at End of Period (Excluding Transportation/Other):					
Residential	**351,990**	347,533	342,586	337,956	331,919
Commercial	**44,654**	44,289	43,825	43,316	42,658
Industrial	**953**	1,037	982	963	1,022
Total	**397,597**	392,859	387,393	382,235	375,599
Other Selected Gas Data:					
Revenue per Dth sold (excluding transportation/other)	**$7.02**	$5.42	$5.45	$6.02	$5.28
Purchased gas costs per Dth sold (excluding transportation/other)	**$4.88**	$3.30	$3.22	$4.23	$3.61

DEFINITIONS

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

Abbreviation or Acronym	Definition
Alliant Energy	Alliant Energy Corporation
ATC	American Transmission Company, LLC
Capstone	Capstone Turbine Corporation
Cargill	Cargill Incorporated
Corporate Services	Alliant Energy Corporate Services, Inc.
DAEC	Duane Arnold Energy Center
Dth	Dekatherm
EAC	Energy Adjustment Clause
EPA	United States Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
ICC	Illinois Commerce Commission
IESU	IES Utilities Inc.
IPC	Interstate Power Company
ISCO	Alliant Energy Integrated Services Company
IUB	Iowa Utilities Board
Kewaunee	Kewaunee Nuclear Power Plant
KWh	Kilowatt-Hour
McLeod	McLeodUSA Incorporated
MGP	Manufactured Gas Plants
MWh	Megawatt-Hour
NEPA	National Energy Policy Act of 1992
NOx	Nitrogen Oxides
NRC	Nuclear Regulatory Commission
PRP	Potentially Responsible Party
PSCW	Public Service Commission of Wisconsin
PUHCA	Public Utility Holding Company Act of 1935
Resources	Alliant Energy Resources, Inc.
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards
SFAS 133	Accounting for Derivative Instruments and Hedging Activities
Transportation	Alliant Energy Transportation, Inc.
U.S.	United States
Whiting	Whiting Petroleum Corporation
WP&L	Wisconsin Power and Light Company

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_p	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.

COMMON STOCK QUARTERLY PRICE RANGES AND DIVIDENDS

	2000			1999		
Quarter	High	Low	Dividend	High	Low	Dividend
First	\$37 3/4	\$26 7/16	\$0.50	\$32 3/8	\$26 3/8	\$0.50
Second	\$31 7/8	\$25 3/4	.50	\$30 7/8	\$26 1/2	.50
Third	\$31 1/4	\$26 1/8	.50	\$30 1/16	\$26 3/4	.50
Fourth	\$32 1/8	\$28 5/8	.50	\$28 13/16	\$25 3/16	.50
Year	**\$37 3/4**	**\$25 3/4**	**\$2.00**	**\$32 3/8**	**\$25 3/16**	**\$2.00**

Alliant Energy Corporation 2000 year-end common stock price: \$31 7/8

2001 RECORD AND DIVIDEND PAYMENT DATES

Anticipated record and payment dates are as follows:

COMMON STOCK

Record dates	Payment dates
Jan. 31	Feb. 15
Apr. 30	May 15
July 31	Aug. 15
Oct. 31	Nov. 15

Alliant Energy Corporation had 60,883 shareowners as of Dec. 31, 2000. Shareowner records are maintained in the corporate general office in Madison, Wis.

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 2001 Annual Meeting of Shareowners will be held at the Alliant Energy Center (formerly the Dane County Expo Center), Madison, Wis., on Wednesday, May 23, 2001, 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, 2000, 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:

Eric Mott
Manager-Investor Relations and Trust Fund Management
P.O. Box 192
Madison, WI 53701-0192
Phone: (608) 252-3391
Fax: (608) 252-4824
E-mail: ericmott@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.alliantenergy.com** (click on "Investors")

Alliant Energy
Worldwide Headquarters

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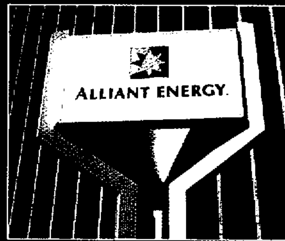
Madison, WI 53703
1.800.ALLIANT



Operating Headquarters

200 First St. S.E.
Cedar Rapids, IA 52401
1.800.373.1303

1000 Main St.
Dubuque, IA 52001
1.800.611.9330

Current information about Alliant Energy is available on the Web at *www.alliantenergy.com*

or AOL Keyword: Alliant Energy

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