



Kewaunee Nuclear Power Plant
N490 Highway 42
Kewaunee, WI 54216-9511
920.388.2560

Point Beach Nuclear Plant
6610 Nuclear Road
Two Rivers, WI 54241
920.755.2321

Kewaunee / Point Beach Nuclear
Operated by Nuclear Management Company, LLC

NRC-02-028

April 11, 2002

10 CFR 50.71(b)

U. S. Nuclear Regulatory Commission
Attention: Document Control Desk
Washington, D.C. 20555

Ladies/Gentlemen:

Docket 50-305
Operating License DPR-43
Kewaunee Nuclear Power Plant
Annual Financial Reports

Please find enclosed one copy of the 2001 Annual Financial Reports for WPS Resources Corporation and Alliant Energy Corporation. The enclosed reports are submitted in accordance with the requirements of 10 CFR 50.71(b).

Sincerely,

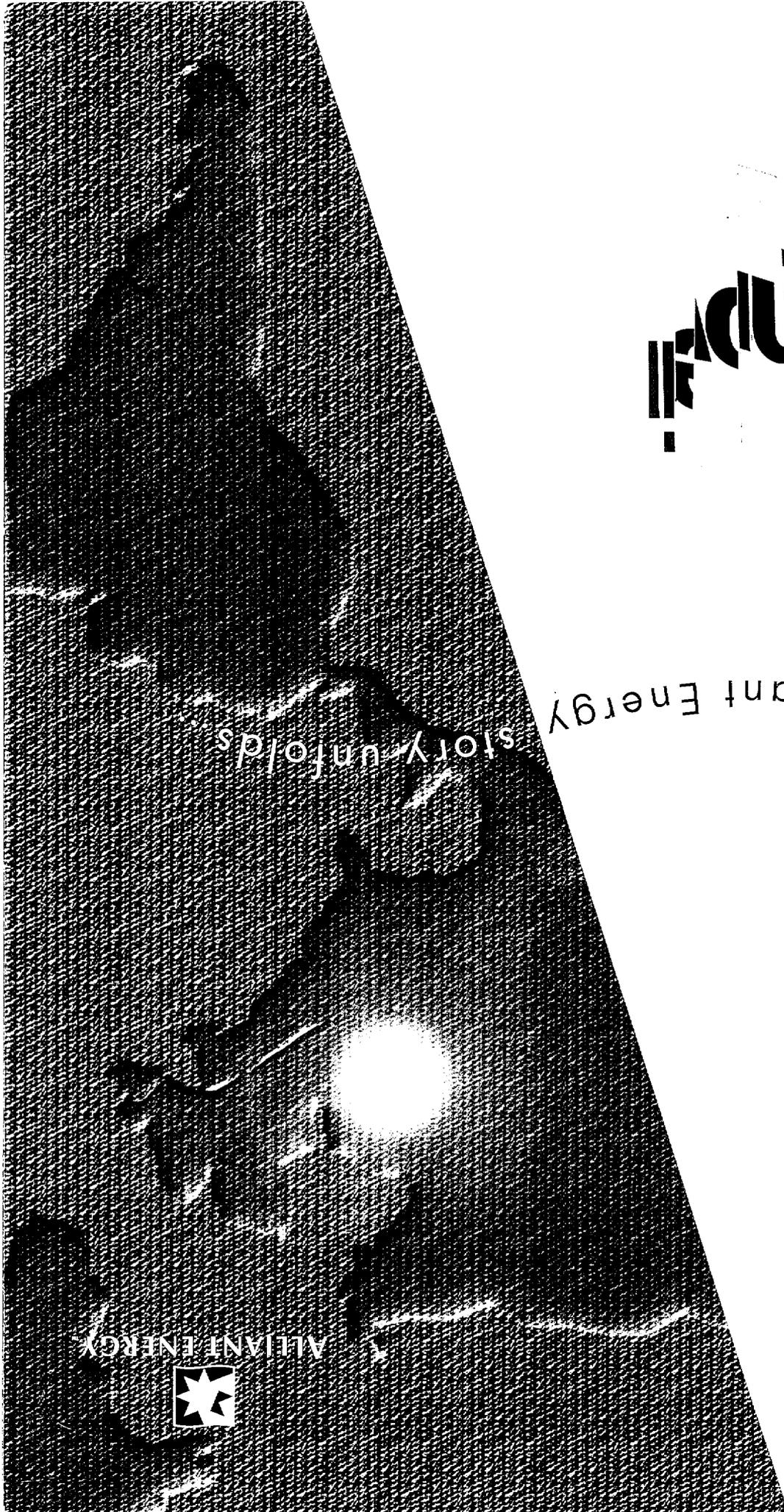
Thomas Coutu
Manager-Kewaunee Plant

SLC

Enclosure

cc - US NRC - Region III (w/o attach.)
NRC Senior Resident Inspector (w/o attach.)

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INVEST

The Alliant Energy story unfolds

ALLIANT ENERGY



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There's no doubt 2001 was a
tumultuous year for many individuals and
organizations throughout the United



States. At Alliant Energy™ – even in the face of challenging
business, economic and political environments – we
continued to successfully implement our “Invest,
Connect and Grow” strategic plan.

Our plan, which is designed to deliver increased
shareowner value over the long term, also is
yielding short-term success. And this exciting

story is still in the beginning chapters ... it is
just now starting to unfold.

Read on to learn more. 

**investing
connecting
growing**

The Alliant Energy story unfolds...

This annual report contains forward-looking statements. These
statements should be considered in light of the disclaimer on page 29.

Financial highlights

(Dollars in millions except for per share data)

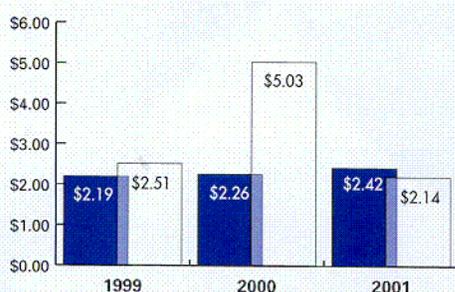
	2001	2000	Change
Operating revenues	\$ 2,777	\$ 2,405	15%
Net income:			
Net income	\$ 172	\$ 399	(57%)
Adjustments to net income (a)	\$ 23	(\$ 220)	N/A
Adjusted net income (a)	\$ 195	\$ 179	9%
Diluted earnings per average common share:			
Earnings per share	\$ 2.14	\$ 5.03	(57%)
Adjustments to earnings per share (a)	\$ 0.28	(\$ 2.77)	N/A
Adjusted earnings per share (a)	\$ 2.42	\$ 2.26	7%
Utility electric sales from ultimate customers (thousands of MWh)	25,277	25,617	(1%)
Total utility electric sales (thousands of MWh)	30,381	30,697	(1%)
Utility gas sold and transported (thousands of dekatherms)	101,518	101,003	1%
Construction and acquisition expenditures	\$ 818	\$ 1,066	(23%)
Total assets at year-end (b)	\$ 6,248	\$ 6,734	(7%)
Common shares outstanding at year-end (in thousands)	89,682	79,010	14%
Dividends declared per common share	\$ 2.00	\$ 2.00	—
Market value per share at year-end	\$ 30.36	\$ 31.88	(5%)
Book value per share at year-end (b)	\$ 21.39	\$ 25.79	(17%)

(a) Adjusted net income for 2001 excludes non-cash SFAS 133 valuation charges of \$21 million (\$0.26 per share) and \$2 million (\$0.02 per share) related to Alliant Energy's exchangeable senior notes and electricity derivatives of a foreign affiliate of Alliant Energy, respectively. Adjusted net income for 2000 excludes \$204 million (\$2.58 per share) of non-cash net income related to Alliant Energy's adoption of SFAS 133 and \$16 million (\$0.20 per share) of net income from gains on sales of McLeodUSA Incorporated stock.

(b) Total assets at year-end 2001 and 2000 include fair market values of Alliant Energy's investment in McLeodUSA of \$21 million and \$791 million, respectively. Such decrease is also the primary reason for the decline in book value per share.

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

Diluted earnings per average common share*



■ Adjusted earnings per share
□ U.S. Generally Accepted Accounting Principles (GAAP) earnings per share

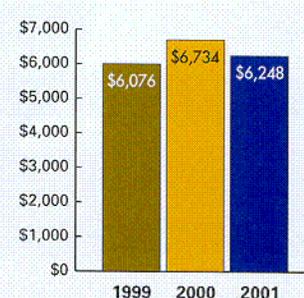
Operating revenues

(in millions)



Total assets at year-end

(in millions)



*The 1999 and 2000 GAAP results include net income from gains on sales of McLeodUSA stock of \$0.32 per share and \$0.20 per share, respectively. The 2000 GAAP results include income of \$2.58 per share relating to Alliant Energy's adoption of SFAS 133 on July 1, 2000. The 2001 GAAP results include non-cash SFAS 133 valuation charges of \$0.26 related to Alliant Energy's obligation under certain 30-year exchangeable senior notes and \$0.02 per share related to the valuation of electricity derivatives of a foreign affiliate of Alliant Energy.

C-01

We're a global energy company...

Alliant Energy Corporation (NYSE: LNT) is an energy holding company with regulated utility providers as well as non-regulated companies involved in delivering energy-related products and services.

While international in scope, we're guided by the same strong Midwestern values that are a fundamental part of our heritage. Headquartered in Madison, Wis., we serve more than three million customers around the globe.

We're now in the second year of our dynamic "Invest, Connect and Grow" strategic plan. By working our plan, we are continuing to improve the financial strength and success of our traditional regulated utility businesses, and we are growing our domestic and international non-regulated businesses.

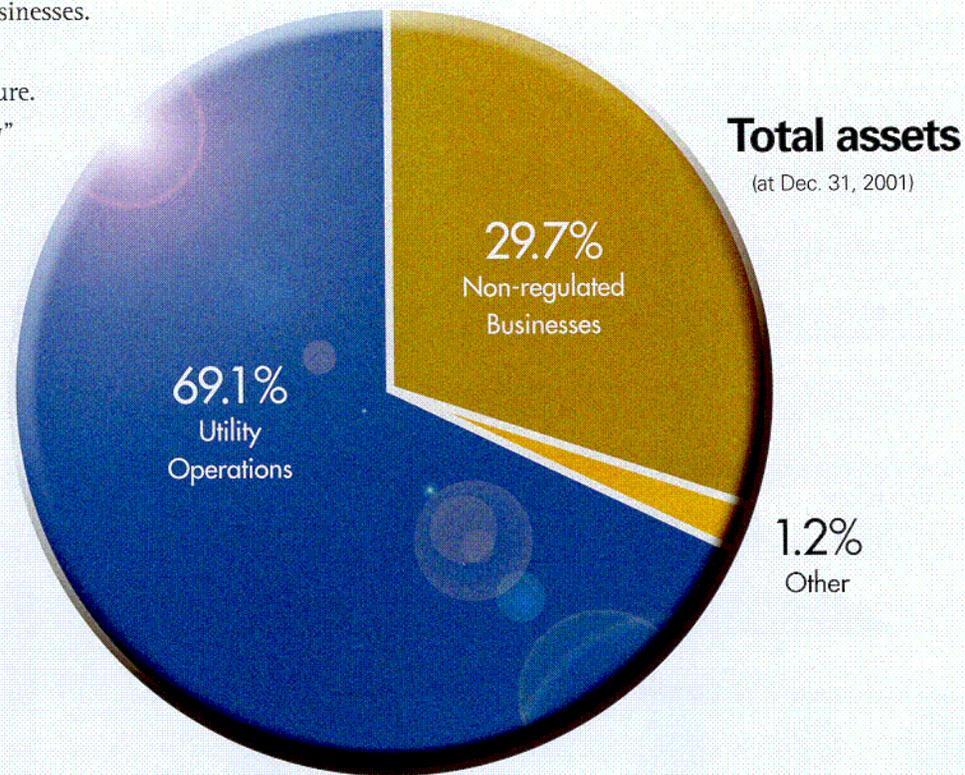
The results we have already produced bode well for the future. Our "Invest, Connect and Grow" story is only just beginning to unfold. ■



ALLIANT ENERGY™



ALLIANT ENERGY
Corporate Services



Our vision: To be the customer's first choice for energy solutions.

C-02

and growing stronger every day



Interstate Power and Light Co.*

Wisconsin Power and Light Co.

Core utility operations

Our two primary utility subsidiaries provide regulated electric, natural gas, steam and water services to more than 1.3 million customers in Iowa, Wisconsin, Minnesota and Illinois.

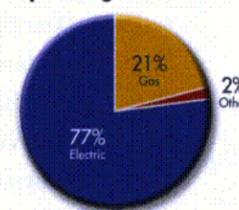
We've created a diverse power portfolio that uses fossil-fuel, nuclear and renewable sources. We also continue to have a strong emphasis on energy efficiency.

By working our "Invest, Connect and Grow" plan, we met our 2001 goals in the areas of reliability, safety and environmental compliance. Now, we're working to expand our power portfolio – with natural gas plants, efficient coal plants and renewable fuel projects – to ensure continued energy reliability. ■

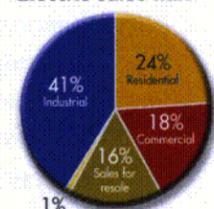
Maximum peak hour demand (in megawatts)	5,677
Number of electric customers	939,443
Number of gas customers	399,861
Total utility electric sales (thousands of megawatt hours)	30,381
Utility gas sold and transported (thousands of dekatherms)	101,518

*Interstate Power and Light Company was formed on Jan. 1, 2002, through the merger of IES Utilities Inc. and Interstate Power Company.

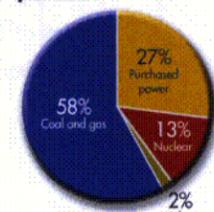
Sources of utility operating revenues



Electric sales mix



Electric power portfolio



Our utility service territory



Our utilities serve more than 1,000 communities in Iowa, Wisconsin, Minnesota and Illinois.

Non-regulated operations

While our core utilities provide stable and more predictable returns, we believe that Alliant Energy Resources, Inc. – home of our non-regulated and international energy businesses – offers greater potential for future earnings growth.

By expanding into international and domestic non-regulated areas, Alliant Energy Resources is key to our overall "Invest, Connect and Grow" plan to increase shareowner value. It strives to provide growth that is consistent ... and it delivers by maintaining a diverse portfolio of companies that function in different geographic areas and business disciplines. This diversity helps to minimize the risks of a downturn in any one market, while still presenting significant opportunities for growth.

Growth platforms

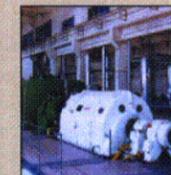
Alliant Energy Resources has identified two major growth platforms:

International: Through Alliant Energy International, Inc., we have established global partnerships to develop energy generation and delivery systems in growing markets throughout the world. Currently, we have investments in Brazil, China, Australia and New Zealand.



Non-regulated generation:

Our newly formed subsidiary, Alliant Energy Generation, Inc., has been charged with building a portfolio of competitive generating assets throughout the Eastern Interconnect, focusing primarily on the Upper Midwest. While changing market conditions have caused nationwide delays in new plant construction, they have also created tremendous opportunities for growth through acquisitions. We believe that Alliant Energy Generation is ideally positioned to capture its share of this new market.



Existing operations

Alliant Energy Resources also has operations in the following areas:

Investments: Our existing investments include ownership of an oil and 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 have an equity stake in independent telecommunications provider McLeodUSA Inc.

Trading: We have an electricity-trading joint venture with Cargill Inc., one of the world's largest commodities trading firms. This partnership, Cargill-Alliant, LLC, combines Cargill's risk-management and commodities-trading experience with our strong generation and transmission business experience. The initial term of Alliant Energy's electricity-trading venture with Cargill expires in October 2002.

Integrated Services: Alliant Energy Integrated Services Company provides a wide range of energy and environmental services for commercial, industrial and institutional customers. Services under the integrated services umbrella include energy infrastructure, energy procurement, environmental engineering and construction management, energy planning, and gas management.

Energy Technologies: This division focuses on providing our customers with exciting new technologies that are smaller in scale than more traditional generation technologies, such as microturbines, fuel cells, solar concepts and wind turbines.

Mass Marketing: Mass Marketing develops and markets energy-related products and services. In 2001, we acquired a controlling interest in SmartEnergy,™ Inc., an Internet-based company that sells power to residential and small business customers in competitive energy markets. We also continue to expand our PowerHouse catalog business, which features a full array of energy-smart products. ■

C-03

with strong senior leadership



We have a diverse and talented team of nearly 8,500 people committed to increasing shareowner value. Our team has great depth in terms of skill level, experience and expertise ... and subscribes to a strong Midwestern work ethic. As we strive for more aggressive growth as a company, we're also working hard to retain and add to our already exceptional team. □

Senior Management Team

From left to right, front row:

Erroll B. Davis, Jr.

Chairman, President and Chief Executive Officer
Responsible for development of the vision for Alliant Energy and the execution of the company's long-term strategic plan.

Pamela J. Wegner

Executive Vice President-Shared Solutions President, Alliant Energy Corporate Services, Inc.
Responsible for environmental, health and safety procedures and strategies; infrastructure security; human resources; labor relations; information technology; supply chain; facilities; and project management. Also oversees strategic planning activities throughout the company.

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. Oversees operations at Wisconsin Power and Light Company.

Eliot G. Protsch

Executive Vice President-Energy Delivery President, Interstate Power and Light Company
Responsible for utility energy delivery services, marketing activities and customer relations. Oversees operations at Interstate Power and Light Company.

Back row:

Barbara J. Swan

Executive Vice President and General Counsel
Responsible for legal matters involving Alliant Energy and its utility and non-utility subsidiaries. Also oversees government and regulatory relations, corporate communications, advertising and community affairs.

James E. Hoffman

Executive Vice President-Business Development President, Alliant Energy Resources, Inc.
Oversees all international and non-regulated subsidiaries. Also has responsibility for shaping and implementing Alliant Energy's e-business strategies and initiatives.

Thomas M. Walker

Executive Vice President and Chief Financial Officer
Responsible for accounting, finance, investor relations and shareowner services. Also oversees the financial activities in all business units and subsidiary companies.

Dear Shareowners,

2001 was an **eventful and challenging year** for Alliant Energy. And like many other organizations and individuals throughout the United States, we faced our challenges with strength and resolve. We **stayed on course**, holding tight to the "Invest, Connect and Grow" strategy we introduced to you last year. This strategic plan is designed to **build our business** and continue to deliver additional value for you, our shareowners. And, I am pleased to report, **it is working.**

Our 2001 adjusted earnings of \$195.1 million, or \$2.42 per share, represent a 7 percent increase from our 2000 adjusted earnings. These figures exclude certain non-cash valuation charges in 2001 and the non-cash impacts of income from the adoption of a new accounting standard and gains on sales of McLeodUSA stock in 2000.

Reported net income and earnings per share as required by U.S. Generally Accepted Accounting Principles for 2001 and 2000 were \$172.4 million, or \$2.14 per share, and \$398.7 million, or \$5.03 per share, respectively.

While not all our businesses met our high performance expectations, we delivered adjusted results within the earnings guidance we provided throughout the year. Of course, we're not where we want to be ... yet. We're only in year two of our dynamic "Invest, Connect and Grow" plan. As our theme for this report suggests, our story is just now unfolding.

2001: A difficult year for many

2001 was a tumultuous year for the entire energy industry. The year began with power shortages in California and ended with the collapse of Enron Corp.

The Dow Jones Utility Index fell 29 percent, while the Standard and Poor's 500 Index was down 13 percent. But Alliant Energy fared relatively well in this challenging environment. Our total return to shareowners was 1.6 percent (dividends plus change in stock price). This certainly doesn't represent what we expect to deliver in the future, but it does represent strong performance compared to peers in our industry as well as investment opportunities in other market sectors.

While we are meeting our intermediate goals, we are also confidently forging ahead to generate further success with our strategic plan. Last fall we went to the equity markets to raise capital to fuel our growth strategy. As fate would have it, this was the same period the energy industry was beginning to lose favor in the eyes of the investment community as Enron's financial troubles were increasingly coming to light.

KEY FINANCIAL HIGHLIGHTS

- Our long-term goal is to achieve 7-10 percent annual growth in adjusted earnings.
- Within the next three years, 25 percent of our overall adjusted earnings is expected to come from our non-regulated businesses.
- We've maintained solid investment-grade credit ratings.
- The cash flows from our utility operations cover the majority of our corporate dividend.
- We have financing flexibility through debt, equity, cash flows from operations and the potential sale of non-strategic assets.

But, as is often the case for Alliant Energy, we bucked the trend in that uncertain environment, and our equity offering was well received by Wall Street. We placed almost 10 million new shares of our stock ... and raised \$263 million to fund our growth plans.

Our competitive advantages are clear: We have strong core utility operations, a diverse mix of non-regulated businesses and a workforce second to none.

Utilities: The center of everything we do

Our regulated utility companies remain the foundation of our business. And our results prove that, as our core utilities contributed \$2.05 per share to our overall 2001 adjusted earnings.

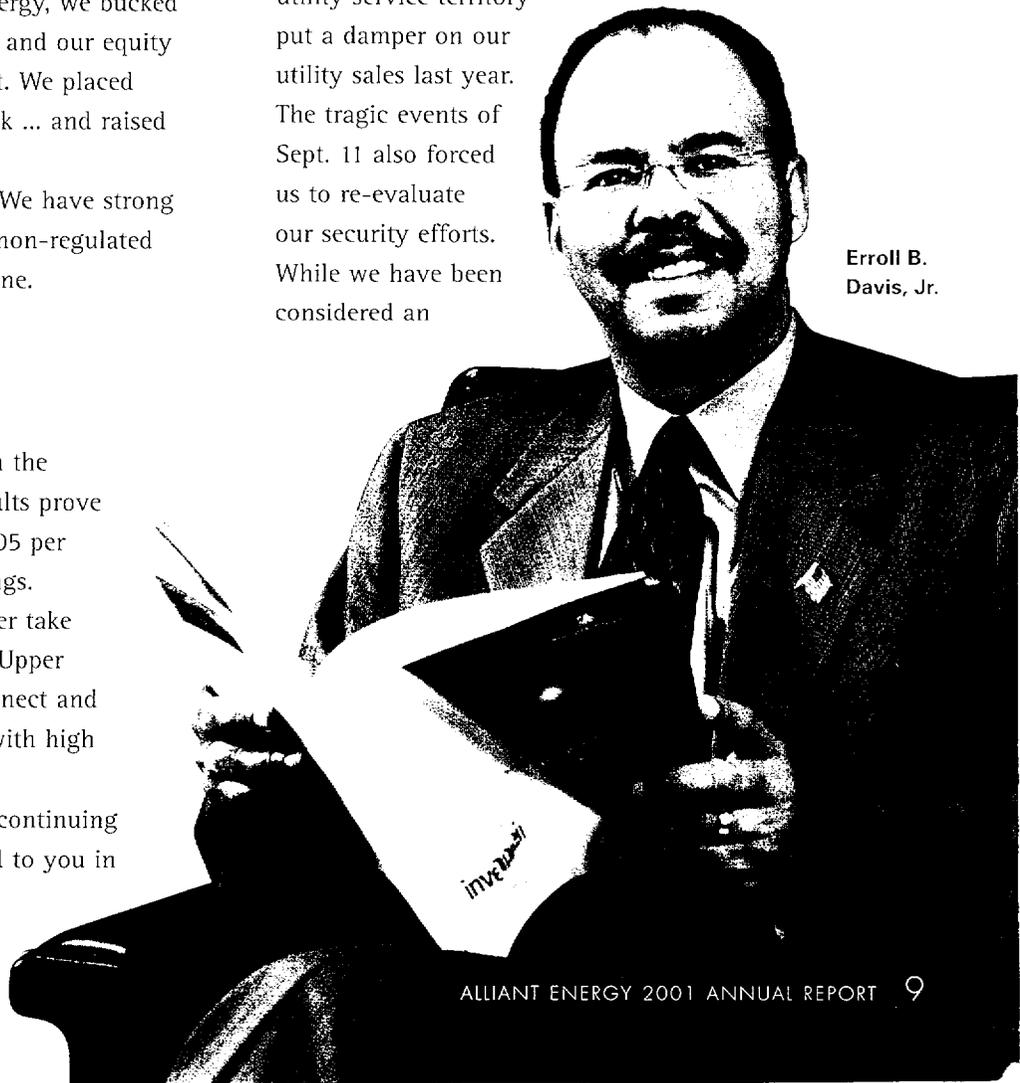
As I shared with you last year, we never take our eyes off our utility customers in the Upper Midwest. We're working our "Invest, Connect and Grow" plan to provide low-cost energy with high reliability. That's what it's all about.

Examples of our plan at work include continuing the PowerPledge™ program we introduced to you in

2000 by planning to *invest* a total of \$1.7 billion in capital in our utilities throughout Iowa, Wisconsin, Minnesota and Illinois between 2002 and 2005. We are also better *connecting* with our customers as evidenced by again ranking highly among our peers in the area of customer service. And we took steps to *grow* our system capacity by contracting for new generation for our Wisconsin utility customers and unveiling a plan to bring both fossil-fuel and renewable generation projects on line in Iowa over the next five years.

But, as in life, not all things progressed as planned. Temperate weather and slow economic growth in our utility service territory put a damper on our utility sales last year. The tragic events of Sept. 11 also forced us to re-evaluate our security efforts. While we have been considered an

Erroll B. Davis, Jr.



industry leader in cyber and physical security for the last couple of years, we realize that – today – energy security takes on a whole new urgency. And, at Alliant Energy, we're working to develop new standards.

Non-regulated activities generating new growth

We continue to benefit from our diverse portfolio of investments on the non-regulated side of our business. Maintaining a diverse group of businesses limits the consequences of a downturn in any one market or business. By using this philosophy, Alliant Energy Resources – home to all of our non-regulated businesses – delivered an adjusted \$0.36 per share to our 2001 results.

Just as we had planned, Alliant Energy Resources was the key to our delivering a 7 percent overall increase in adjusted earnings growth in 2001. It did so by generating a 64 percent increase in adjusted earnings as compared to 2000 results.

Specifically, in 2001, we benefited greatly from our *investment* in Whiting Petroleum, as it outperformed expectations and produced record profits. We also capitalized on our *connections* in China, partnering with Peak Pacific Investment Co. Ltd. to bring additional facilities on line in China. Other solid partnerships and subsidiaries – including SmartEnergy™ and RMT, Inc. – helped us to expand and *grow* our global customer base in 2001. Through SmartEnergy, we now have more than 110,000 customers in New York City.

But, as I said earlier, we faced challenges as well as bright spots in 2001. For example, our investment in McLeodUSA dramatically lost value during the downturn in the telecommunications industry. While we are obviously disappointed with this turn of events, we are pleased that we had previously utilized a portion of our initial \$30 million investment to help secure about \$400 million in investment capital at very favorable interest rates. In addition, we have realized about \$41 million in income on sales. While this is dramatically less than we originally forecasted, I hope you would agree that this investment has already delivered more-than-acceptable results.

Our Brazilian operations also were tested in 2001. Brazil, a country highly dependent on hydroelectric

power, suffered from a drought of a magnitude unseen in the past. Power rationing became the norm throughout the country, which was a significant factor in our Brazil investments not performing up to our expectations in 2001. But, late in the year, the rain returned and power rationing began to subside. As weather patterns continue to normalize in the region and regulation becomes more stable, we expect improved returns from Brazil by year-end 2002.

Our power is in our people

Just as we faced challenges in 2001, we expect to face even more in 2002 as the landscape continues to change and evolve. But we're ready. Our confidence comes from our strategic plan, our financial strength and – especially – our people.

Our people embody Alliant Energy's values. I continue to be amazed by their creativity, flexibility and ability to identify and seize new opportunities, while continuing to focus on safety and results. Their work begins and ends with a genuine commitment to our customers and with a real sense of obligation to you, our shareowners.

I would like to extend a special thanks to my current fellow directors, as well as Rockne Flowers, Arnold Nemirow and Milton Neshek who retired from the Board in 2001. We will miss their insights, optimism and energy.

But I'm pleased to welcome Singleton McAllister, a partner at Patton Boggs LLP, a Washington, D.C.-based law firm, who joined our Board in June 2001. We look forward to Singleton's guidance and involvement in our international business, legal, legislative and regulatory strategies.

We are excited about the possibilities for our business and for your investment. Our positive story is just now starting to unfold. I encourage you to read on to learn more.

On behalf of the Board of Directors, I sincerely thank you for your continued support. □



Erroll B. Davis, Jr.

Chairman, President and Chief Executive Officer

The straight story with Erroll Davis

How did LNT's stock performance compare to others in 2001?

In relative terms, very well. In absolute terms, not as well as we'd expect.



The stock market was volatile in 2001 as the Standard and Poor's 500 Index fell 13 percent from its 2000 levels. That overall volatility and uncertainty obviously carried over into the utility sector. The Dow Jones Utility Index fell nearly 29 percent from where it was at year-end 2000.

Against this backdrop of instability and uncertainty, Alliant Energy's stock price finished the year 4.8 percent below its 2000 year-end level. However, we maintained our \$2 per share annual dividend, yielding a 1.6 percent total return to shareowners.

Both a strong dividend and sound strategic plan emphasizing healthy utilities and diversification contributed to our common stock outperforming the utility indices as well as the S&P 500 Index in 2001.

Dividends are very important to shareowners. Can we expect Alliant Energy's to continue?

We have no current plans to change our dividend.

Our dividend policy is evaluated quarterly by our Board of Directors. Alliant Energy has paid dividends – without interruption or reduction – for 224 quarters.

The average dividend payout ratio in the utility industry is now about 60 percent. Alliant Energy's adjusted 2001 earnings of \$2.42 combined with a \$2 per share dividend payment in 2001 indicates our payout ratio now stands at about 83 percent.

Our current plans do not require us to alter our annual dividend. A stable dividend will allow us to meet the needs of our traditional income investors. And as our profits grow, our dividend policy also will allow us to meet our obligations to our growth investors to increase our earnings and create enhanced value. Retaining more cash will help to finance our growth.

In short, shareowners – both retail and institutional – have come to view “LNT” as a stock that includes both income and growth components.

Why did you choose to issue new shares of LNT stock in 2001? How much money did you raise?



It was part of our strategic plan ... and we successfully raised \$263 million.

As we clearly laid out in our 2000 annual report, the ultimate objective of our strategic plan is to grow, which requires capital for investment in our utilities and in our non-regulated areas. Our November 2001 stock offering was a logical step in the execution of that strategic plan. Priced at \$28 a share, we raised about \$263 million.

Specifically, we used the net proceeds from this offering to repay short-term debt. This debt was incurred for funding acquisitions and capital expenditures in the domestic utilities and non-regulated subsidiaries, and for general corporate purposes.

Some questioned the timing of our offering as it occurred shortly after the tragedies of Sept. 11. But – even in light of a gloomy economic climate – we knew the country and the world more than ever would need continued reliable energy service and new generating

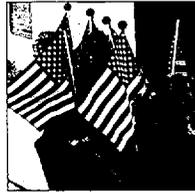
The straight story with Erroll Davis

capacity. These improvements and enhancements can move forward only if companies like Alliant Energy are willing to attract capital and affect positive change. In short, we knew we had to get back to business ... and we did.

How did Sept. 11 affect your operations?

Indirectly ... but profoundly.

While our business was not directly impacted, we work closely on an ongoing basis with many who called the World Trade Center home. We shared in their grief.



Tragic events, such as those on Sept. 11, cause us to step back and take inventory of who we are, what we stand for and what we need to do to move forward. From that review, we discovered much about our values and our business strategy.

In response to the tragedy, Alliant Energy joined other corporate citizens in donating funds and equipment to further the relief efforts. Employees participated in blood drives and – aided by a two-for-one financial match from the Alliant Energy Foundation – donated more than \$200,000 to the Red Cross National Disaster Relief Fund. For this, I am thankful and proud.

We also strengthened our commitment to addressing security concerns at Alliant Energy facilities. While we have been recognized in the past as a leader in infrastructure security from groups such as the Edison Electric Institute and the North American Electric Reliability Council, we realized more needed to be done. And we are taking all necessary actions.

What are Alliant Energy's key focus areas?

Providing customers with energy solutions across the world, across the country and across the street.

Despite the fact that we are much more than a traditional utility, regulated utility operations still form the core of our business.

In fact, we've committed to spending \$1.7 billion to enhance and expand our regulated utility infrastructure between 2002 and 2005. If we don't do a good job serving our utility customers in Iowa, Wisconsin, Minnesota and Illinois, our reputation suffers. And that could severely hamper our growth efforts on the non-regulated side of our business. So, the Upper Midwest continues to be the foundation for our success.

But, as we've outlined in our strategic plan, we expect our non-regulated areas to provide us with the growth necessary for Alliant Energy to remain an attractive investment. In fact, we expect 25 percent of our adjusted earnings to come from our non-regulated businesses within three years.

That said, we realize we can't – and don't want to – be all things to all people. Therefore, we have identified areas of strategic importance within Alliant Energy Resources, the parent company for all our non-regulated subsidiaries. These areas include targeted international energy markets and non-regulated generation operations.

Why have you continued to invest money overseas?

Because it will provide strategic growth.

We have invested – and will continue to invest – in international energy businesses because we believe they offer great potential for growth.

There is no question that there are also risks associated with investing in operations in foreign countries. But we exercise great care and financial discipline in evaluating business and political risks before making any investments. We also engage outstanding local partners to help mitigate risks.

In Brazil and China, demand for energy is expected to grow much faster than it will in the United States. As it always does, the challenge of meeting this increasing demand presents an opportunity to earn an attractive return. Being part of the solution typically does.



We expect our international portfolio to help drive Alliant Energy Resources' earnings over the next three years. But success won't happen overnight.

Our strategy in the global markets is to generate strong returns that are also sustainable. In the long run, this strategy provides the best value to our shareowners.

How does Enron's bankruptcy affect Alliant Energy?

Minimally from a financial perspective, but it significantly changed the business world.

Not surprisingly, many of our business units have conducted business with Enron. At the time of its bankruptcy, our aggregate pre-tax exposure to Enron was about \$5 million. This exposure resulted in a loss of four cents a share in our adjusted 2001 results. Therefore, Enron's bankruptcy had a modest impact on our 2001 earnings.

But the broader implications of the Enron crisis and the ensuing investigations will – no doubt – have an impact on every publicly-traded company, including Alliant Energy. But whatever changes are in store, Alliant Energy stands ready to comply.

We have always openly shared details about our material transactions with investors and the financial community. And we will continue to do so in the future. Additionally, we will monitor changes in the accounting industry and will adjust our practices accordingly.

Another result of Enron's bankruptcy is the more careful investigation into energy-trading companies.

But, unlike Enron, trading comprises just a small part of Alliant Energy's business portfolio.

Shareowners should take comfort that Alliant Energy and its future are built on the solid foundations of regulated utility assets as well as tangible investments in a diverse portfolio of businesses, including Whiting Petroleum, Heartland Properties, Peak Pacific (our partner in China) and Companhia Força e Luz Cataguazes-Leopoldina, S.A. (our partner in Brazil).

What is your view on the increased scrutiny being placed on publicly-traded companies' relationships with their independent auditors?

Frankly, I welcome that scrutiny.

Alliant Energy is not the only company whose common stock I own. As a shareowner, I have a right to expect the independent auditors to place the interest of the shareowner first.

Recently I've been asked if our Board plans to re-evaluate the firm that Alliant Energy retains as an independent auditor. My answer is, of course ... but not in reaction to recent events.

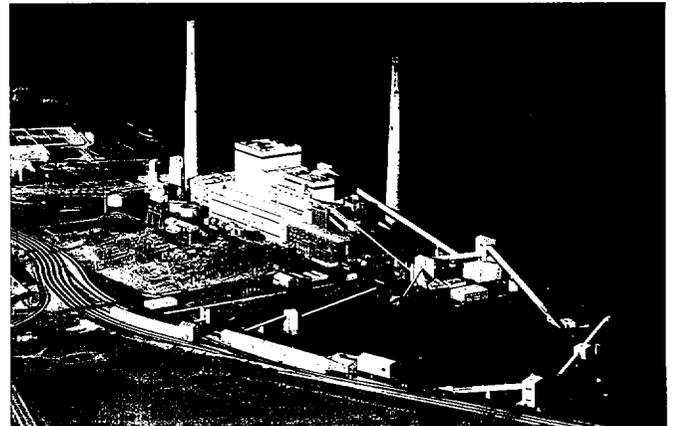
Such a rigorous evaluation is part of what our Board does every year. The Board will not hesitate to retain our current independent auditor, or change to another one, if it believes such an action would be in our shareowners' best interest.

This is not a new approach for Alliant Energy, nor is it a secret to our current independent auditor, Arthur Andersen. That understanding, I believe, is the basis for ensuring our shareowners are well served. □

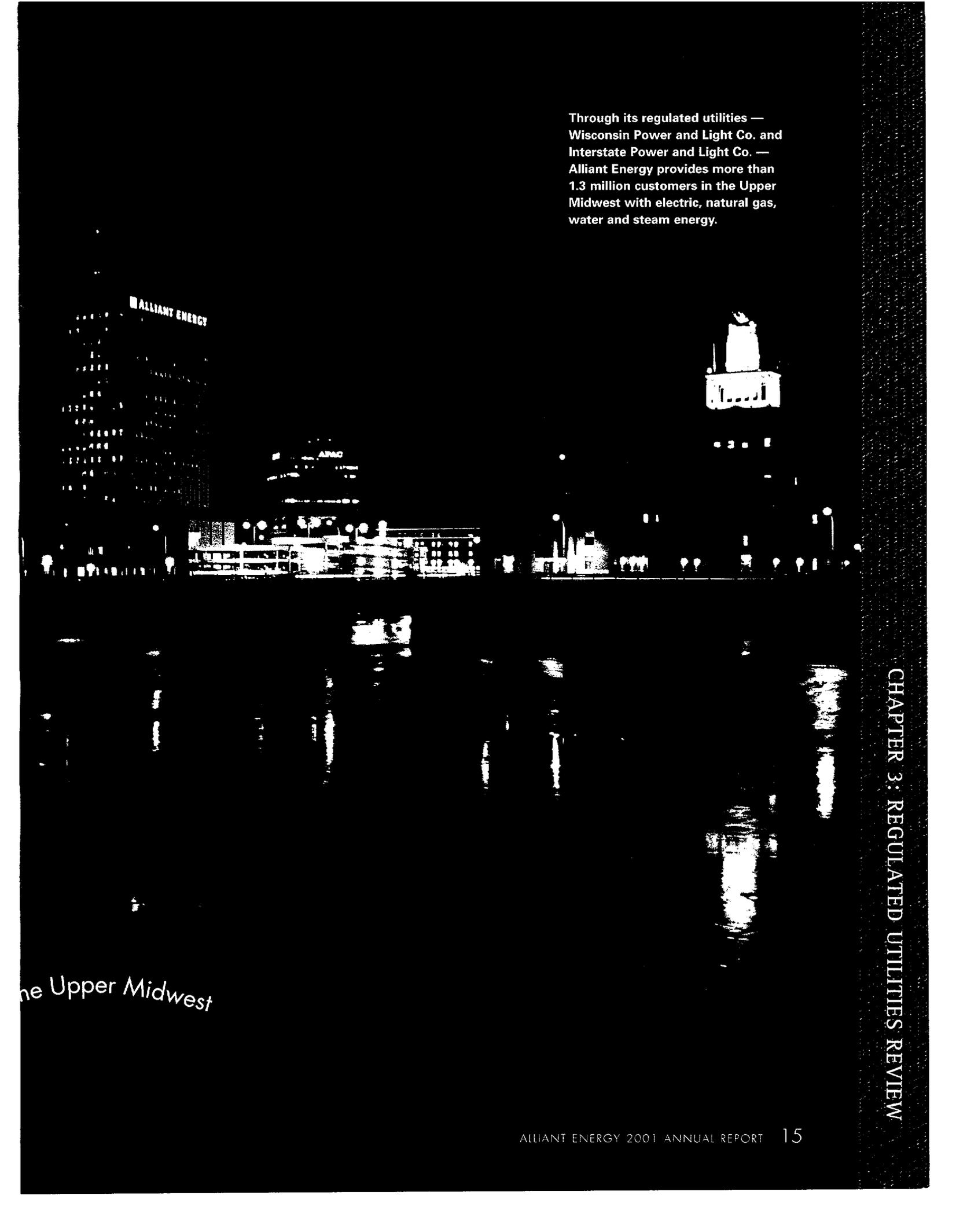
Working to be the best

While the story of Alliant Energy's growth is still unfolding, the chapter on our regulated utility operations hasn't taken any unexpected twists. Our regulated utilities remain the solid foundation for everything we do. They are strong, stable contributors to our results, accounting for 85 percent of our overall 2001 adjusted earnings. And we are continuing to work our "Invest, Connect and Grow" plan to maximize the value of our utility operations while providing our customers with the energy they need ... when they need it.

Our utilities' "portfolio approach" calls for the addition of new natural gas and coal plants, more renewable energy, distribution enhancements and a continued strong emphasis on energy efficiency.



We're committed to serving



Through its regulated utilities — Wisconsin Power and Light Co. and Interstate Power and Light Co. — Alliant Energy provides more than 1.3 million customers in the Upper Midwest with electric, natural gas, water and steam energy.

the Upper Midwest

A dedicated team of generation engineers has developed extensive plans to improve power plant reliability, efficiency and environmental performance.

(Pictured: Rodrick Owens, Associate Engineer)



Investing for the future

Our regulated utility system includes nearly 45,000 miles of electric distribution lines, 8,400 miles of natural gas pipeline and 5,400 megawatts of regulated generation. Our team is working hard to control costs throughout our

expansive utility service territory by exercising financial discipline and cost-saving measures wherever possible.

While we are exploring every opportunity to manage costs, we will not sacrifice reliability or safety in the process. Toward that end, we are continuing to make investments in our utility operations and systems.

For an example of how we're investing for the future, consider our PowerPledge™ program. We've pledged to spend \$1.7 billion upgrading our utilities' infrastructure in Wisconsin, Iowa, Minnesota and Illinois between 2002 and 2005. With these dollars, we are extending and enhancing our power plants, distribution systems and other energy infrastructure.

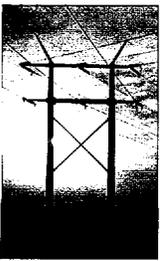
We're also investing in innovative programs to better protect our environment while maintaining plant efficiency. Through our SmartBurn™ project, for example, our utility subsidiaries are able to significantly reduce emissions by optimizing power plant combustion performance. When we introduced the program in 2000, we reported success in cutting emissions in half at one coal-fired generating plant in Iowa. With additional investments in research, computer modeling and new equipment, we expanded the program to three more plants in 2001. We expect to reduce our utilities' total nitrogen-oxide emissions by about 50 percent over the next few years. And we expect to do so at a fraction of the cost of other conventional methods.



Keeping the lights on takes expert planning and first-class operations that emphasize efficiency and safety. Our utility subsidiaries have both.

We invest capital to achieve positive financial results, but we also invest our time and efforts in new ideas and partnerships that have a positive impact on our operations. Specifically, in 2000, our Wisconsin utility subsidiary joined with four other Wisconsin energy companies to form the nation's first for-profit electric transmission company, the American Transmission Company LLC (ATC).

In exchange for contributing our Wisconsin transmission assets, our Wisconsin utility subsidiary received an approximately 26.5-percent ownership interest in the new transmission company.



The idea behind ATC was that consolidating systems would help streamline maintenance costs and boost reliability in a time when increasing customer demand was straining transmission system capability. And, our part-

nership is working. The new company successfully managed the transmission system during the hot days of 2001 when the demand for energy was high.

Building on that success, in 2001, Alliant Energy turned its attention westward and made plans to consolidate its Iowa utility subsidiary's transmission system with those of five other utility companies to form TRANSLink Transmission Co. LLC. Estimates indicate that TRANSLink will connect electricity generators and customers in 14 states with 26,000 miles of transmission lines by 2003.

Both the newly consolidated ATC and the planned TRANSLink entity also represent our compliance strategies for the National Energy Policy Act of 1992 and emerging regulations set by the Federal Energy Regulatory Commission.

By investing with our partners in new regional transmission companies, we've successfully managed costs and increased electric reliability for all of our utility customers.



In 2001, we established the Small Business Resource Center. By simply phoning our energy experts, business customers can get help with pricing issues, energy planning options and other technical matters. (Pictured: Customer Service Consultants Jon Shramek and Tracie Hillman)

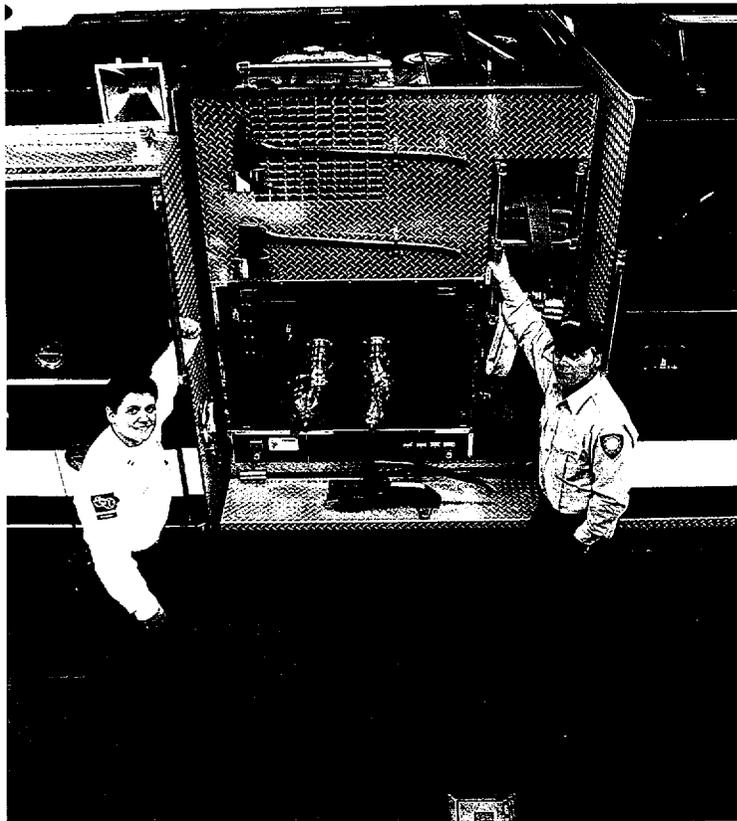
Connecting with customers

Alliant Energy's utility subsidiaries are constantly striving to achieve nothing short of excellence in customer service and emergency response while providing products and services to better manage energy. That's what keeps our connection to our utility customers strong.

And research proves that our customers recognize our efforts, as – in 2001 – our utilities again earned top marks in the area of customer service in a highly respected national customer survey. Additionally, our utilities reduced both lost-time accidents and environmental violations from 2000 levels.



Through the Executive Response Program, Alliant Energy executives connect with customers by discussing pressing issues, such as high natural gas prices in early 2001. The successful program shows customers that their concerns are being heard at the highest levels of Alliant Energy. (Pictured: John Kratchmer, Corporate Controller and Chief Accounting Officer)



Fire and police departments must be ready to respond in all situations. In 2001, our Iowa utility subsidiary worked with the Marion Fire Department to find a stand-by generation system that best suited the firefighters' needs.

In 2001, we also continued to expand our programs to help customers conserve natural resources and use less energy. Through our Second Nature™ Program, residential customers can choose to support electricity produced from renewable sources. We've set an aggressive goal of having 7,000 participants in the program by year-end 2002.

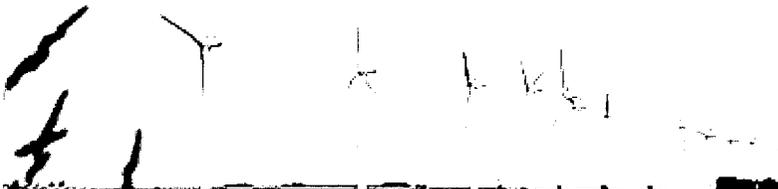


Through our Shared Savings Program in Wisconsin and Performance Edge in Iowa, we work with commercial and small business customers to help them reduce their energy consumption. This helps our customers save on their energy bills, and it also helps to conserve natural resources. Since 1997, we've helped customers save more than 500 megawatts of electricity, which avoided emissions of approximately 4.8 million pounds of sulfur dioxide, 2.4 million pounds of nitrogen oxide and 489,000 tons of carbon dioxide. That's the same amount of carbon dioxide emitted by 67,000 sport-utility vehicles.

Programs such as PayWise™, which offer customer payment options over the Internet, also helped us better connect with our customers on their own terms in 2001. Additionally, YourAccount provides residential and business customers with secure, around-the-clock access



PowerHouse: Home Comfort Tips offers viewers practical ideas to help reduce energy costs. The weekly television program airs on broadcast stations across Alliant Energy's four-state utility service territory. (Pictured: *PowerHouse* Hosts Megan Turner and Pete Seyfer)



Wind generation is an important part of our utilities' power portfolio. At the end of 2001, our utilities had 5 percent of the wind generation in the United States under contract.

to current and historical energy billing and usage information.

Our utilities are also connecting with customers by providing ultra-reliable and efficient technologies like fuel cells and microturbines as well as more traditional forms of stand-by generation like reciprocating engines. One example of an emerging technology is Capstone MicroTurbines.[™] Our goal is to install 40 microturbines at various locations in 2002.

Growing our energy portfolio

California's power shortages early in 2001 helped reinforce the fact that substantial investments must be made in new power generation throughout the United States. At Alliant Energy, we've been focused on growing our regulated energy portfolio for the last several years.

And we've succeeded. In 2001, we worked with our regulators and neighbors to bring 450 megawatts of new electric generation on line in Wisconsin. We also worked to secure 453 megawatts from a 600-megawatt plant that is scheduled to come on line in Wisconsin in 2003. In total, these new plants will produce enough power for about 275,000 average homes.

Anticipating the continued growth in demand, our Iowa utility subsidiary also launched a comprehensive program – Power Iowa – to grow the power supply for its customers.

Through Power Iowa, our Iowa utility has pledged to add a 500-megawatt natural-gas plant by 2004 and a 400-500 megawatt coal-fired plant by 2007. Whether our utility or an independent power producer builds the plants, we believe they are critical to Iowa's energy future. The Iowa legislature passed a bill in 2001 that should provide more certainty in how the costs of these new plants are recovered. We believe the legislature

intended to provide an opportunity for utilities to earn a competitive return on this critical investment in Iowa's economy.

Power Iowa also calls for the addition of 150,000 megawatt hours of renewable energy generation or enough energy to power more than 20,000 homes for a year.

We realize that this portfolio approach of maintaining a diverse mix of fuel sources is important to our customers. With this strategy in place, we are able to moderate the effect to our utility customers when the prices or availability of one fuel source fluctuates.



Between 2000 and 2005, our utility subsidiaries are expected to grow their regulated power portfolio by about 1,800 megawatts. That's a third of our regulated utilities' current aggregate capacity.

Growing our renewable energy portfolio is also key to reducing our impact on the environment. We continue to be a leader in this area. At year-end 2001, we had about 5 percent of the nation's total wind energy capacity under contract. And we're not just involved in purchasing output ... we're also helping construct new wind farms.

For example, in 2001, we supplied the collector systems – or the transformers and underground cables that move the power from the wind turbines to the transmission system – for three wind farms in Iowa, Wisconsin and Kansas.

And late in 2001, our Wisconsin utility received approval from state regulators to continue to grow our renewable portfolio with a different kind of power – biogas, or methane created from animal waste. This innovative project helps our agricultural utility customers effectively manage farm waste issues while efficiently generating renewable energy. We're excited about the possibility of expanding the use of this fuel source in the future. □



Driving long-term earnings growth

In 2001, Denver-based Whiting Petroleum significantly added to Alliant Energy's bottom line while producing important domestic fuel sources.



The chapter about Alliant Energy's non-regulated businesses has a few more characters and plot twists. While our utility businesses form the solid foundation for Alliant Energy, our non-regulated areas offer the most potential for future growth. And, in 2001, we started to see the results, as our non-regulated businesses contributed 15 percent to our overall corporate adjusted earnings. In fact, our non-regulated businesses were key to Alliant Energy providing 7 percent growth in adjusted earnings over 2000 results. While separate business units manage our regulated and non-regulated businesses, one recurring theme prevails in both areas ... "Invest, Connect and Grow."

Investing in profit centers

Our non-regulated business investment portfolio is sufficiently diverse to make the most of changing economic cycles. Having this approach in place paid off in 2001 when we were negatively impacted by challenging environments in some markets ... but able to benefit greatly from the upswing in others.

For the second year in a row, Whiting Petroleum proved to be a winner in our investment portfolio, recording earnings 63 percent greater than its record 2000 results. While Whiting's increased earnings benefited from higher gas prices early on in 2001, the company also significantly increased its sales volumes.

Diversification is key



In the next three years, we expect Alliant Energy Resources to contribute 25 percent of our overall adjusted corporate earnings. In 2001, Alliant Energy Resources contributed 15 percent of Alliant Energy's adjusted results.

effective growth



Our eight energy production facilities in China not only improve the country's power supply, they do so with a significantly smaller "footprint" than existing inefficient steam production boilers in the area.



Pickerel Park Townhomes, serving residents in Albert Lea, Minn., is among the affordable-housing projects Heartland Properties sponsored in 2001. Housing investments strengthen local communities and provide Alliant Energy with annual tax credits worth nearly \$10 million.



portfolio, giving us a grand total of eight facilities – with an aggregate generating capacity of about 450 megawatts. And we plan to invest in additional projects in China in the future.

Our affordable housing subsidiary, Heartland Properties, was also key to the success of our investment portfolio in 2001. Heartland Properties invested in five new affordable housing properties within the four-state area of Alliant Energy's utility service territory in 2001, and plans to invest in another eight in 2002. By meeting the growing housing needs of seniors and families, Heartland Properties strengthens communities while contributing to the bottom line.

But not all of our investments met our high expectations in 2001. Clearly it was a disappointing year for our investment in telecommunications provider McLeodUSA, which filed a Chapter 11 reorganization plan in January 2002. We are optimistic that McLeodUSA will emerge



In 2001, Alliant Energy Integrated Services Company contracted to provide energy-management services to Hormel Foods Corporation's production facilities throughout the United States. ISCO will help reduce Hormel's energy supply costs through contract negotiations and energy procurement, while also searching for ways for Hormel to improve its energy efficiency.

from its restructuring and pursue its business plan. And we are pleased with the gains we have already realized from this investment.

We set high expectations for all of our investments. But in a diversified portfolio, it is not unusual to have investments whose performance will vary from year to year. However, if an investment does not consistently meet our expectations, we will take appropriate actions.

Our tradition of making "connections" continues

Our team at Alliant Energy Resources is working hard to develop products and services that help families and businesses better manage their energy usage. It's all a part of building a strong connection with those we serve.

Alliant Energy Integrated Services Company (ISCO), for example, continued to connect with customers like Chicago-based Metropolitan Pier, Publix Supermarkets and Dupont to provide energy-management services. On the supply side, ISCO helps reduce energy delivery and supply costs through contract negotiations and energy procurement. On the demand side, ISCO is finding ways to decrease energy consumption and improve energy efficiency.

RMT, an ISCO subsidiary, is also busy providing environmental and engineering services to customers throughout the United States and abroad. In 2002, RMT began marketing SmartBurn™, a large-scale emissions-reduction program for coal-burning facilities, throughout the country. This is a prime example of how we are

doing well by doing good. Through expansion of SmartBurn, customers benefit through a lower-cost emissions reduction strategy, shareowners benefit from a profitable new venture, and we all benefit from cleaner air.



In 2002, RMT began marketing SmartBurn™ to other utility companies. SmartBurn has been proven to reduce nitrogen-oxide emissions by about 50 percent. Long term, this new technology will help improve air and water quality for everyone.





Alliant Energy's business units use a process called Authorization for Capital Expenditures to make solid strategic and operational choices about how capital is spent. For example, the AFCE process helped Alliant Energy International negotiate the acquisition of

some of its Brazilian assets at the lowest price of privatization in Brazil. This process has been recognized by the Chief Financial Officers Group of The Conference Board as an example of best practices for investing and capital control. (Pictured: Sandra Rodriguez, Strategic Projects/Capital Control Consultant)

Additionally, our SmartEnergy™ Web site continues to attract attention. SmartEnergy provides residential and small-business consumers in New York City alternative rate plans for both their electricity and natural gas products. This Alliant Energy Resources subsidiary is currently serving about 110,000 customers, and it expects to have more than 200,000 customers by year-end 2002. Although the trend toward energy deregulation has slowed across the country, successful retail-choice programs have emerged in certain areas. And SmartEnergy allows us to connect with customers who do have that choice.

Our PowerHouse direct-mail catalog also provides a unique connection to residential and small-business customers. In 2001, the PowerHouse catalog achieved its customer-response targets, with significant growth from Internet orders.

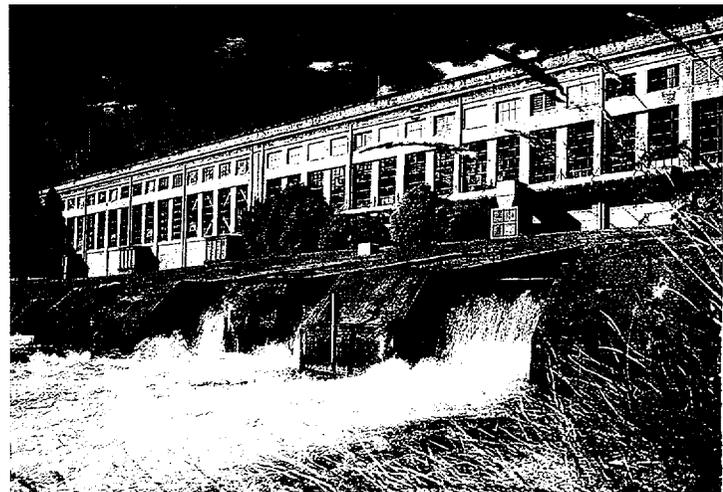
Fueling growth in the future

Growth is the ultimate goal of our strategic plan. While we expect positive performance from all areas of Alliant Energy Resources – as well as from our domestic regulated utilities – we anticipate that our international energy portfolio will be a key driver of earnings growth going forward. After all, we are helping

to build new generation in targeted global markets where the demand for power is growing much faster than it is in the United States.

2001 brought its share of unexpected challenges as we worked our “Invest, Connect and Grow” strategy. While nobody can control Mother Nature, the weather can certainly affect our business ventures. For example, a country heavily dependent on hydroelectric power can be devastated by a drought, which – in turn – significantly impacts the electric industry. This is exactly what happened last year in Brazil. In the midst of a severe drought, federally mandated power rationing was imposed throughout the country. This severely affected our sales margins and forced us to revise our 2001 earnings expectations for Brazil.

Rather than passively waiting for the challenging environment to run its course, we decided to take more aggressive steps to turn around our investment. Working with our partner, we built a natural gas-fired plant,



Our investments in Australia and New Zealand are largely in the hydroelectric power sector. With its partner, Infratil NZ, Alliant Energy International owns a significant interest in TrustPower Ltd., New Zealand's fourth-largest electricity retailer. Pictured above is TrustPower's Coleridge Power Station, one of the first hydroelectric facilities built in New Zealand.

which will help satisfy the growing need for power in the Southeast region of Brazil. We also worked with lawmakers and regulators to create a more stable regulatory environment for power producers and distributors going forward.

Our investments in New Zealand and Australia, also mostly hydroelectric facilities, were tested by drought-like conditions as well. But weather patterns started to normalize late in 2001, and we expect improved performance from these investments in 2002.

But our international operations are only one of the key drivers of our earnings growth going forward. We are also expecting long-term growth from our solid plan to succeed in the competitive generation business. Success won't come quickly, however.

Early in 2002, we decided to delay construction on our first competitive domestic generation project with Panda Energy International, Inc. In short, we won't move ahead with a project if market conditions indicate the project won't yield appropriate returns.

Economic conditions in 2001 and thus far in 2002 are making it much less attractive to build new projects at this time. However, the changing market has now created tremendous opportunities for growth through acquisition, and we intend to capitalize on these opportunities.

To ensure this business is run as efficiently as possible, in 2001, we formed a new subsidiary – Alliant Energy Generation, Inc. – to own, manage and finance our competitive generation assets. □



A devastating drought challenged Brazil's mainly hydroelectric power industry last year. In response to these challenging conditions, Alliant Energy International and its Brazilian partner, Companhia Força e Luz Cataguazes-Leopoldina (Cataguazes) developed a new thermal plant in the Southeast region of Brazil. The new plant will help satisfy the power needs of our more than 1.6 million customers in Brazil.



Alliant Energy's Brazilian partner, Cataguazes, is committed to environmental research and education. The company has gone beyond compliance with environmental regulations by protecting rare natural resources and helping to instill environmental ethics in its employees and local communities.

The rest of the story

The previous chapters in this report explain how we're aggressively implementing our "Invest, Connect and Grow" strategy in both our regulated utility operations as well as our non-regulated businesses. But, that's not the end of our story ... our strategy is also guiding our administrative services and community relations activities that will help define our success both today and in the future.

A concrete example of our strategy at work behind the scenes was in the construction of our new worldwide headquarters in Madison, Wis. The building, which opened in April 2002, is a model of energy efficiency and an investment in the future. In fact, we won several awards that recognized our recycling and conservation efforts throughout the construction process. Connectivity was also a key directive of the headquarters construction project, as we constructed the building to be a technological "hub" for new Web-based programs. And, of course, the building's design allows for additions as our company grows in the future.

Last year, we also channeled our technological expertise into projects that will further benefit our customers and shareowners. Specifically, in July 2002, our Enterprise Resource Planning (ERP) system will go live.



After a detailed cost analysis, we discovered that building a new headquarters would be more cost effective than staying in our former facilities where our leases were expiring. The cost savings is estimated to be about a million dollars annually.



Alliant Energy has a long and proud history of environmental stewardship. In Wisconsin's Baraboo Hills, the company created a nonprofit land trust, the Riverland Conservancy, to protect streams, prairies, plants and wildlife. The more than 2,200 acres of land are enjoyed by school groups learning about ecological restoration and hikers looking for a place to stretch their legs.

This system is just part of an ambitious program to replace the human resources, purchasing and financial systems that we inherited from our predecessor companies with one fully integrated system. While we have made a substantial investment to get this system up and running, we know the benefits of this initiative are significant. It will help us better connect with our customers through increased online capabilities. ERP will also allow us to grow and expand our reporting capabilities ... while helping to streamline day-to-day transactions.

Our "Invest, Connect and Grow" strategy is guiding our relationship with our employees as well. We've invested in creating an energizing and inclusive atmosphere and a high-performing, diverse workforce. We're also busy connecting our people to our bottom-line goals, as we've designed incentive compensation plans to reward team members when we meet our operational and financial targets.

Additionally, we encourage personal and professional growth through training classes, mentoring programs, job shadowing and developmental opportunities that are designed to help keep Alliant Energy people at the top of their fields. And we've been recognized for our efforts. In 2001, *Working Woman* magazine recognized Alliant

Energy as one of the best places in the United States for women to work.

But probably nowhere is our "Invest, Connect and Grow" strategy more evident than in our community relations programs. While we are committed to providing our shareowners with financial rewards, we also believe that top companies must be leaders in addressing community needs and environmental, health and safety issues. Thus, we have created a tradition of worthwhile investment in the communities where we do business.

In 2001, the National Arbor Day Foundation recognized Alliant Energy for its "creative commitment to public education, tree planting and quality tree care." Since 1989, the company has provided funds to plant more than one million trees.



Alliant Energy employees embraced a new Foundation program that recognizes employees who actively volunteer by providing grants to nonprofit organizations in the volunteers' names. Nearly 300 employees participated in the program last year, logging in more than 46,000 volunteer hours in 2001. (Pictured is Craig Clefisch, Major Accounts Manager, with his school "lunch buddy.")

For example, our public safety program has continued to gain in popularity. In 2001, we gave presentations on the importance of natural gas and electrical safety to nearly 50,000 people at schools, fire departments, agricultural shows and other civic meetings.

We also continue to connect with our communities through the Alliant Energy Foundation. In 2001, the Foundation contributed more than \$3 million to organizations that foster education, social programs, art initiatives and civic achievements. This includes about \$650,000 to match employees' personal contributions to qualifying organizations through the Foundation's Matching Gifts Program ... a 283 percent increase over 2000 results. Additionally, the corporation also directly invested more than \$425,000 to sponsor community events and programs.

And, through our economic development efforts, we strive to provide opportunities to help our customers and communities grow. For example, last year, we helped numerous customers in our utility sales territory expand their businesses. These initiatives create new jobs and economic growth that ultimately benefits everyone. □

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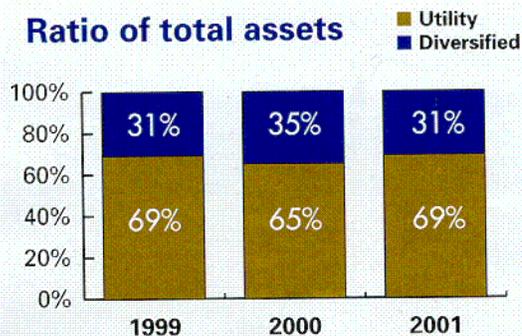
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Common stock price



Ratio of total assets



Cash dividend paid per common share



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