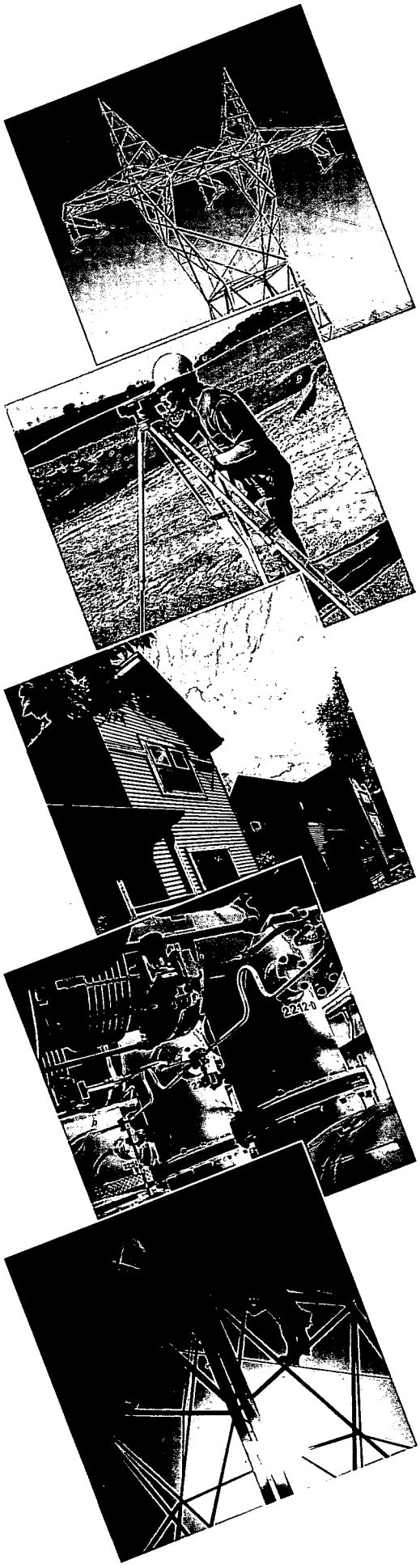
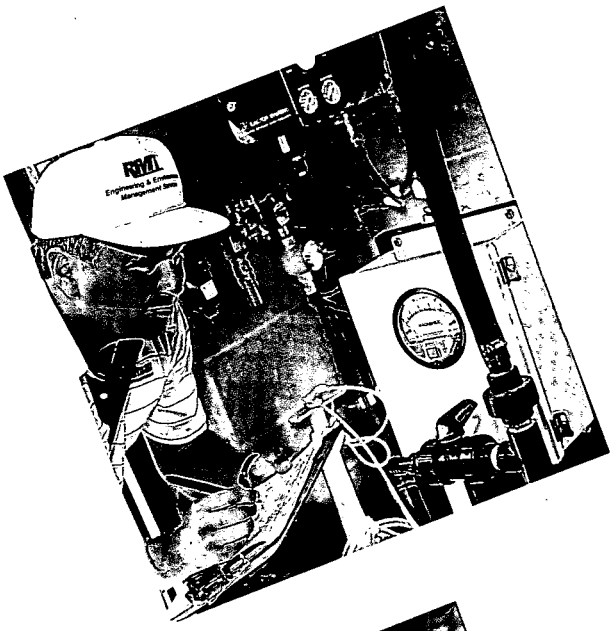
1993 Annual Report
WPL Holdings, Inc.

CONTENTS





CORPORATE ORGANIZATION

WPL Holdings, Inc. is the parent holding company of Wisconsin Power and Light Company and Heartland Development Corporation. Formed in 1988 as the result of a corporate restructuring, the company is headquartered in Madison, Wisconsin. With assets of nearly $1.8 billion, WPL Holdings is aggressively marshalling its resources to remain a contender in the highly competitive marketplace.

Wisconsin Power and Light Company, the holding company's utility subsidiary, provides electric energy, natural gas and water to 386,400 customers in south-central Wisconsin at prices that are among the lowest in the nation.

Through Heartland Development Corporation, WPL Holdings is laying the foundation for future growth by expanding its opportunities into businesses in three major target areas: energy services, environmental services and affordable housing.

WPL HOLDINGS, INC.

Wisconsin Power and Light Company

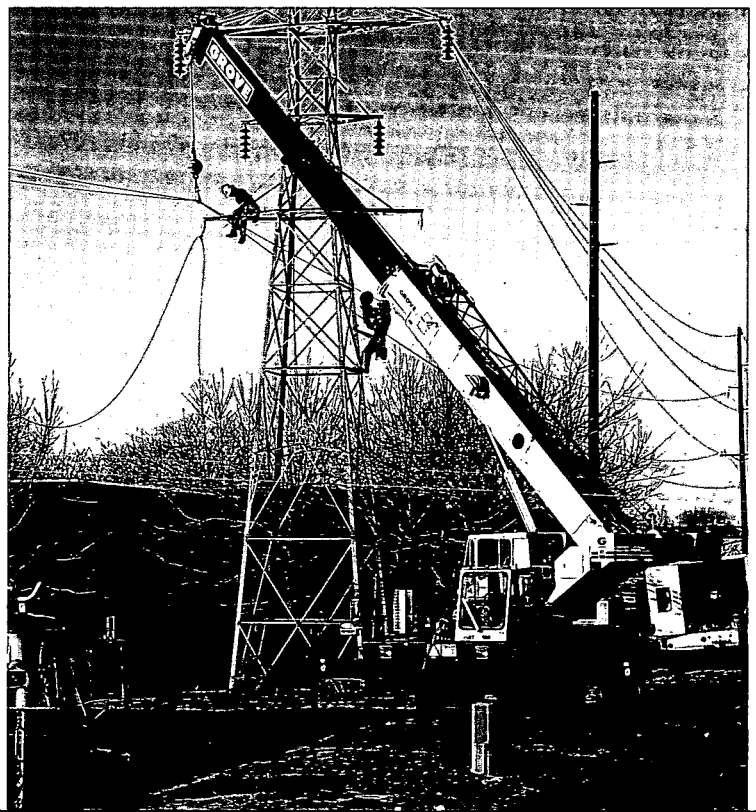
- South Beloit Water, Gas and Electric Company

Heartland Development Corporation

Energy Services
- A&C Enercom Consultants, Inc.
- Entec Consulting, Inc.
- EcoGroup, Inc.
- Heartland Energy Services, Inc.
- ENSERV, Inc.

Environmental Services
- RMT, Inc.
- Joues & Neuse, Inc.
- Hydroscieuce, Inc.
- Four Nines, Inc.
- QES, Inc.

Affordable Housing
- Heartland Properties, Inc.
- Heartland Retirement Services, Inc.
- Tool Kit Property Management Systems, Inc.
- Capital Square Financial Corp.



1993 FINANCIAL HIGHLIGHTS

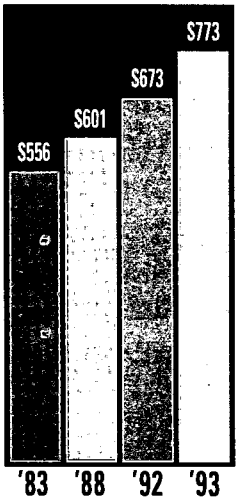
WPL Holdings' assets, operating revenues and net income grew substantially in 1993. This growth was supported by a combination of strong performance by the core utility, environmental services and affordable housing subsidiaries, as well as, several strategic acquisitions.

Net income rose by 7.8 percent in 1993 on a 14.8 percent increase in revenues. While Wisconsin Power and Light Company, the company's utility subsidiary remains dominant, WPL Holdings' business investments through Heartland Development Corporation continued to grow in importance representing 16 percent of total revenues in 1993.

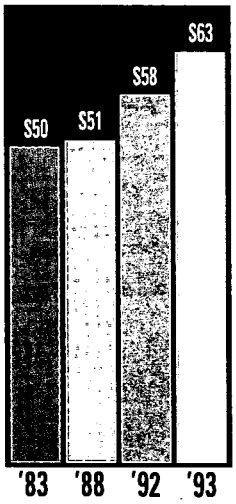
WPL Holdings continued its 20-year history of dividend growth again in 1993 with a 4-cent increase in the dividends paid per share to $1.90.

					Percent Change		
	1993	1992	1988	1983	1 Yr.	5 Yrs.	10 Yrs.
FINANCIAL							
(dollars in millions except for per-share data)							
Operating revenues	**$773,057**	$673,273	$600,933	$555,502	14.8%	28.6%	39.2%
Net income	**62,523**	58,007	51,482	49,624	7.8	21.4	26.0
Earnings per share	**2.11**	2.10	1.93	1.98	0.5	9.3	6.6
Dividends per share	**1.90**	1.86	1.68	1.18	2.2	13.1	61.0
Book value per share	**19.15**	17.28	15.90	12.22	10.8	20.4	56.7
Market price per share	**32.875**	33.875	24.375	14.25	(3.0)	34.9	130.7
OPERATIONS							
Electric sales (thousand kWh)	**10,360,560**	9,807,043	9,223,351	7,729,737	5.6	12.3	34.0
Electric customers	**361,743**	354,705	332,923	310,724	2.0	8.7	16.4
Fuel cost per kWh (cents)	**1.35**	1.37	1.55	1.66	(1.5)	(12.9)	(18.7)
Gas sales (thousand therms)	**323,138**	292,882	276,564	252,145	10.3	16.8	28.2
Gas customers	**136,263**	131,669	117,940	104,838	3.5	15.5	30.0
Purchased gas expense per therm delivered (cents)	**28.4**	26.3	27.7	44.6	8.0	2.5	(36.3)

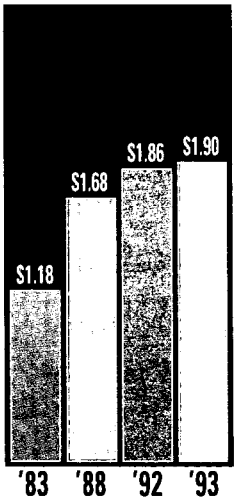
WPL Holdings, Inc.
Operating Revenues
(In Millions)



WPL Holdings, Inc.
Net Income
(In Millions)



WPL Holdings, Inc.
Dividends Per Share
(In Dollars)



"Individually, Wisconsin Power and Light Company and the Heartland Development companies are sound businesses with strong futures. Together, however, they represent a unique combination of expertise and market potential."

Erroll B. Davis, Jr.
President and Chief Executive Officer
WPL Holdings, Inc. and Wisconsin Power and Light Company

COMMENTS FROM THE PRESIDENT & CEO

BREAKING AWAY

Events of the last year have moved WPL Holdings, Inc. closer to the vision I articulated in the 1992 Annual Report – of one integrated company that provides energy, environmental and housing services.

For the first time, Wisconsin utilities actually confronted competition from an independent power producer and lost. That landmark event and a flurry of retail wheeling activity nationally have made it clear that our predictions of a competitive future for the electric utility are becoming a reality. Wisconsin Power and Light, our utility subsidiary, has begun to aggressively respond to this environment through process redesign and cost unbundling – clearly breaking out of the traditional utility mold of the past.

Heartland Development Corporation has also moved to address competitive pressures. Faced with regional limitations to its operations, HDC grew dynamically with the acquisition of six companies in 1993. Throughout the year, HDC management has focused on integrating these new companies with existing operations, thereby providing a unique combination of capabilities to serve targeted markets.

As predicted, HDC's revenues grew to nearly $130 million. Its companies now represent more than 16 percent of WPLH's revenues and approximately 10 percent of its assets. HDC's contribution to WPLH income was 11 cents per share, representing 5 percent of 1993 earnings. As the HDC companies are still in the integration and development stages and have yet to reach their full potential, we are pleased with this performance.

HDC activities have contributed substantially to the increasing value of our company and we continue to stress long-term growth to our shareowners.

Our net income increased by 8 percent in 1993 and earnings per share also grew modestly. Dividends increased by 4 cents per share, and our assets grew by more than $200 million. WPLH's financial performance was impacted primarily by revenues at the utility. Warmer-than-predicted summer weather and lower fuel costs were partially offset by higher corporate taxes and the cost of the WP&L executive separation program.

HDC again increased its contribution to earnings through its principal businesses – energy services, environmental consulting and engineering and affordable housing.

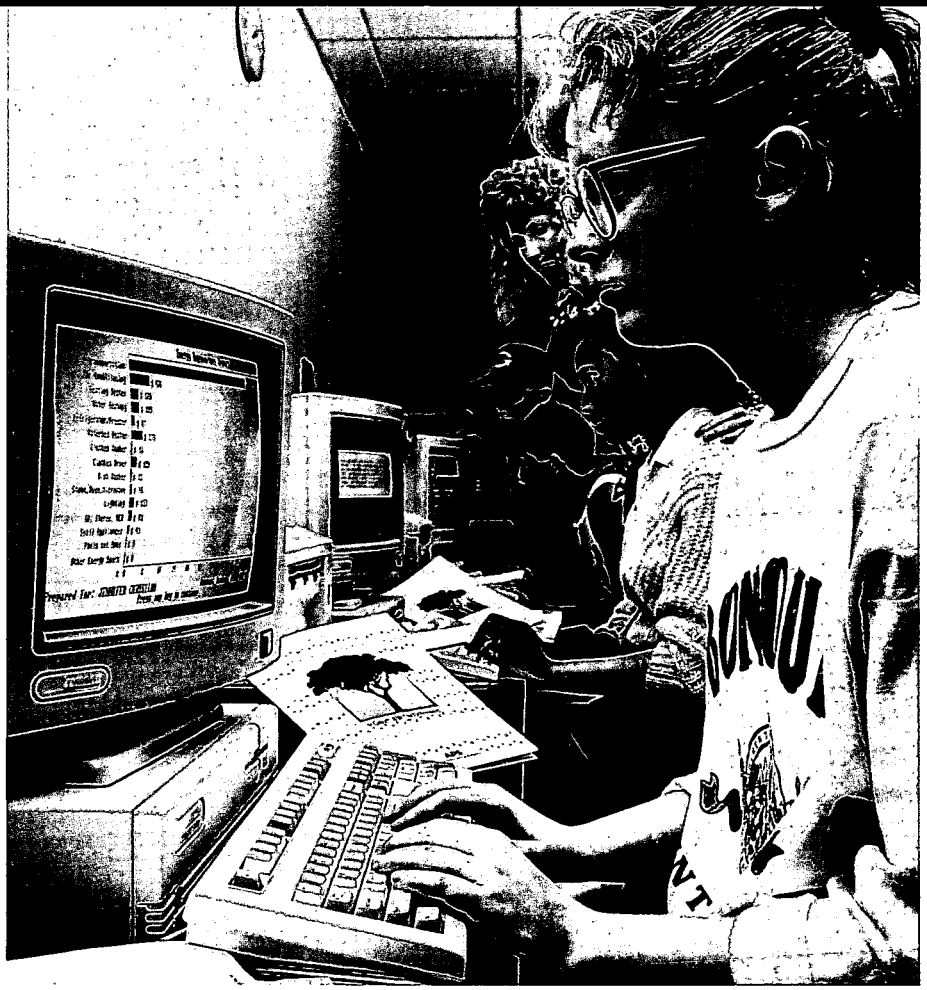
As we look toward the future, I envision both risk and opportunity for WPLH. The strength of our utility company performance continues to provide us competitive advantage. WP&L has the overall lowest rates in Wisconsin, and we know how to be profitable at those rates. Sound management and productivity have enabled us to maintain our competitive position. WP&L's energy rates remain in the lowest one-third nationally and are comparable to what they were 10 years ago, no doubt contributing to the strong economic performance of the state in comparison to the nation as a whole.

On the other hand, WP&L is a modestly sized company. We will need to maintain our past level of performance – superior power plant operations, extraordinary customer services and low rates – as well as seek other

competitive advantages if we are to maintain our strong position in the industry. We clearly have learned from our experience in operating the HDC companies how to develop business and compete profitably in less tightly regulated environments. The unique character of the HDC companies also will help us gain insight into the challenges the utility industry is facing and will, we believe, provide some of the solutions as well. In the future, to maintain competitive advantage, we will need to seek out and develop strategic alliances to strengthen us. These may come from within the holding company or from without, but we are convinced that they will be necessary to sustain competitive advantage.

One small example of the advantage we are gaining from the synergies among our companies comes from EcoGroup – a company operating under A&C Enercom – that offers a community-based energy awareness program called "In Concert With The Environment." The "In Concert" program has been used by more than 30 utilities throughout the country with great success. WP&L was able to integrate this unique program into its demand-side management plans and, by integrating a measurement component to the program, will be able to use it to meet WP&L energy-conservation goals at a lower cost than a straight incentive program would offer. With WP&L's strong commitment to cost-effective conservation and EcoGroup's unique program, "In Concert" may take on a new character in the utility market.

WP&L also has pursued unique arrangements with former competitors, such as the Wisconsin Public



"In Concert With The Environment" is an energy-awareness program, designed to teach high school students, and eventually their families, about the environmental impact of energy use. Crucial to the success of the program is an energy audit each student conducts at home and then analyzes at school on the "In Concert" computer. Active learning is heightened by individualized data sheets each student receives outlining ways his or her family can reduce energy use. The innovative program became part of the WPL Holdings, Inc. family of companies with the recent acquisition of EcoGroup, now a division of A&C Enercom. More than 30 U.S. utilities use "In Concert" in their communities. WP&L is using the program in connection with its residential conservation program.

Power, Inc. SYSTEM, a consortium of municipal utilities, once a competitor for wholesale business. Today, we have joined together to build natural gas-fired combustion turbines in a turn key arrangement to provide capacity for WPPI customers. This alliance has the advantage of benefiting both companies without modifying their corporate structures.

As you read through the operational and financial accomplishments of the WPLH family of companies that are presented later in our 1993 Annual Report, I would ask you to keep in mind that the very nature of the business that has acted as WPLH's foundation is changing.

WP&L still provides the lion's share of revenues, and shareowner wealth will be directly tied to WP&L's ability to quickly adjust to the dynamics of competition and the regulatory challenges before us. The HDC companies, although still a relatively small portion of assets and revenues, represent important growth opportunities for shareowners as well. With more than 1,300 employees and 54 offices nationally and internationally, HDC will be an important contributor to longer-term shareowner value.

There are many variables in the equation we are just beginning to write. The pace of change in the utility industry is picking up. A year ago, we believed we had seven to 10 years before retail wheeling would become a reality. For planning purposes, that number has changed to three to five. Still unresolved are numerous local and national regulatory issues that will certainly impact how swiftly the utility is able to move. HDC companies, tied to environmental issues, utility issues and economic pressures, will likewise face a degree of challenge common to all competitive businesses.

What sets WPLH apart from others is that we have demonstrated our ability to manage companies – highly regulated and less regulated – in the most competitive of times with success. Our timing is right. WP&L is moving quickly to make the changes it will need to make to compete in a changing regulatory environment in which the utility itself may break up into component parts. Our HDC companies are poised to capitalize on the unique synergies represented by their closely related market niches as well as their synergies with the utility. We intend to maintain strong financial performance while providing our investors with the opportunity for outstanding long-term value.

My intention is that WPLH will, by combining its strong historical performance as a utility and its growing entrepreneurial spirit, break quickly from the uncertainty that surrounds the utility industry in general. WP&L and/or its component parts will emerge as low-cost providers of energy products and services and the HDC companies will gain national prominence as providers of superior and value-added energy, environmental and housing services.

The confidence I express in our company is not mine alone. In January 1993, *Money* magazine cited WPLH as one of the top 11 best utilities. In the fall of 1993, articles in *The Wall Street Journal* and other newspapers reported the risk and subsequent degrading of utility stock. WPLH, however, continues to be highly valued. A Prudential Insurance Company study found WP&L to be among the top 20 utilities "best able to cope with the new competitive environment," while Standard and Poor's ranked WP&L among utilities with "above average business positions." Merrill Lynch ranked WPLH 14th nationally on a competitive-advantage scale for utilities and utility holding companies.

WPLH is positioned well to move into a new era. The future is increasingly uncertain, yet we are facing it with a confidence built on both past successes and today's growing skills.

Individually, Wisconsin Power and Light Company and the Heartland Development companies are sound businesses with strong futures. Together, however, they represent a unique combination of expertise and market potential. We are proud of their accomplishments and are confident they will continue to provide sound investment opportunity and increasing shareowner value.

Erroll B. Davis, Jr.
President
and Chief Executive Officer
WPL Holdings, Inc.
February 28, 1994

WP&L: MOVING IN A NEW DIRECTION

By the end of 1993, there was no longer any doubt that competition had entered the utility industry. For Wisconsin Power and Light Company, the process of getting ready for competition had begun more than five years before, with increased emphasis on customer service, productivity and quality. In 1993, however, the pace of change speeded up and with it, WP&L's sense of urgency to create a new structure to take it into the future.

In the spring of 1993, as part of rate case negotiations, WP&L asked for a modest increase in rates and a three-year subsequent rate freeze. Although the Public Service Commission of Wisconsin denied the freeze request, the company made a public commitment to hold rates at current levels or below.

To help direct the company in a more focused manner, three senior vice presidents were named. Anthony J. (Nino) Amato, William D. Harvey and Eliot G.Protsch assumed responsibility for all company systems and operations in September 1993. A Business Process Innovation, or re-engineering program, also was begun in1993. A team of managers met for an 18-week period to identify those systems that held the most potential for improving customer satisfaction, reducing cycle time and lowering costs.

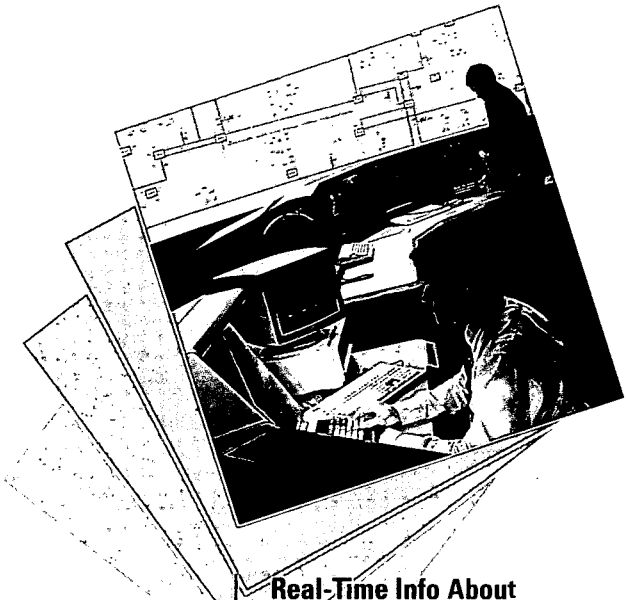
The company targeted four major systems for redesign: sales and marketing; customer billing; customer response; and engineering, construction and maintenance. Using a method that stresses data gathering and analysis, BPI has identified major improvement opportunities for productivity, cycle time and customer satisfaction in all targeted areas and in their associated support functions. Some of these improvements or enhancements already are being implemented.

In October, WP&L announced an executive downsizing that reduced the executive group by over 30 percent. Re-evaluation of other functions resulted in further reduction by year's end. As processes are redesigned to better use technology, optimize work schedules and reduce cycle time, more reductions may occur. The company is committed to providing competitive transition benefits to those whose positions are eliminated, but as difficult as it may be, WP&L will continue to take steps to ensure it has the right size and structure to remain competitive.

For example, costs traditionally spread throughout the company, are beginning to be unbundled. WP&L's strategic vision calls for a company broken into its component parts of electrical generation, transmission and local distribution. Indeed, many other companies have already begun to separate, at least internally, generation from other functions.

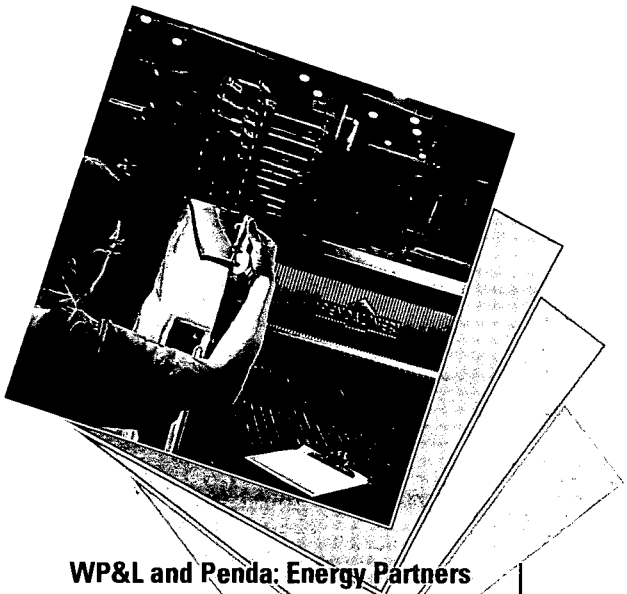
Today, WP&L maintains the lowest overall generation costs in its region, so it is well positioned to compete in its present marketplace. Generation costs will become even more important in the future, however, as competition moves to a wider region.

In the summer of 1993, the PSC selected an out-of-state independent power producer to build and operate a new generating facility needed to supply a neighboring utility. The commission awarded the project to the IPP over in-state utilities' proposals.



Real-Time Info About Energy Usage.

WP&L's System Operations Center provides real-time information about energy use and helps forecast power demands. The state-of-the-art energy management system located at the SOC will be crucial to the utility's ability to monitor transmission system usage in a retail-wheeling and open-transmission environment.



WP&L and Penda: Energy Partners

Today, customers are seeking more from a utility than just energy – they are seeking a partner to help manage their energy use. WP&L has created such a partnership with Penda Corp., a manufacturer of truck bedliners and one of Wisconsin's largest plastic molding firms.

Last year, WP&L evaluated the high-voltage systems at Penda's two facilities in Portage, Wisconsin. WP&L's recommendations improved Penda's service and reliability with measurable results: Process improvements resulted in energy savings and avoided costs totaling $350,000, while a preventive maintenance system slashed production downtime and maintenance repair hours.

Penda certified WP&L as its energy provider "of choice" by presenting the utility with a plaque, the first such award given to a Penda vendor. Penda employs more than 600 people and reported sales in excess of $80 million in 1993.

CONTENTS

This ruling suggests that future generation projects will be subject to open proposals and that cost and not history will be the most important consideration in future awards.

In the midst of the corporate changes, WP&L has maintained its most essential characteristic – a true commitment to its customers. No place was this better illustrated than during the storms that hit the WP&L service territory from June 30 through the first week in July.

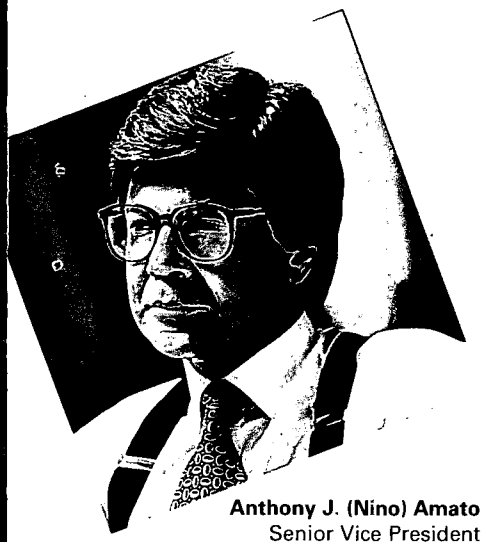
On June 30, widespread tornado-like winds left more than 65,000 of our customers without power. The damage covered 11 of 14 service areas and was as severe as that of the now legendary ice storm of 1976. WP&L's new centralized Customer Service Center handled over 20,000 calls – nearly triple its normal daily volume. All but 2,500 customers were restored to service within the first 24 hours.

In the wake of the tremendous wind damage, torrential rains throughout the next week caused severe local flooding and major flooding along the Mississippi and other rivers. Again, WP&L employees worked in challenging conditions to restore service to customers. Many volunteered their help in off-hours as well. Their performance exemplifies the talent and dedication for which WP&L employees are known.

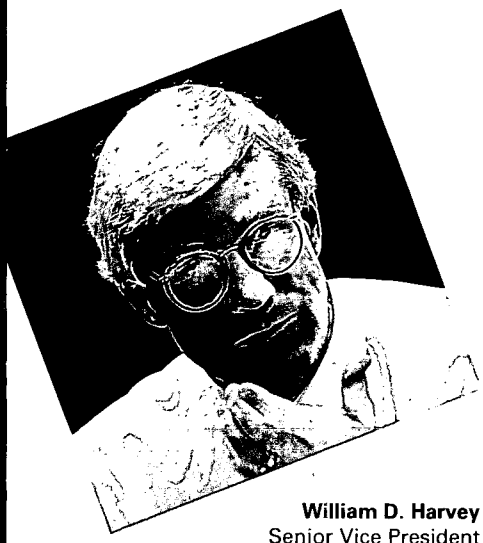
WP&L's System Operations Center – a high-tech computerized system that provides detailed information about power demands – completed the first phase of a $19.3 million expansion last July. The SOC provides real-time information about electric energy usage on our system and helps forecast electrical energy demand. The energy-management technologies being installed at the SOC will be essential to monitoring transmission-system usage in a retail-wheeling and open-transmission environment. Its sophistication is reflected in the system's ability to monitor real-time usage shifts. In the summer of 1993, WP&L's electrical peak exceeded previous peaks by almost 100 Megawatts, 20 MW more than forecasted, suggesting energy demand is increasing faster than previously anticipated. During the summer's peak, the impact of WP&L's residential air conditioning load-control program – one of its many conservation programs – was easily recorded at the SOC. When WP&L flipped the switch to cycle off air conditioners, the SOC recorded the usage drop. This sophisticated energy-management system will be completed by the end of 1994.

A computer system for keeping track of natural-gas availability and demands also was recently put into place. This daily bulletin board called *Gas Manager* helps WP&L and its customers ensure they have an adequate natural-gas supply to meet their needs and allows for daily gas purchases on the spot market for both WP&L and its gas-transportation customers. In addition, WP&L has upgraded the accuracy and availability of the company's METSCAN gas-telemetering process and improved the volume and pricing information for both company gas operations and large gas customers.

The company's natural-gas business continues to expand. This year WP&L was awarded the right to serve 1,700 households and businesses in



Anthony J. (Nino) Amato
Senior Vice President



William D. Harvey
Senior Vice President

Eliot G. Protsch
Senior Vice President

A New Structure for a New Era of Competition:

WP&L Names Three Senior Vice Presidents to Direct Company's Focus.

the Iowa-Grant County area of southwest Wisconsin. This represents the single largest natural gas extension that WP&L has undertaken in the past 30 years. Several more gas-extension opportunities are anticipated in the next one to two years, and WP&L will aggressively pursue those it believes are in the best interest of the company and its customers.

In the environmental area, WP&L won yet another national Innovator award from the Electric Power Research Institute in 1993 for the nitrogen-oxide-reduction coal-reburn project at the Nelson Dewey Generating Station. The only NOx-reduction demonstration of its kind in the world, the project has shown the feasibility of reducing NOx emissions by as much as 55 percent.

The company also announced plans to retrofit all of its cyclone boiler plants to burn tires, in an effort to expand the highly successful tire-burning program begun at the Rock River Generating Station. When fully implemented, the program will enable WP&L to dispose of half the waste tires generated in the state of Wisconsin. Tires have proved to be an excellent fuel source when mixed with traditional fuels, and they generate fewer emissions than coal.

1993 was full of dichotomies for the utility. The reality of competition has necessitated that WP&L move quickly to improve its systems and processes, make better use of technology and retain its low-cost advantage. There has been a human cost to all of this, as employees face the reality that the utility business no longer offers long-term job security or a work environment insulated from market pressures. On the other hand, WP&L has continued to show its mettle in the face of extreme pressure – both from the vicious storms that ravaged the state and from the difficulty of saying goodbye to long-time colleagues and friends.

WP&L certainly is better prepared, both through its strategic planning and through its re-engineering efforts, to meet the challenges of the future, whatever they may be. Uncertainties remain. There are regulatory issues to be resolved, and a clear vision of what form the company's fiercest competition will take is still unknown.

The last few months have brought together WP&L management in a better understanding of its future challenges. Corporate initiatives, such as a program called the Year of the Supervisor, will help prepare employees to assume responsibility for systems and process improvements, assist in the transition to self-directed work teams and create competitive advantage.

In the end, the quality of WP&L's power-plant operations – consistently rated among the best in the nation – the strength of the company's commitment to customers and its talented employees will bring the company through what will undoubtedly be the greatest restructuring of the utility industry since the 1930s. The company is well-positioned to retain its low-cost supplier position and its management is committed to ensuring that WP&L retains its competitive advantage into the future.

HDC '93: EXPANDING ITS HORIZONS

n 1993, Heartland Development Corporation pursned an aggressive acqnisition plan that focused on expanding its expertise in the energy, environmental and affordable housing areas. Adding six new companies, revenues and employment grew significantly. Unencumbered by utility regulation, HDC is free to respond to new business opportnnities in utility-related areas.

Enorgy Opportunities

Changes taking place in the utility industry also provide a unique opportunity for A&C Enercom Consultants, Inc., EcoGroup, Inc. and Entec Consulting, Inc., three of HDC's new acquisitions. With the acqnisition of A&C Enercom, HDC became a nationally recognized leader in providing a variety of services to the utility industry.

Lance W. Ahearn

In 1993, led by President and CEO Lance W. Ahearn, the Heartland Development Corporation achieved unprecedented growth with the acquisition of six strategically targeted businesses.

A&C Enercom has established expertise in the area of marketing for residential, commercial and industrial customers, demand-side management (conservation) consulting, information systems, advertising, training and market research.

In order to supplement A&C Enercom's current market position, Heartland Development acquired two additional energy-service companies, EcoGroup and Entec. EcoGroup is a rapidly growing Arizona-based corporation that provides innovative conservation programs to utility companies internationally. Its current product, "In Concert With The Environment," links established energy conservation with environmental preservation in a hands-on program for schools, communities and businesses. Entec, a Madison, Wisconsin-based company, is the premier provider of electric generation simulation software to utilities nationwide.

Heartland Energy Services, an energy-brokering company created in early 1993, recently completed its first private contract energy sale. This brokering nnit is nniquely positioned to respond to the needs of large gas and electricity users when retail wheeling and gas transportation become firmly established in the energy marketplace.

ENSERV, Inc. continues to be challenged by the development of K-Fuel®, a clean-coal technology. Economic uncertainties and emerging competition in the utility market have made financing for this innovative technology difficult to secure. HDC will, however, continue to seek opportunities to support the development of this and other new energy technologies.

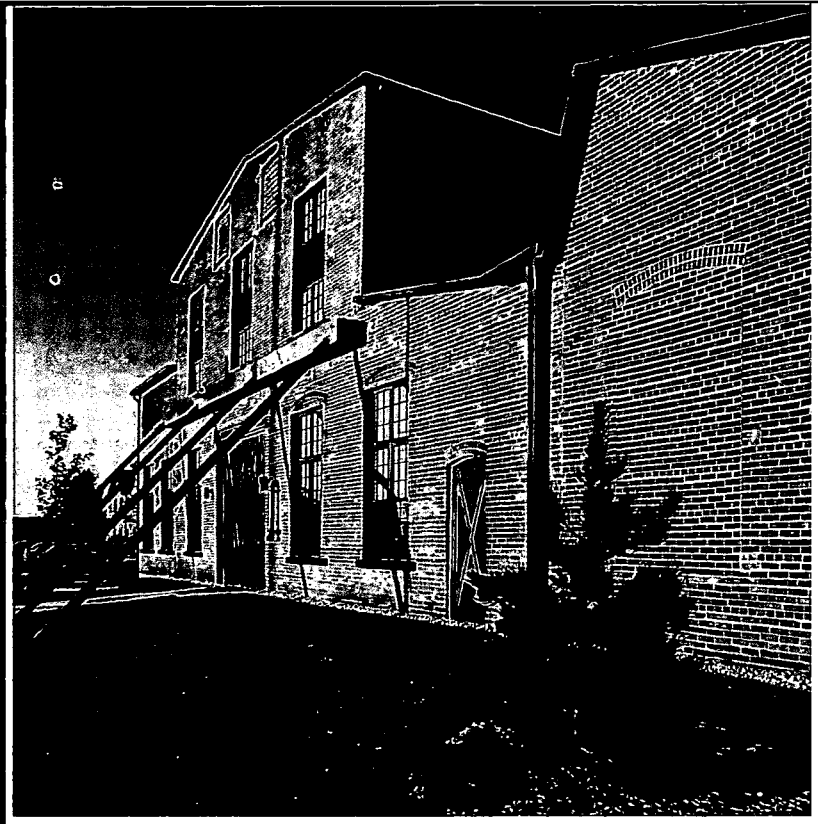
Environmental Growth

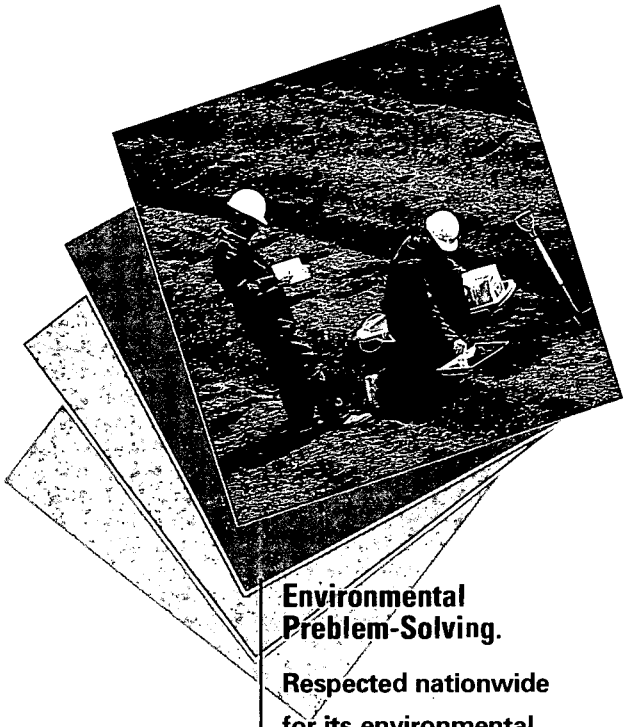
RMT, Inc., an 850-person engineering and environmental management firm, represents the cornerstone of HDC's Environmental Holding Company. Since its founding in 1977, RMT has broadened its capabilities and expanded its locations to meet a wide range of customer needs.

Today, the company is aggressively pursuing new markets through its affiliations with three new HDC acqnisitions – Jones & Neuse, Inc., Hydroscience, Inc. and Four Nines, Inc. Jones & Neuse is a Texas-based company with offices throughout the Gulf Coast region. It offers civil and environmental engineering services to a variety of clients. Hydroscience, located in Sonth Carolina, specializes in wastewater-treatment services for the chemical and textile industries. And, Four Nines, with offices in Philadelphia, Atlanta and Houston, offers services in all aspects of combustion, incineration and air pollution control engineering.

These acquisitions expand the depth of services available to customers as well as expand the geographic platform for marketing HDC's environmental services. Jones & Neuse also offers a major opportunity through its offices in Mexico to respond to anticipated growth in environmental work driven, in part, by the North American Free Trade Agreement.

QES, Inc., still in the developmental stages, will provide a vehicle for Heartland's environmental companies to bring their unique products, procedures and techniques to market.





It is clear that the environment will remain at the forefront of politics for a long time to come. Enforcement of environmental laws and regulations and the increasing number of overlapping federal, state and local jurisdictions concerned with the protection of the environment should help maintain the record growth and profitability of HDC's environmental businesses.

Housing Opportunitios

Heartland Development's first visible housing venture occurred with the creation of Heartland Properties, Inc. Since it began in 1988, HPI has developed and participated in the management of more than 2,600 units of affordable housing. Using an innovative approach to the federal low-income housing credit system, HPI has found a way to meet the growing needs of countless Americans who can no longer afford a place to live, while providing a secure and profitable investment for WPLH shareowners as well.

HPI has become a nationally recognized provider of innovative solutions to a variety of affordable-housing needs for communities and investors. In 1993, it shifted its efforts away from developing its own properties and focused on expanding its business by providing services to others who want to undertake such programs.

HPI has begun to market its development management, tax-compliance and property-management expertise to other utilities and industries. While providing superior returns to WPLH shareowners, Heartland Properties has implemented programs that not only help corporate investors, community groups and housing authorities, but also meet a critical societal need.

Heartland is leveraging its experience and knowledge in affordable housing in order to develop new business that will add to its growth and profitability. One example of this is a newly formed subsidiary, Heartland Retirement Services, Inc. This company was formed to serve a niche market for frail elderly housing.

Lance Ahearn and his staff will continue to seek appropriate acquisition opportunities while integrating the newly acquired companies and exploring the synergies that exist among them.

Environmental Problem-Solving.

Respected nationwide for its environmental problem-solving capabilities, RMT, Inc., is the hub of HDC's Environmental Holding Company. Above, RMT technicians perform a site investigation on an 11-acre lead-contaminated site.

Foundry Transformation.

Maintaining the integrity of the original structure, Heartland Properties, Inc. transformed the old Lawton Foundry in DePere, Wisconsin, (above left) into a 69-unit affordable-housing complex.

Henry C. Prange

Katharine C. Lyall

Lance W. Ahearn

James R. Underkofler

WPL Holdings, Inc. (WPLH)
Wisconsin Power and Light Company (WP&L)
Heartland Development Corporation (HDC)

BOARDS OF DIRECTORS

As of December 31, 1993

The 13 individuals who compose the various boards of WPL Holdings, Inc. have the business, educational, professional and civic expertise needed to forge a new direction for WPL Holdings, Inc., Wisconsin Power & Light Company and Heartland Development Corporation. Their collective experience and judgment provides the savvy needed to help the WPL Holdings family of companies meet the challenges of today's increasingly competitive business environment.

COMPOSITION OF BOARDS

WPL Holdings, Inc.
Six outside directors; one inside director

Wisconsin Power & Light Company
Eight outside directors; one inside director

Heartland Development Corporation
Four outside directors; two inside directors

Lance W. Ahearn, 44
President and Chief Executive Officer, Heartland Development Corporation, Madison, Wisconsin {HDC/1990}

L. David Carley, 65
Consultant and Financial Adviser, (to small businesses and institutions and associations specializing in higher education and health delivery), Washington, D.C. {WP&L/1983}; {Prior WP&L service: 1975-1977}

Erroll B. Davis, Jr., 49
President and Chief Executive Officer, WPL Holdings, Inc. and Wisconsin Power and Light Company; Chairman of the Board, Heartland Development Corporation, Madison, Wisconsin {WPLH/1982}; {WP&L/1984}; {HDC/1988}

Rockne G. Flowers, 62
President and Director, Nelson Industries, Inc. (muffler, filter, industrial-silencer, and active sound and vibration-control technology and manufacturing firm), Stoughton, Wisconsin {WPLH/1981}; {HDC/1990}

Donald R. Haldeman, 57
Executive Vice President and Chief Executive Officer, Rural Insurance Companies (mutual insurance group) Madison, Wisconsin; and farm owner-operator, Norwalk, Wisconsin {WP&L/1985}

Donald R. Haldeman

Carol T. Toussaint

Katharine C. Lyall, 52
President, University of Wisconsin System, Madison, Wisconsin {WP&L/1986}

Arnold M. Nemirow, 50
President, Chief Executive Officer and Director, Wausau Paper Mills Company (pulp and paper manufacturer), Wausau, Wisconsin {WPLH/1991}; {HDC/1991}

Milton E. Neshek, 63
President, Chief Executive Officer and Director, Godfrey, Neshek, Worth & Leibsle, S.C. (law firm), Elkhorn, Wisconsin; Director, General Counsel, Assistant Secretary and Manager, New Market Development, Kikkoman Foods, Inc. (food-products manufacturer), Walworth, Wisconsin {WPLH/1986}; {WP&L/1984}

Henry C. Prange, 66
Director and Retired Chairman of the Board, H.C. Prange Company (retail department stores), Green Bay, Wisconsin {WPLH/1986};{WP&L/1965}

Judith D. Pyle, 50
Vice Chair and Senior Vice President Corporate Marketing, Rayovac Corporation (battery and lighting products manufacturer), Madison, Wisconsin {WPLH/1992};{HDC/1992}


Milton E. Neshek

Henry F. Scheig, 69
Chairman of the Board, Aid Association for Lutherans (fraternal benefit society), Appleton, Wisconsin {WP&L/1980}

Carol T. Tonssaint, 64
Consultant (to nonprofit groups on board organization, fund development and public relations), Madison, Wisconsin {WP&L/1976}

James R. Underkofler, 70
Retired Chairman of the Board and Chief Executive Officer, WPL Holdings, Inc.; Retired Chairman of the Board, Wisconsin Power and Light Company and Heartland Development Corporation, Madison, Wisconsin {WPLH/1981}; {WP&L/1965}; {HDC/1988}

ASPIN ELECTED TO WPL HOLDINGS' BOARD

On February 23, 1994, **Les Aspin**, former Secretary of Defense, was elected to the WPL Holdings, Inc. Board of Directors. In addition, the WPL Holdings, Wisconsin Power & Light Company and Heartland Development boards were restructured to have common membership.

{Bracketed information represents Board/Year Elected}


Erroll B. Davis, Jr.

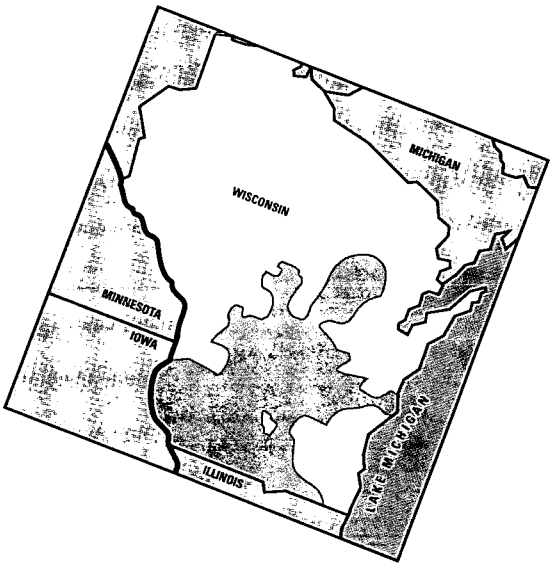

Judith D. Pyle


Henry F. Scheig

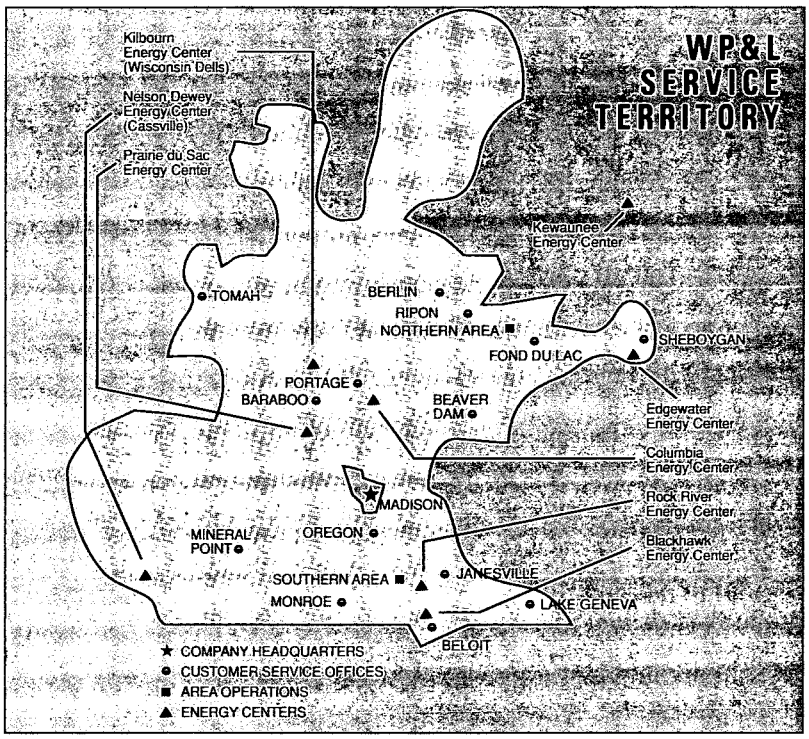

Rockne G. Flowers


Arnold M. Nemirow


L. David Carley



WISCONSIN POWER & LIGHT CO. PROFILE



Corporate Headquarters:
Wisconsin Power and Light Company: Madison, Wisconsin

Subsidiary: South Beloit Water, Gas and Electric Company

Total assets: $1.6 billion

Operating revenues: $645 million

Net income: $60.2 million

Total employees: 2,661

Customers: 386,400 (total electric, gas and water)

Electric	% of revenue	% of sales
Residential & Farm	36.6%	26.6%
Industrial	26.4%	34.2%
Commercial	19.1%	15.7%
Wholesale & Class A	15.7%	23.1%
Other	2.2%	0.4%
	100%	100%

Natural Gas	% of revenue	% of sales
Residential	51.8%	37.2%
Firm (Commercial & Industrial)	29.4%	26.9%
Interruptible	7.7%	8.6%
Transportation	10.8%	26.3%
Other	0.3%	1.0%
	100%	100%

Service territory: 16,000 square miles in south-central Wisconsin—roughly one-third of the state

Organization:
- 14 Customer Service offices
- Two Area operations (supporting district and company functions)

Facilities:
- Four coal-fired generating stations (two jointly owned)
- Five natural-gas-fired peaking units
- Two large hydroelectric plants
- Four small hydros
- One combined-fuel (natural gas or coal) generating plant
- One nuclear power plant (jointly owned)

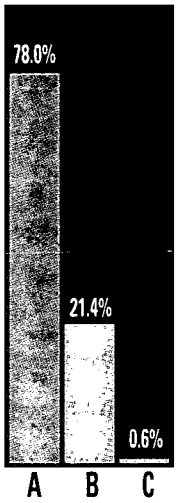
Total system capacity: 2,102 megawatts

Record system peak demand: 1,971 megawatts on August 26, 1993

Generation by fuel type:

Coal	80.3%
Nuclear	16.5%
Hydroelectric	2.9%
Natural Gas	0.2%
Oil	0.1%

Percentage of operating revenues



A = Electric
B = Natural Gas
C = Water

HEARTLAND DEVELOPMENT CORP. PROFILE

Corporate Headquarters: Heartland Development Corporation: Madison, Wisconsin

Total assets: $208.9 million

Operating revenues: $127.0 million

Net income: $3.2 million

Total employees: Approximately 1,300

Organization:

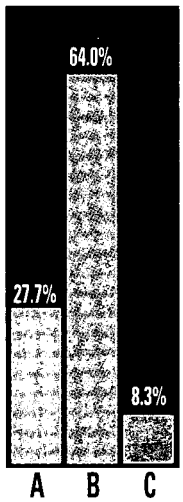
- Three corporate offices
  A&C Enercom Consultants, Inc.
  Atlanta, Georgia
  Heartland Properties, Inc.
  Madison, Wisconsin
  RMT, Inc.
  Madison, Wisconsin
- General offices: 50 in U.S.; one in Mexico

Energy Services
A&C Enercom Consultants, Inc.
Entec Consulting, Inc.
EcoGroup, Inc.
Heartland Energy Services, Inc.
ENSERV, Inc.

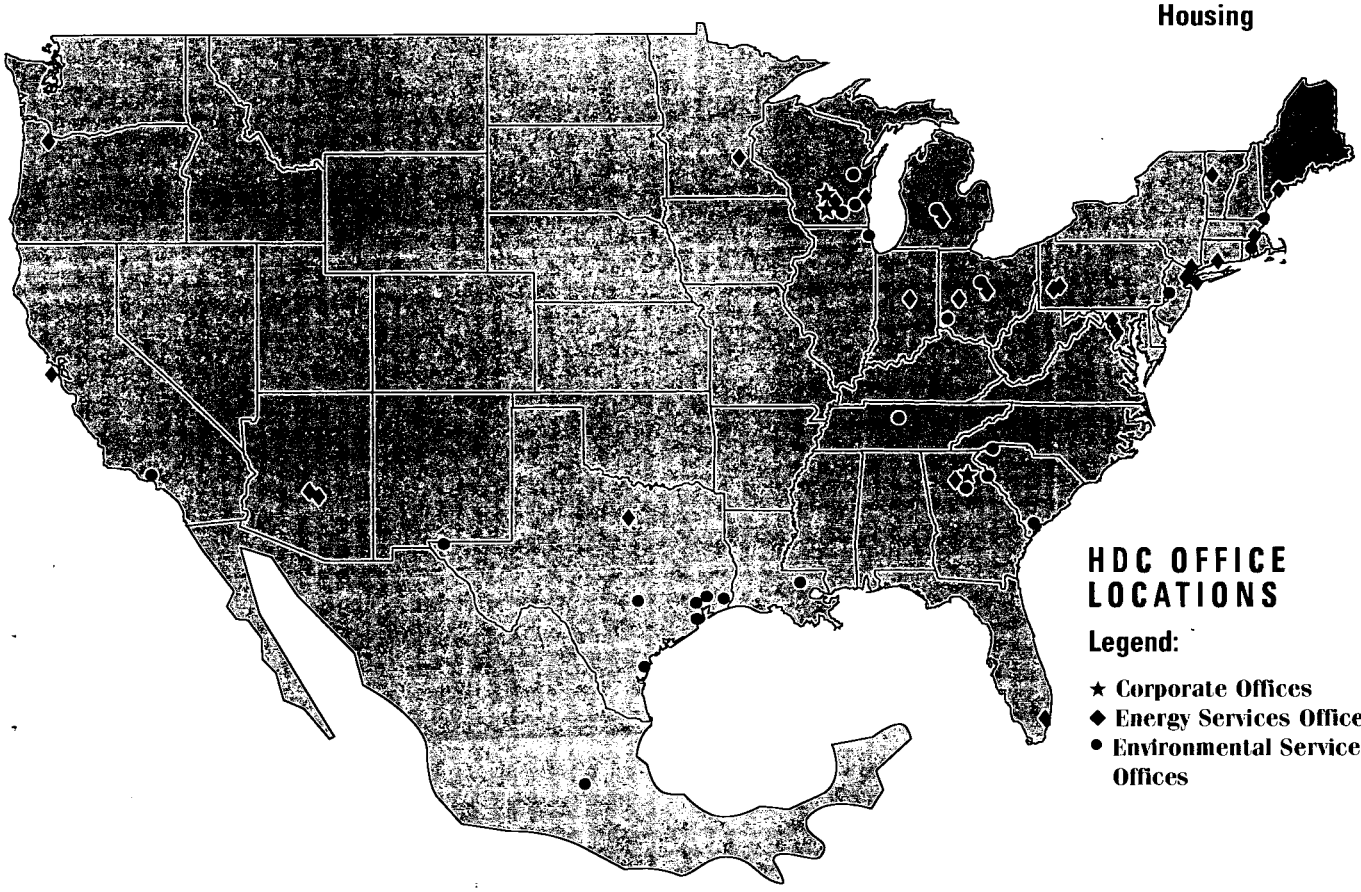
Environmental Services
RMT, Inc.
Jones & Neuse, Inc.
Hydroscience, Inc.
Four Nines, Inc.
QES, Inc.

Affordable Housing
Heartland Properties, Inc.
Heartland Retirement Services, Inc.
Tool Kit Property Management Systems, Inc.
Capital Square Financial Corporation

Percentage of oporating revenues



A = Enorgy Services
B = Enviroumental Services
C = Affordahle Housing



HDC OFFICE LOCATIONS

Legend:

★ Corporate Offices
◆ Energy Services Offices
● Environmental Services Offices

As of December 31, 1993

WPL Holdiugs, Inc. (WPLH) Corporate Officors

Erroll B. Davis. Jr., 49 (1978) President and Chief Executive Officer

***Edward M. Gleason.** 53 (1977) Vice President, Treasurer and Corporate Secretary

****John G. Fabie**, 55 (1966) Corporate Secretary and Treasurer

Steven F. Price, 41 (1984) Assistant Corporate Secretary and Assistant Treasurer

Wisconsin Power aud Light Company (WP&L) Corporate Officers

Erroll B. Davis. Jr., 49 (1978) President and Chief Executive Officer

****James E. Johnson**, 61 (1960) Senior Vice President-Operations

***Anthony J. (Nino) Amalo**, 42 (1985) Senior Vice President

***William D. Harvey**, 44 (1986) Senior Vice President

***Eliot G. Protscb.** 40 (1978) Senior Vice President

Norman E. Boys, 49 (1973) Vice President-Power Production

David E. Ellestad, 53 (1960) Vice President-Electrical Engineering and Operations

****Edward F. Killeen**, 63 (1976) Vice President-Information Services and Administration

****Pamela J. Wegner**, 46 (1993) Vice President-Information Services and Administration

***Kim K. Znhlke**, 40 (1978) Vice President-Customer Sales and Services

Thomas L. Consigny, 59 (1968) Assistant Vice President-Public Affairs

***Daniel A. Doyle**, 34 (1992) Controller and Treasurer

****John G. Fabie**. 55 (1966) Corporate Secretary and Director of Shareowner Services

***Edward M. Gleason**, 53 (1977) Corporate Secretary

Thomas J. Handziak, 30 (1993) Assistant Controller

Thomas L. Hanson, 40 (1980) Assistant Treasurer

Steven F. Price, 41 (1984) Assistant Corporate Secretary

Suhsidiary of Wisconsin Powor and Light Company

South Boloit Water, Gas and Electric Company
Erroll B. Davis, Jr., 49 (1978) President and Chief Executive Officer

Heartland Development Corporation (HDC) Corporate Officors

Erroll B. Davis. Jr., 49 (1978) Chairman of the Board

Lance W. Ahearn, 44 (1990) President and Chief Executive Officer

McKinley G. Littlejohn, 47 (1993) Vice President-Human Resources

Michael A. Sharp, 41 (1993) Vice President, Chief Financial Officer, Treasurer and Secretary

Douglas J. Weinberg, 36 (1990) Controller

Marilyn C. Bottorff, 47 (1992) Assistant Corporate Secretary

****John G. Fabie**, 55 (1966) Assistant Corporate Secretary

***Edward M. Gleason**, 53 (1977) Assistant Corporate Secretary

Heartland Oevelopment Corporation Companies

A&C Enercom Consultants, Inc.
C. Dean Alford, 40 (1993) President

Capital Square Financial Corporation
Thomas A. Landgraf, 45 (1979) President

ENSERV, Inc.
J. Gordon Clayton, 54 (1991) President and Chief Operating Officer

Heartland Energy Services, Inc.
James E. Johnson, 61 (1960) President

Heartland Properties, Inc.
Thomas A. Landgraf, 45 (1979) President

Heartland Retirement Services, Inc.
Thomas A. Landgraf, 45 (1979) President

RMT, Inc.
Joseph B. Busby, 54 (1984) President and Chief Executive Officer

Tool Kit Property Management Systems, Inc.
Thomas A. Landgraf, 45 (1979) President

Wisconsin Power & Light Foundation, Inc.
Anthony J. (Nino) Amato, 42 (1985) President

(Date in parenthesis represents the year person joined WPLH and/or subsidiary)

1993 MANAGEMENT CHANGES

*WP&L Announces New Structure

To better respond to customer needs and help Wisconsin Power and Light maintain a tighter focus on operational elements, the company activated a restructuring process September 28 that named three senior vice presidents and made several other modifications.

Reporting directly to **Erroll B. Davis, Jr.**, WP&L President and CEO, in the new Senior Vice President positions are **A.J. (Nino) Amato, William D. Harvey** and **Eliot G. Protsch.** The three had been Vice President-Marketing and Strategic Planning, Vice President-Natnral Gas and General Counsel, and Vice President-Customer Services and Sales, respectively.

In addition, **Daniel A. Doyle**, Controller, assumed the position of Controller and Treasurer. In the field organization, **Kim K. Znhlke**, formerly Director of Marketing and Sales, was named Vice President-Customer Sales and Services.

Edward M. Gleason, formerly Vice President-Finance and Treasurer of WP&L, moved to WPL Holdings, Inc. as Vice President, Treasurer and Corporate Secretary.

**WP&L Reduces Executive Management Group

In order to survive in a competitive environment, on September 30 WP&L announced a voluntary staff-reduction program for its executive management group. A total of 15 members of the executive group – or 32 percent – elected either the early-retirement or the voluntary-separation option, effective December 31, 1993.

Officer Retirements

John G. Fabie, Corporate Secretary and Treasurer and Director of Shareowner Services, retired from WP&L after 27 years of service. Fabie's corporate secretary and treasurer responsibilities were assumed by **Edward M. Gleason**, WP&L's former Vice President-Finance and Treasurer, who moved to WPL Holdings, Inc. in October as Vice President, Treasurer and Corporate Secretary.

James E. Johnson, Senior Vice President-Operations, retired from WP&L after 33 years of service. Johnson, however, remains as President of Heartland Energy Services, Inc.

Edward F. Killeen, Vice President-Information Services and Administration, retired from WP&L after 17 years of service. Killeen was succeeded by **Pamela J. Wegner**, who had been administrator of the Division of Finance and Program Management in the Wisconsin Department of Administration.

Donald R. Piepenburg, Executive Vice President of the Wisconsin Power & Light Foundation, Inc., retired after 23 years of service.

SELECTED FINANCIAL DATA

	1993	1992	1991	1990	1989
	(In Millions Except for Per Share Data)				
Operating revenues	$ 773	$ 673	$ 670	$ 618	$ 605
Net income	$ 63	$ 58	$ 66	$ 60	$ 51
Earnings per share	$ 2.11	$ 2.10	$ 2.42	$ 2.23	$ 1.93
Total assets (at December 31)	$1,762	$1,566	$1,383	$1,261	$1,198
Long-term debt, net (at December 31)	$ 425	$ 418	$ 367	$ 343	$ 297
Cash dividends paid per share	$ 1.90	$ 1.86	$ 1.80	$ 1.74	$ 1.68

CONTENTS

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

1993 COMPARED WITH 1992

OVERVIEW

Earnings per share of WPL Holdings, Inc. (the "company") common stock increased to $2.11 in 1993 compared with $2.10 in 1992. The increase in earnings primarily reflects an increase in earnings from the company's utility subsidiary, Wisconsin Power and Light Company ("WP&L"). The principle factors leading to increased earnings include warmer summer weather and lower electric fuel costs per kilowatthour ("kWh"), which yielded higher electric gross margins for WP&L. These increases were somewhat offset by increased depreciation expense resulting from additional investment in utility plant and property additions, a change in the mix of gas sales from higher margin sales to lower margin sales, the increase in the federal corporate tax rate from 34 percent to 35 percent and a one-time, 4-cent-per-share charge associated with a voluntary separation program for the executive management group at the utility.

The company's nonregulated subsidiary, Heartland Development Corporation ("HDC"), contributed to earnings through its principal businesses: (1) environmental engineering and consulting, (2) affordable housing and (3) energy products and services.

Electric Operations

	Revenues and Costs		% Change	kWhs Sold, Generated and Purchased		% Change	Revenues & Costs Per kWh Sold, Generated & Purch.		Customers at End of Year	
	1993	1992		1993	1992		1993	1992	1993	1992
	(In Thousands)			(In Thousands)						
Residential and farm	$184,176	$171,887	7%	2,751,363	2,614,439	5%	$.067	$.066	316,870	310,702
Industrial	132,903	128,467	3	3,540,082	3,377,132	5	.038	.038	714	727
Commercial	95,977	91,707	5	1,629,911	1,551,823	5	.059	.059	42,884	42,287
Wholesale and Class A	78,955	77,485	2	2,388,131	2,208,419	8	.033	.035	39	39
Other	11,176	8,189	36	51,073	55,230	(8)	.219	.148	1,236	950
Total	503,187	477,735	5	10,360,560	9,807,043	6	.049	.049	361,743	354,705
Elec. production fuels	123,919	123,440	0.4	9,186,134	9,041,317	2	.0135	.0137		
Purchased power	28,574	24,427	17	1,481,592	1,124,667	32%	.0193	.0217		
Margin	$350,694	$329,868	6%							

WP&L's electric margin in dollars increased during 1993 compared with 1992 due to increased demand for electricity brought on by warmer summer weather. Residential customers, being the most weather sensitive, experienced the most significant increases. Wisconsin's strong economy kept the Commercial and Industrial classes growing steadily. These increases were coupled with declining electric production fuel costs per kWh. The decrease in electric production fuels is due to WP&L's aggressive pursuit of additional spot-coal purchase opportunities as its longer-term contracts begin to expire. Additionally, a highly competitive rail transportation environment has significantly reduced the cost of transporting the coal. Also, lower-cost purchased power became available due to excess capacity in the bulk-power market.

Gas Operations

	Revenues and Costs		% Change	Therms Sold & Purchased		% Change	Revenues & Costs Per Therms Sold, & Purch.		Customers at End of Year	
	1993	1992		1993	1992		1993	1992	1993	1992
	(In Thousands)			(In Thousands)						
Residential	$ 71,632	$ 63,699	12%	120,005	114,131	5%	$.60	$.56	120,829	116,642
Firm	40,748	37,154	10	87,038	82,087	6	.47	.45	15,088	14,656
Interruptible	10,685	9,554	12	27,872	25,497	9	.38	.37	261	262
Transportation	14,919	8,674	72	84,877	69,244	23	.18	.13	85	109
Other	400	281	42	3,346	1,923	74	.12	.15	-	-
Total	138,384	119,362	16	323,138	292,882	10	.43	.41	136,263	131,669
Purchased gas	91,619	77,112	19	288,877	260,354	11%	$.32	$.30		
Margin	$ 46,765	$ 42,250	11%							

WP&L's gas revenues for 1992 were affected by the recognition of a $4.9 million, before-tax refund to its natural gas customers resulting from an adjustment in the calculation of the purchased gas adjustment clause. Without the impact of this revenue adjustment, comparative gas margins would have declined for 1993 compared with 1992.

The overall increases in gas revenues and purchased gas costs between years resulted primarily from increased volumes procured on behalf of transportation customers. This had the impact of decreasing margins as a percentage of total revenues. A change in the mix of gas sales from higher-margin residential sales to lower-margin sales also moved margins downward. Offsetting this decline, Wisconsin's strong economy enabled growth in the Commercial and Industrial classes, and there was also some overall increase in the demand for natural gas due to colder weather.

Fees, Rents and Other Operating Revenues ("Other Revenues") and Other Operation Expense

Other revenues increased between years as a result of RMT, Inc.'s ("RMT") and Heartland Properties, Inc.'s ("HPI") growth in their respective businesses and the result of acquisitions in the environmental and energy businesses.

Other operation expense also increased as a result of the above factors. An additional increase resulted from higher WP&L employee benefit expense (See Notes to Consolidated Financial Statements, Note 8). These increases were offset somewhat by decreases in WP&L's conservation program expenditures and decreases in fees associated with the sale of WP&L's accounts receivable due to a decline in interest rates. Additionally, WP&L's cost-management efforts have helped control annual inflationary pressures on general and administrative costs.

Maintenance and Depreciation and Amortization

Maintenance expense increased for 1993 compared with 1992, primarily due to service-restoration expenses related to a severe storm in the summer of 1993. Depreciation and amortization expense increased, principally reflecting increased property additions and the commencement of deferred charge amortizations approved in WP&L's last two rate orders received in December 1992 and October 1993. The most significant amortizations include the amortization related to an acquisition adjustment, which resulted from the purchase of transmission facilities, and the amortization of costs incurred related to the remediation of former manufactured gas plant sites (See Notes to Consolidated Financial Statements, Note 10).

Allowance for Funds Used During Construction ("AFUOC")

Total AFUDC increased in 1993 compared with 1992, reflecting the greater amounts of construction work in progress, including the costs associated with WP&L's construction of two 86-megawatt combustion-turbine generators.

Interest Expense

Interest expense on debt increased between years, primarily due to increased capital expenditures related to HPI's investments in affordable housing.

1992 COMPARED WITH 1991

OVERVIEW

Earnings per share of the company's common stock decreased 13 percent to $2.10 in 1992, compared with $2.42 in 1991. A combination of an electric rate decrease in March 1992 and significantly cooler summer weather led to lower electric revenues, gross margins and earnings at WP&L. WP&L's earnings also were affected by the recognition of a $4.9 million, before-tax refund to natural gas customers noted previously. HDC's contribution to earnings was slightly lower in 1992 compared with 1991, primarily due to the recognition in 1991 of a $2.8 million after-tax gain on the sale of a telecommunications investment. Exclusive of the sale, HDC's profitability increased in 1992, due to the success of its investments in affordable housing and the continued growth in the profitability of its environmental consulting business.

Electric Operations

	Revenues and Costs		% Change	kWhs Sold, Generated and Purchased		% Change	Revenues & Costs Per kWh Sold, Generated & Purch.		Customers at End of Year	
	1992	1991		1992	1991		1992	1991	1992	1991
	(In Thousands)			(In Thousands)						
Residential and farm	$171,887	$179,751	(4)%	2,614,439	2,729,917	(4)%	$.066	$.066	310,702	304,825
Industrial	128,467	124,212	3	3,377,132	3,185,101	6	.038	.039	727	679
Commercial	91,707	92,628	(1)	1,551,823	1,558,297	-	.059	.059	42,287	41,190
Wholesale and Class A	77,485	82,831	(6)	2,208,419	2,441,189	(10)	.035	.034	39	41
Other	8,189	9,130	(10)	55,230	54,376	(2)	.148	.168	950	1,173
Total	477,735	488,552	(2)	9,807,043	9 968,880	(2)	.049	.049	354,705	347,908
Elec. production fuels	123,440	130,406	(5)	9,041,317	9,366,646	(3)	.0137	.0139		
Purchased power	24,427	20,390	20	1,124,667	960,693	17%	.0217	.0212		
Margin	$329,868	$337,756	(2)%							

WP&L's electric margin decreased during 1992 compared with 1991 due to decreased demand for electricity brought on by cooler summer weather. Residential customers, being the most weather sensitive, experienced the most significant decreases. However, improved economic conditions in 1992 kept the Industrial customer class growing steadily. Sales to commercial customers remained flat despite the negative weather impact due to increased customer growth in this sector and the improving economy. As a result of significantly lower weather-related peak demands, sales and revenues to other Class A utilities decreased. Electric production fuels expense decreased in response to reduced kWh sales, lower fuel costs and a greater reliance on purchased power. Purchased power expense increased in 1992 due to the greater availability of purchased power at competitive prices.

Gas Operations

	Revenues and Costs		% Change	Therms Sold & Purchased		% Change	Revenues & Costs Per Therms Sold & Purch.		Customers at End of Year	
	1992	1991		1992	1991		1992	1991	1992	1991
	(In Thousands)			(In Thousands)						
Residential	$63,699	$63,521	- %	114,131	114,772	(1)%	$.56	$.55	116,642	113,475
Firm	37,154	36,407	2	82,087	83,451	(2)	.45	.44	14,656	14,291
Interruptible	9,554	12,051	(21)	25,497	26,025	(2)	.37	.46	262	215
Transportation	8,674	4,327	101	69,244	61,001	14	.13	.07	109	46
Other	281	1,469	(81)	1,923	5,530	(65)	.15	.27	-	-
Total	119,362	117,775	1	292,882	290,779	1	.41	.41	131,669	128,027
Purchased gas	77,112	70,834	9	260,354	250,051	4%	$.30	$.28		
Margin	$42,250	$46,941	(10)%							

After adjusting 1992 gas revenues for the customer refund noted previously, both gas revenues and gas margins increased during 1992 compared with 1991. Overall increases in gas revenues between years resulted primarily from the recovery of increased purchased gas costs through the purchased gas adjustment clause. Gas margins benefited from an increase in gas customers. The impacts of weather were comparable between years.

Fees, Rents and Other Operating Revenues ("Other Revenues") and Other Operatien Expense

Other revenues increased between years as a result of RMT's and HPI's growth in their respective businesses.

Other operation expense also increased as a result of the above factor. These increases were offset somewhat by reduced costs at WP&L. Contributing to the decrease in costs at WP&L was a decrease in WP&L's conservation program expenditures, a decrease in fees associated with the sale of WP&L's accounts receivable due to a decline in interest rates, and reduced employee benefit expenses. Additionally, WP&L's cost-management efforts have helped control annual inflationary pressures on general and administrative costs.

Maintenance and Depreciation and Amortization Expense

Maintenance expense increased for 1992 compared with 1991, primarily due to an increased tree-trimming program, increased costs associated with scheduled overhauls at generating units and major service restoration expenses related to three tornados that caused extensive damage to WP&L's service territory during the summer of 1992. Depreciation expense increased, principally reflecting increased property additions.

Allowance for Funds Used During Constructien ("AFUDC") and Other, Net

Total AFUDC increased in 1992 compared with 1991, reflecting the greater amounts of construction work in progress, which includes the costs associated with WP&L's construction of two 86-megawatt combustion-turbine generators. Other, net decreased between years primarily due to a $2.8 million after-tax gain on the sale of certain nonutility investments that was recorded in 1991.

Interest Expense

Interest expense on debt increased between years, primarily due to the financing of increased capital expenditures related to HPI's investments in affordable housing and to increased debt outstanding at WP&L to fund construction activity. This increase was somewhat offset by WP&L's refinancing activities during 1992. To take advantage of recent low interest rates, WP&L issued $279 million principal amount of first mortgage bonds, of which $235 million was used to refinance the aggregate principal amount of existing series. The bonds, which had coupon payments ranging from 8 to 10 percent, were replaced with issues having coupons of 6.125 percent to 8.6 percent.

Income Taxes

Income taxes decreased between years, primarily due to lower taxable income and an increase in tax credits associated with affordable housing investments in 1992 compared with 1991.

LIQUIOITY AND CAPITAL RESOURCES

Rates and Regulatory Matters

On September 30, 1993, WP&L received final decisions from the PSCW on its retail rate application filed in early 1993. The final order authorized an annual retail electric rate increase of $15.6 million, or 3.8 percent; a natural gas rate increase of $1.8 million, or 1.4 percent; and a nominal water rate increase. The new rates became effective October 1, 1993, and will remain effective until January 1, 1995. The regulatory return

on common equity for WP&L was reduced from 12.4 percent to 11.6 percent. The allowed rates of return authorized by WP&L's regulators have decreased due to declines in debt capital costs and equity investor rate of return expectations.

On August 6, 1993, the Federal Energy Regulatory Commission ("FERC") approved WP&L's request for a $2.1 million, or 2.9 percent, increase in wholesale rates. The rates became effective October 1, 1993.

Electric and Gas Sales Outlook

To deal with competitive pressures arising from regulatory changes, WP&L is forecasting to hold retail rates flat through 1996. This objective arises from the competitive pressures forced by changes in regulation. The National Energy Policy Act of 1992 contains a provision calling for "open transmission access." WP&L anticipates that retail wheeling will become a reality within a few years. To meet these new competitive challenges and maintain a low-cost pricing advantage, WP&L's objective is to manage costs to maintain profitability while limiting any rate changes until 1997. These forecasts are subject to a number of assumptions, including the economy and weather. WP&L anticipates that its customer base will remain strong in the electric sectors and that favorable gas prices over alternative fuels prices should result in sales growth in gas sectors. Growth in customers' demand for electric service will require capacity additions. Capacity requirements will be met through increased generating capacity (two combustion-turbines in mid-1994), continuation of existing long-term contracts for purchase of capacity, increased efficiency at existing power plants from capital improvements, and continued emphasis on cost-effective demand-side management programs such as direct-load-control rate options, including interruptible rates and conservation programs.

Financing and Capital Structure

The level of short-term borrowings fluctuates based on seasonal corporate needs, the timing of long-term financing and capital market conditions. The company's operating subsidiaries generally issue short-term debt to provide interim financing of construction and capital expenditures in excess of available internally generated funds. The subsidiaries periodically reduce their outstanding short-term debt through the issuance of long-term debt and through the company's additional investment in their common equity. To maintain flexibility in its capital structure and to take advantage of favorable short-term rates, the company, through WP&L, also uses proceeds from the sales of accounts receivable and unbilled revenues to finance a portion of its long-term cash needs. The company also anticipates that short-term debt funds will continue to be available at reasonable costs due to strong ratings by independent utility analysts and rating services. Commercial paper has been rated A-1+ by Standard & Poor's Corp. (S&P) and P-1 by Moody's Investors Service (Moody's). Bank lines of credit of $100 million at December 31, 1993, are available to support these borrowings.

The company's capitalization at December 31, 1993, including the current maturities of long-term debt, variable rate demand bonds and short-term debt, consisted of 47.9 percent common equity, 4.9 percent preferred stock and 47.2 percent long-term debt. The common equity to total capitalization ratio at December 31, 1993, increased to 47.9 percent from 44.2 percent at December 31, 1992, due to the issuance of 1.65 million shares of company common stock. The net proceeds from the public offering of $56.7 million were used to repay the short-term debt of its subsidiaries and for general corporate purposes, including construction.

A retail rate order effective October 1, 1993, requires WP&L to maintain a utility common equity level of 50.31 percent of total utility capitalization during the test year August 1, 1993 to July 31, 1994. In addition, the PSCW ordered that it must approve the payment of dividends by WP&L to the company that are in excess of the level forecasted in

the projected test year ($56.8 million), if such dividends would reduce WP&L's average common equity ratio below 50.31 percent.

Capital Requirements

The company's largest subsidiary, WP&L, is capital-intensive and requires large investments in long-lived assets. Therefore, the company's most significant capital requirements relate to WP&L construction expenditures. Estimated capital requirements of WP&L for the next five years are as follows:

	Capital Requirements				
	1994	1995	1996	1997	1998
			(In Millions)		
Construction expenditures	$142.6	$118.7	$132.3	$144.9	$159.5
Changes in working capital and other	8.0	9.6	(25.8)	56.1	5.4
Construction and operating capital	150.6	128.3	106.5	201.0	164.9
Manufactured gas plant site remediation expenditures	4.2	1.5	2.1	4.4	4.2
Total capital requirements	$154.8	$129.8	$108.6	$205.4	$169.1

Included in the construction expenditure estimates, in addition to the recurring additions and improvements to the distribution and transmission systems, are the following: expenditures for managing and controlling electric line losses and for the electric delivery system which will save electric line losses and enhance WP&L's interconnection capability with other utilities; expenditures related to environmental compliance issues, including the installation of additional emissions-monitoring equipment and coal-handling equipment; and expenditures associated with the construction of two 86-megawatt combustion-turbine generators expected to become operational in 1994 through 1996.

In addition, the steam generator tubes at the Kewaunee Nuclear Power Plant ("Kewaunee") are susceptible to corrosion characteristics seen throughout the nuclear industry. Annual inspections are performed to identify degraded tubes. Degraded tubes are either repaired by sleeving or are removed with approximately 15 percent heat transfer margin, meaning that full power should be sustainable with the equivalent of 15 percent of the steam generator tubes plugged. Currently, the equivalent of 10 percent of the tubes in the steam generators are plugged. WP&L and the other joint owners continue to evaluate appropriate strategies, including replacement, as well as continued operation of the steam generators without replacement. WP&L and the joint owners intend to operate Kewaunee until at least 2013, the expiration of the present operating license. WP&L and the joint owners are also evaluating initiatives to improve the performance of Kewaunee. These initiatives include funding of the development of welded repair technology for steam generator tubes and numerous cost-reduction measures, such as the conversion from a 12-month to an 18-month fuel cycle. If the steam generators are not replaced, and excluding the possible effect of the aforementioned repair strategies, a gradual power reduction of approximately 1 percent per year may begin as soon as 1995.

HDC has expanded its energy-related products and services business and its environmental services through acquisitions during 1993. In addition to increasing its investment in affordable housing, HPI continues to market its affordable housing expertise by expanding its business to provide assistance to other corporate/public investors in their development, consultation and financing of affordable housing projects.

Capital Resources

One of the company's objectives is to finance construction expenditures through internally generated funds supplemented, when required, by outside financing. With this objective in place, the company has financed an average of 62 percent of its construction expenditures during the last five years from internal sources. However, during the next five years, the company expects this percentage to be reduced, primarily due to the continuation of major construction expenditures and the maturity of $64 million of WP&L first mortgage bonds.

External financing sources such as the issuance of long-term debt, common stock and short-term borrowings will be nsed by the company to finance the remaining construction expenditure reqnirements for this period. Current forecasts are that $71 million of additional equity and $60 million of long-term debt will be issued over the next three years.

In 1993, the company increased its dividends by 3.4 percent and issued 451,233 new shares of common stock through its Dividend Reinvestment and Stock Purchase Plan, generating proceeds of $15.3 million. Also in 1993, a public offering of 1.65 million newly issued shares of the company's common stock raised proceeds of approximately $56.7 million. The proceeds were used by the company to refinance the short-term debt of its snbsidiaries and for general corporate purposes, including construction. Market value per share decreased 3 percent to $32.875 per share at December 31, 1993, compared with $33.875 per share at December 31, 1992. Retnrn on equity for 1993 was 11.5 percent and has averaged 13.0 percent over the last five years.

INFLATION

Under current ratemaking methodologies prescribed by the various commissions that regulate WP&L, projected or forecasted operating costs, including the impacts of inflation, are incorporated into WP&L revenue requirements. Accordingly, the impacts of inflation on WP&L are currently mitigated. Inflationary impacts on the nonregnlated businesses are not anticipated to be material to the company.

FINANCIAL ACCOUNTING STANDARDS BOARD ("FASB") ACCOUNTING STANOAROS ISSUED BUT NOT YET EFFECTIVE

In November 1992, the FASB issued Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" ("SFAS 112"). SFAS 112 requires adoption of the new accounting and disclosure rules effective January 1, 1994. The impact on earnings will not be material.

OTHER EVENTS

In November 1989, the PSCW concluded that WP&L did not properly administer a coal contract, resulting in an assessment to compensate ratepayers for excess fuel costs having been incurred. As a result, WP&L recorded a reserve in 1989 that had an after-tax effect of reducing 1989 net income by $4.9 million. The PSCW decision was found to represent unlawful retroactive ratemaking by both the Dane County Circuit Court and the Wisconsin Court of Appeals. The case was then appealed to the Wisconsin Supreme Court.

Subsequent to December 31, 1993, the Wisconsin Supreme Court affirmed the decisions of the Dane County Circuit Court and Wisconsin Court of Appeals. Given the continued uncertainty related to the ultimate method of collection of the assessment from ratepayers to be approved by the PSCW, it is management's opinion that the financial impact of the Wisconsin Supreme Court's decision on the company cannot currently be determined and will require further evaluation. As a result, WP&L does not plan to adjust the reserve.

REPORT ON THE FINANCIAL INFORMATION

WPL Holdings, Inc. management is responsible for all the information appearing in this annual report and for the accuracy and internal consistency of that information. 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 control 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. Board compositions are described on pages 12 and 13 of this *Annual Report.*

Erroll B. Davis, Jr.
President and Chief Executive Officer
WPL Holdings, Inc.

Edward M. Gleason
Vice President, Treasurer and Corporate Secretary
WPL Holdings, Inc.

January 28, 1994

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To WPL Holdings, Inc.:

We have audited the accompanying consolidated balance sheets and statements of capitalization of WPL HOLDINGS, INC. (a Wisconsin corporation) and subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of income, common shareowners' investment and cash flows for each of the three years in the period ended December 31, 1993. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WPL Holdings, Inc. and subsidiaries as of December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles.

Milwaukee, Wisconsin,
January 28, 1994.

ARTHUR ANDERSEN & CO.

WPL HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF INCOME

Year Ended December 31,	1993	1992	1991
		(In Thousands Except for Per Share Data)	
Operating revenues:			
Electric	**$503,187**	$477,735	$488,552
Gas	**138,384**	119,362	117,775
Fees, rents and other	**131,486**	76,176	63,222
	773,057	673,273	669,549
Operating expenses:			
Electric production fuels	**123,919**	123,440	130,406
Purchased power	**28,574**	24,427	20,390
Purchased gas	**91,619**	77,112	70,834
Other operation	**256,509**	196,044	191,752
Maintenance	**44,763**	45,081	42,883
Depreciation and amortization	**69,112**	59,949	54,145
Taxes other than income	**32,378**	29,261	26,534
	646,874	555,314	536,944
Operating income	**126,183**	117,959	132,605
Other income and (deductions):			
Allowance for equity funds used during construction	**2,977**	2,351	1,073
Other, net	**(633)**	2,390	3,258
	2,344	4,741	4,331
Interest expense:			
Interest on debt	**38,073**	38,954	35,691
Allowance for borrowed funds used during construction	**(1,053)**	(1,329)	(886)
	37,020	37,625	34,805
Income before income taxes	**91,507**	85,075	102,131
Income taxes	**25,056**	23,257	32,390
Preferred stock dividends of subsidiary	**3,928**	3,811	3,811
Net income	**$ 62,523**	$ 58,007	$ 65,930
Weighted average number of shares of common stock outstanding	**29,681**	27,559	27,246
Earnings per share	**$ 2.11**	$ 2.10	$ 2.42
Cash dividends paid per share	**$ 1.90**	$ 1.86	$ 1.80

The accompanying notes are an integral part of the consolidated financial statements.

WPL HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

December 31,	1993	1992
	(In Thousands)	
ASSETS		
Utility plant:		
Plant in service—		
Electric	**$1,518,701**	$1,443,344
Gas	**194,283**	179,733
Water	**20,437**	19,542
Common	**106,803**	93,973
	1,840,224	1,736,592
Dedicated decommissioning funds, at cost	**49,803**	40,377
	1,890,027	1,776,969
Less—Accumulated provision for depreciation	**763,027**	719,987
	1,127,000	1,056,982
Construction work in progress	**75,732**	58,973
Nuclear fuel, net	**18,000**	16,923
Total utility plant	**1,220,732**	1,132,878
Other property and equipment:		
Land and improvements	**7,558**	6,944
Buildings and improvements	**104,645**	98,912
Equipment	**22,322**	7,735
	134,525	113,591
Less—Accumulated provision for depreciation	**16,817**	9,768
	117,708	103,823
Construction work in progess	**679**	4,979
Total other property and equipment	**118,387**	108,802
Investments, at cost which approximates market	**15,525**	13,998
Current assets:		
Cash and equivalents	**19,468**	4,338
Net accounts receivable and unbilled revenue, less allowance for doubtful accounts of $1,662,000 and $732,000, respectively	**67,623**	56,045
Coal, at average cost	**16,042**	18,985
Materials and supplies, at average cost	**21,679**	21,673
Gas in storage, at average cost	**8,754**	4,291
Prepayments and other	**23,251**	22,025
Total current assets	**156,817**	127,357
Restricted cash	**6,712**	12,129
Deferred charges and other	**161,346**	88,036
Environmental remediation costs	**82,380**	82,698
TOTAL ASSETS	**$1,761,899**	$1,565,898
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common shareowners' investment	**$ 582,966**	$ 483,536
Preferred stock not mandatorily redeemable	**59,963**	62,449
Long-term debt, net	**425,105**	417,975
Total capitalization	**1,068,034**	963,960
Current liabilities:		
Current maturities of long-term debt	**782**	985
Variable rate demand bonds	**56,975**	57,075
Short-term debt	**91,902**	71,427
Accounts payable and accruals	**78,195**	78,066
Accrued payroll and vacation	**17,287**	12,308
Accrued (prepaid) taxes	**(570)**	(2,008)
Accrued interest	**9,282**	7,968
Other	**21,168**	19,294
Total current liabilities	**275,021**	245,115
Other credits:		
Accumulated deferred income taxes	**212,844**	181,000
Accumulated deferred investment tax credits	**42,684**	44,662
Accrued environmental remediation costs	**80,973**	81,425
Deferred credits and other	**82,343**	49,736
	418,844	356,823
Commitments and contingencies (Notes 3 and 10)		
TOTAL CAPITALIZATION AND LIABILITIES	**$1,761,899**	$1,565,898

The accompanying notes are an integral part of the consolidated financial statements.

WPL HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31,	1993	1992	1991
		(In Thousands)	
Cash flows generated from (used for) operating activities:			
Net income	**$ 62,523**	$ 58,007	$ 65,930
Adjustments to reconcile net income to net cash generated from operating activities:			
Depreciation and amortization	**69,112**	59,949	54,145
Deferred income taxes	**5,015**	8,124	4,571
Investment tax credit restored	**(1,967)**	(2,125)	(2,141)
Amortization of nuclear fuel	**7,049**	7,961	8,310
Allowance for equity funds used during construction	**(2,977)**	(2,351)	(1,073)
Other	**7,201**	(1,731)	3,278
Changes in assets and liabilities:			
Restricted cash	**5,417**	23,513	(35,642)
Net accounts receivable and unbilled revenue	**(11,578)**	(10,744)	(2,304)
Coal	**2,943**	2,666	(1,474)
Materials and supplies	**(6)**	1,769	(175)
Gas in storage	**(4,463)**	1,403	497
Prepayments and other	**(1,226)**	4,453	(6,197)
Accounts payable and accruals	**760**	3,587	(1,286)
Accrued taxes	**1,438**	(5,414)	(1,843)
Other, net	**9,194**	(12,020)	6,743
Net cash generated from operating activities	**148,435**	137,047	91,339
Cash flows generated from (used for) financing activities:			
Issuance of common stock	**58,575**	–	–
Issuance of long-term debt	**11,538**	289,510	61,217
Issuance of variable rate demand bonds	**–**	–	33,875
Issuance of preferred stock	**29,986**	–	–
Redemption of preferred stock	**(29,986)**	–	–
Long-term debt maturities, redemptions and sinking fund requirements	**(7,257)**	(243,641)	(42,787)
Net change in short-term debt	**20,475**	18,589	21,576
Common and preferred stock issuance expenses	**(2,971)**	–	–
Common stock cash dividends, less dividends reinvested	**(40,342)**	(32,668)	(44,805)
Other	**919**	(1,462)	531
Net cash generated from financing activities	**40,937**	30,328	29,607
Cash flows generated from (used for) investing activities:			
Additions to utility plant, excluding AFUDC	**(149,333)**	(123,321)	(90,972)
Allowance for borrowed funds used during construction	**(1,053)**	(1,329)	(886)
Dedicated decommissioning funds	**(9,426)**	(3,737)	(3,840)
Purchase of other property and equipment	**(16,553)**	(44,097)	(42,419)
Other	**2,123**	2,003	(944)
Net cash (used for) investing activities	**(174,242)**	(170,481)	(139,061)
Net increase (decrease) in cash and equivalents	**15,130**	(3,106)	(18,115)
Cash and equivalents at beginning of year	**4,338**	7,444	25,559
Cash and equivalents at end of year	**$ 19,468**	$ 4,338	$ 7,444
Supplemental disclosures of cash flow information:			
Cash paid during the year:			
Interest on debt	**$ 36,759**	$ 37,763	$ 36,998
Preferred stock dividends of subsidiary	**$ 3,928**	$ 3,811	$ 3,811
Income taxes	**$ 20,743**	$ 21,201	$ 32,194
Noncash financing activities:			
Dividends reinvested	**$ 15,284**	$ 17,533	$ 3,285

The accompanying notes are an integral part of the consolidated financial statements.

WPL HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CAPITALIZATION

December 31,	1993	1992
	(In Thousands)	
Common shareowners' investment:		
Common stock, $.01 par value, authorized— 100,000,000 shares; issued and outstanding—30,438,654 shares and 27,828,798 shares, respectively	$ 305	$ 278
Additional paid-in capital	297,916	204,041
Reinvested earnings	284,745	279,217
Total common shareowners' investment	582,966	483,536
Preferred stock:		
Wisconsin Power and Light Company—		
Cumulative, without par value, authorized 3,750,000 shares, maximum aggregate stated value $150,000,000;		
Preferred stock without mandatory redemption, $100 stated value—		
4.50% series, 99,970 shares outstanding	9,997	9,997
4.80% series, 74,912 shares outstanding	7,491	7,491
4.96% series, 64,979 shares outstanding	6,498	6,498
4.40% series, 29,957 shares outstanding	2,996	2,996
4.76% series, 29,947 shares outstanding	2,995	2,995
8.48% series, 0 and 149,865 shares, respectively, outstanding	–	14,986
7.56% series, 0 and 150,000 shares, respectively, outstanding	–	15,000
6.20% series, 150,000 and 0 shares, respectively, outstanding	15,000	–
Cumulative, without par value, $25 stated value,		
6.50% series, 599,460 and 0 shares, respectively, outstanding	14,986	–
Total preferred stock	59,963	59,963
Heartland Development Corporation	–	2,486
Total preferred stock	59,963	62,449
Long-term debt:		
Wisconsin Power and Light Company—		
First mortgage bonds:		
Series L, 6.25%, due 1998	8,899	8,899
1984 Series A, variable rate, due 2014 (3.10% at Dec. 31, 1993)	8,500	8,500
1988 Series A, variable rate, due 2015 (3.50% at Dec. 31, 1993)	14,600	14,700
1990 Series V, 9.3%, due 2025	50,000	50,000
1991 Series A, variable rate, due 2015 (4.45% at Dec. 31, 1993)	16,000	16,000
1991 Series B, variable rate, due 2005 (4.45% at Dec. 31, 1993)	16,000	16,000
1991 Series C, variable rate, due 2000 (4.45% at Dec. 31, 1993)	1,000	1,000
1991 Series D, variable rate, due 2000 (4.45% at Dec. 31, 1993)	875	875
1992 Series W, 8.6%, due 2027	90,000	90,000
1992 Series X, 7.75%, due 2004	62,000	62,000
1992 Series Y, 7.6%, due 2005	72,000	72,000
1992 Series Z, 6.125%, due 1997	55,000	55,000
Total first mortgage bonds	394,874	394,974
Heartland Development Corporation—		
1991 Series A, 4.8% - 6.9%, due 2023	26,855	26,855
1991 Series B, variable rate, due 2003 (3.25% at Dec. 31, 1993)	7,860	7,860
1992 Series taxable bonds, 7.55%, due 2024	2,100	2,100
1993 Series taxable bonds, 7.0%, due 2024	3,195	–
Other mortgage notes payable, 0% - 10.75%, due 1996-2042	38,881	35,265
	78,891	72,080
WPL Holdings, Inc.—		
8.96% Senior note, due 1997	10,000	10,000
Other	519	463
	10,519	10,463
Less—		
Current maturities	(782)	(985)
Variable rate demand bonds	(56,975)	(57,075)
Unamortized discount and premium, net	(1,422)	(1,482)
Total long-term debt, net	425,105	417,975
TOTAL CAPITALIZATION	$1,068,034	$963,960

The accompanying notes are an integral part of the consolidated financial statements.

WPL HOLDINGS, INC. CONSOLIDATED STATEMENTS OF COMMON SHAREOWNERS' INVESTMENT

Year Ended December 31,	1993	1992	1991
		(In Thousands)	
Common stock:			
Balance at beginning of year	$ 278	$ 273	$ 272
Issued in connection with public offering	17	-	-
Issued in connection with acquisitions	5	-	-
Issued in connection with dividend reinvestment plan	5	5	1
Balance at end of year	305	278	273
Additional paid-in capital:			
Balance at beginning of year	204,041	187,532	183,598
Received in connection with public offering	58,558	-	-
Received in connection with acquisitions	20,721	-	-
Received in connection with dividend reinvestment plan	15,279	17,528	3,284
Common stock issuance expense	(1,888)	-	-
Other	1,205	(1,019)	650
Balance at end of year	297,916	204,041	187,532
Reinvested earnings:			
Balance at beginning of year	279,217	271,854	254,133
Net income	62,523	58,007	65,930
Cash dividends ($1.90 per share, $1.86 per share, and $1.80 per share, repectively)	(55,626)	(50,201)	(48,090)
Expense of issuing stock and other	(1,369)	(443)	(119)
Balance at end of year	284,745	279,217	271,854
TOTAL COMMON SHAREOWNERS' INVESTMENT	$582,966	$483,536	$459,659

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES:

a. Business and Consolidation:

WPL Holdings, Inc. (the "company" or "WPLH") is the parent holding company of Wisconsin Power and Light Company ("WP&L") and Heartland Development Corporation ("HDC"). The consolidated financial statements include the company and its consolidated subsidiaries, WP&L and HDC, along with their respective subsidiaries. All significant intercompany transactions have been eliminated in consolidation. Certain amounts from prior years have been reclassified to conform with the current-year presentation.

WP&L is a public utility predominantly engaged in the transmission and distribution of electric energy and the generation and bulk purchase of electric energy for sale. WP&L also transports, distributes and sells natural gas purchased from gas suppliers. Nearly all of WP&L's customers are located in south and central Wisconsin. WP&L's principal consolidated subsidiary is South Beloit Water, Gas and Electric Company.

HDC and its principal subsidiaries are engaged in business development in three major areas: (1) environmental consulting and engineering through the Environmental Holding Company ("EHC"), which is the parent company of RMT, Inc. ("RMT"), Jones & Neuse, Inc., Hydroscience, Inc. and Four Nines, Inc., (2) affordable housing and historic

rehabilitation through Heartland Properties, Inc. ("HPI") and (3) energy-related products and services, which includes, in addition to ENSERV, Inc., the recent acquisition of A&C Enercom Consultants, Inc., EcoGroup, Inc. and Entec Consulting, Inc.

b. Regulation:
WP&L's financial records are maintained in accordance with the uniform system of accounts prescribed by its regulators. The Public Service Commission of Wisconsin ("PSCW") and the Illinois Commerce Commission have jurisdiction over retail rates, which represent approximately 86 percent of electric revenues, plus all gas revenues. The Federal Energy Regulatory Commission ("FERC") has jurisdiction over wholesale electric rates representing the balance of electric revenues. Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation," provides that rate-regulated public utilities such as WP&L record certain costs and credits allowed in the ratemaking process in different periods than for the unregulated entities. These are deferred as regulatory assets or regulatory liabilities and are recognized in the Consolidated Statements of Income at the time they are reflected in rates.

c. Utility Plant and Otber Property and Equipment:
Utility plant and other property and equipment are recorded at original cost and cost, respectively. Utility plant costs include financing costs, which are capitalized through the PSCW-approved allowance for funds used during construction ("AFUDC"). The AFUDC capitalization rates approximate WP&L's cost of capital. These capitalized costs are recovered in rates as the cost of the utility plant is depreciated.

Normal repairs and maintenance and minor items of utility plant and other property and equipment are expensed. Ordinary utility plant retirements, including removal costs less salvage value, are charged to accumulated depreciation upon removal from utility plant accounts, and no gain or loss is recognized. 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 other income and deductions.

d. Nuclear Fuel:
Nuclear fuel 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 kilowatthours ("kWh") generated.

e. Revonue:
WP&L accrues utility revenues for services provided but not yet billed.

f. Fuel and Purchased Gas:
An automatic fuel adjustment clause for the FERC wholesale portion of WP&L's electric business operates to increase or decrease monthly rates based on changes in fuel costs. The PSCW retail electric rates provide a range from which actual fuel costs may vary in relation to costs forecasted and used in rates. If actual fuel costs fall outside this range, a hearing may be held to determine if a rate change is necessary, and a rate increase or decrease can result.

WP&L's base gas cost recovery rates permit the recovery of or refund to all customers for any increases or decreases in the cost of gas purchased from WP&L's suppliers through a monthly purchased gas adjustment clause.

g. Cash and Equivalents:
The company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The carrying amount approximates fair value because of the short maturity of these items.

h. Income Taxes:
The company files a consolidated federal income tax return. Under the terms of an agreement between WPLH and its subsidiaries, WP&L and HDC calculate their respective federal tax provisions and make payments to WPLH as if they were separate taxable entities. Beginning in 1993, the company fully provides deferred income taxes in accordance with Statement of Financial Accounting Standards No.109, "Accounting for Income Taxes" ("SFAS 109"), to reflect tax effects of reporting book and tax items in different periods.

NOTE 2. DEPRECIATION:

The company nses the straight-line method of depreciation. For utility plant, straight-line depreciation is computed on the average balance of depreciable property at individual, straight-line, PSCW-approved rates as follows:

	Electric	Gas	Water	Common
1993	3.6%	3.7%	2.5%	7.3%
1992	3.4	3.7	2.6	7.1
1991	3.4	3.7	2.6	6.9

Estimated useful lives related to other property and equipment are from three to 12 years for equipment and 31.5 to 40 years for buildings.

NOTE 3. NUCLEAR OPERATIONS:

Depreciation expense related to the Kewaunee Nuclear Power Plant includes a provision for the decommissioning of the plant, which totaled $6.1 million, $3.9 million and $4.1 million in 1993, 1992 and 1991, respectively. Wisconsin utilities with ownership of nuclear generating plants are required by the PSCW to establish external trust funds to provide for plant decommissioning. The market value of the investments in the funds established by WP&L at December 31, 1993 and 1992, totaled $45.1 million and $42.8 million, respectively. WP&L's share of the decommissioning costs is estimated to be $149 million (in 1993 dollars, assuming the plant is operating through 2013) based on a 1992 study, using the immediate dismantlement method of decommissioning.

Under the Nuclear Waste Policy Act of 1982, the U.S. Department of Energy ("DOE") is responsible for the ultimate storage and disposal of spent nuclear fnel removed from nuclear reactors. Interim storage space for spent nuclear fuel is currently provided at the Kewaunee Nuclear Power Plant. Currently there is on-site storage capacity for spent fuel through the year 1999. Nuclear fuel, net, at December 31, 1993, and 1992, consists of (In Thousands of Dollars):

	1993	1992
Original cost of nuclear fuel	$147,325	$140,652
Less—Accumulated amortization	129,325	123,729
Nuclear fuel, net	$ 18,000	$16,923

The Price Anderson Act provides for the payment of funds for public liability claims arising from a nuclear incident. Accordingly, in the event of a nuclear incident, WP&L, as a 41 percent owner of the Kewaunee Nuclear Power Plant, is subject to an overall assessment of approximately $32.5 million per incident for its ownership share of this reactor, not to exceed $4.1 million payable in any given year.

Through its membership in Nuclear Electric Insurance Limited, WP&L has obtained property damage and decontamination insurance totaling $1.4 billion for loss from damage at the Kewaunee Nuclear Power Plant. In addition, WP&L maintains outage and replacement power insurance coverage totaling $99 million in the event an outage exceeds 21 weeks.

NOTE 4. PROPERTY:

a. Jointly Owned Utility Plants:

WP&L participates with other Wisconsin utilities in the construction and operation of several jointly owned utility generating plants. The chart below represents WP&L's proportionate share of such plants as reflected in the Consolidated Balance Sheets at December 31, 1993 and 1992, (In Thousands of Dollars):

				1993			1992		
	Ownership Interest-%	Inservice Date	Plant MW Capacity	Plant in Service	Accumulated Provision for Depreciation	CWIP	Plant in Service	Accumulated Provision for Depreciation	CWIP
Coal:									
Columbia Energy Center	46.2	1975 & 1978	1,023	$159,818	$ 76,602	$1,986	$158,315	$72,262	$2,280
Edgewater Unit 4	68.2	1969	330	49,631	24,160	83	47,226	24,587	178
Edgewater Unit 5	75.0	1985	380	224,902	58,338	21	230,656	53,215	208
Nuclear:									
Kewaunee Nuclear Power Plant	41.0	1974	535	127,651	68,258	848	127,651	64,219	1,703
Total				$562,002	$ 227,358	$2,938	$563,848	$ 214,283	$4,369

Each of the respective joint owners finances its portion of construction costs. WP&L's share of operations and maintenance expenses is included in the Consolidated Statements of Income.

b. Other Property and Equipment:

As of December 31, 1993 and 1992, other property and equipment, net includes $100.9 million and $94.4 million, respectively, consisting primarily of rental property and equipment associated with HPI's affordable housing and historic rehabilitation project developments.

c. Capital Expenditures:

The company's capital expenditures for 1994 are estimated to total $166.7 million. Substantial commitments have been incurred for such expenditures.

NOTE 5. NET ACCOUNTS RECEIVABLE:

WP&L has a contract with a financial organization to sell, with limited recourse, certain accounts receivable. These receivables include customer receivables resulting from sales to other public utilities as well as from billings to the co-owners of the jointly owned electric generating plants that WP&L operates. The contract allows WP&L to sell up to $100 million of receivables at any time. Consideration paid to the financial organization under this contract includes, along with various other fees, a monthly discount charge on the outstanding balance of receivables sold that approximated a 4.14 percent annual rate during 1993. These costs are recovered in retail utility rates as an operating expense. All billing and collection functions remain the responsibility of WP&L. The contract expires August 19, 1995, unless extended by mutual agreement.

As of December 31, 1993 and 1992, proceeds from the sale of accounts receivable totaled $74 million and $69 million, respectively. During 1993, WP&L sold an average of $75.9 million of accounts receivable per month, compared with $68.8 million in 1992.

As a result of its diversified customer base and WP&L's sale of receivables, the company does not have any significant concentrations of credit risk in the December 31, 1993, net accounts receivable balance.

NOTE 6. DEFERRED CHARGES AND OTHER:

Certain costs are deferred and amortized in accordance with authorized or expected rate-making treatment. As of December 31, 1993 and 1992, deferred charges and other include regulatory created assets and other noncurrent items representing the following (In Thousands of Dollars):

	1993	1992
Unamortized debt redemption expense	$ 13,178	$15,384
Decontamination and decommissioning costs of federal enrichment facilities	6,181	6,150
Prepaid pension costs	26,128	21,226
Conservation loans to WP&L customers (at cost which approximates market)	12,236	12,257
Goodwill	21,622	-
Tax related (see Note 7)	28,608	-
Emission allowance credits receivable	5,335	5,335
Other	48,058	27,684
	$161,346	$88,036

NOTE 7. INCOME TAXES:

The following table reconciles the statutory federal income tax rate to the effective income tax rate:

	1993	1992	1991
Statutory federal income tax rate	35.0%	34.0%	34.0%
State income taxes, net of federal benefit	5.1	7.0	5.0
Investment tax credits restored	(2.1)	(2.7)	(2.2)
Amortization of excess deferred taxes	(1.7)	(1.8)	(1.6)
Affordable housing and historical tax credits	(5.7)	(7.5)	(1.9)
Other differences, net	(3.2)	(.6)	(.4)
Effective income tax rate	27.4%	28.4%	32.9%

The breakdown of income tax expense as reflected in the Consolidated Statements of Income is as follows (In Thousands of Dollars):

	1993	1992	1991
Income taxes:			
Current federal	$20,725	$19,703	$26,775
Current state	6,500	5,343	5,904
Deferred	5,015	8,124	4,571
Investment tax credit restored	(1,967)	(2,125)	(2,141)
Affordable housing and historical tax credits	(5,217)	(7,788)	(2,719)
	$25,056	$23,257	$32,390

Items that resulted in deferred income tax expense are as follows (In Thousands of Dollars):

	1992	1991
Utility plant timing differences	$4,104	$4,317
Qualified nuclear decommissioning trust contribution	709	709
Employee benefits	2,081	2,105
Other, net	1,230	(2,560)
	$8,124	$4,571

The temporary differences that resulted in accumulated deferred income tax assets and liabilities as of December 31, 1993, are as follows (In Thousands of Dollars):

	Deferred Tax (Assets) Liabilities
Accelerated depreciation and other plant related	$171,993
Excess deferred taxes	22,744
Unamortized investment tax credits	(22,812)
Allowance for equity funds used during construction	13,518
Regulatory liability	19,179
Other	8,222
	$212,844

Changes in WP&L's deferred income taxes arising from the adoption of SFAS 109 represent amounts recoverable or refundable through future rates and have been recorded as net regulatory assets totaling approximately $29 million on the Consolidated Balance Sheets. These net regulatory assets are being recovered in rates over the estimated remaining useful lives of the assets to which they pertain.

As part of HPI's investments in affordable housing, HPI is eligible to claim affordable housing and historic rehabilitation credits. These tax credits can be recognized to the extent the company has consolidated taxes payable against which the qualifying credits can be benefited.

NOTE 8. EMPLOYEE BENEFIT PLANS:

a. Pensien Plans:

WP&L has noncontributory, defined benefit retirement plans covering substantially all employees. The benefits are based upon years of service and levels of compensation. WP&L's funding policy is to contribute at least the statutory minimnm to a trust.

The projected unit credit actuarial cost method was used to compute net pension costs and the accumulated and projected benefit obligations. The discount rate used in determining those benefit obligations was 7.25 percent for 1993, and 8 percent for 1992 and 1991. The long-term rate of return on assets used in determining those benefit obligations was 9.75 percent for 1993 and 10 percent for 1992 and 1991.

The following table sets forth the funded status of the WP&L plans and amounts recognized in the company's Consolidated Balance Sheets at December 31, 1993 and 1992, (In Thousands of Dollars):

	1993	1992
Accumulated benefit obligation—		
Vested benefits	$(135,303)	$(119,883)
Nonvested benefits	(2,962)	(869)
	$(138,265)	$(120,752)
Projected benefit obligation	$(164,271)	$(144,760)
Plan assets at fair value, primarily common stocks and fixed income securities	183,881	164,771
Plan assets in excess of projected benefit obligation	19,610	20,011
Unrecognized net transition asset	(21,823)	(24,270)
Unrecognized prior service cost	7,691	9,510
Unrecognized net loss	20,650	15,975
Prepaid pension costs, included in deferred charges and other	$ 26,128	$ 21,226

The net pension (benefit) recognized in the Consolidated Statements of Income for 1993, 1992 and 1991 included the following components (In Thousands of Dollars):

	1993	1992	1991
Service cost	$ 4,263	$ 3,912	$ 3,167
Interest cost on projected benefit obligation	11,614	10,615	9,469
Actual return on assets	(24,759)	(12,143)	(30,035)
Amortization and deferral	8,430	(5,317)	14,603
Net pension (benefit)	$ (452)	$ (2,933)	$ (2,796)

b. Postretirement Health-care and Life Insurance:
Effective January 1, 1993, the company prospectively adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("SFAS 106"). SFAS 106 establishes standards of financial accounting and reporting for the company's postretirement health-care and life insurance benefits. SFAS 106 requires the accrual of the expected cost of such benefits during the employees' years of service based on actuarial methodologies that closely parallel pension accounting requirements. WP&L has elected delayed recognition of the transition obligation and is amortizing the discounted present value of the transition obligation to expense over 20 years. For WP&L, the cost of providing postretirement benefits, including the transition obligation, is being recovered in retail rates and wholesale rates under current regulatory practices.

For 1993, the annual net postretirement benefits costs recognized in the Consolidated Statements of Income consist of the following components (In Thousands of Dollars):

Service cost	$ 1,463
Interest cost on projected benefit obligation	3,151
Actual return on plan assets	(696)
Amortization of transition obligation	1,560
Amortization and deferral	(27)
Net postretirement benefits cost	$ 5,451

The following table sets forth the plans' funded status (In Thousands of Dollars):

	1993
Accumulated postretirement benefit obligation—	
Retirees	$ (27,358)
Fully eligible active plan participants	(5,429)
Other active plan participants	(9,980)
Accumulated benefit obligation	(42,767)
Plan assets at fair value	7,073
Accumulated benefit obligation in excess of plan assets	$ (35,694)
Unrecognized transition obligation	29,638
Unrecognized loss	2,025
Accrued postretirement benefits liability	$ (4,031)

The postretirement benefits cost components for 1993 were calculated assuming health-care cost-trend rates ranging from 12.5 percent for 1993 and decreasing to 5 percent by the year 2002. The health-care cost-trend rate considers estimates of health-care inflation, changes in utilization or delivery, technological advances and changes in the health status of the plan participants. Increasing the health-care cost-trend rate by one percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 1993, by $2.54 million and the aggregate of the service and interest cost components of the net periodic postretirement benefit cost for the year by $.4 million.

The assumed discount rate used in determining the accumulated postretirement obligation was 7.25 percent. The long-term rate of return on assets was 9.50 percent. Plan assets are primarily invested in common stock, bonds and fixed-income securities. The company's funding policy is to contribute the tax-advantaged maximum to a trust.

The costs for the postretirement health-care and life-insurance benefits, based on an actuarial determination, were $1,335,000 and $1,078,000, respectively, for 1992 and 1991.

c. Other Postemployment Benefits:
In November 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" ("SFAS 112"). SFAS 112 establishes standards of financial accounting and reporting for the estimated cost of benefits provided by an employer to former or inactive employees after employment but before retirement. The effect of adopting SFAS 112, which must be adopted January 1, 1994, will not be material.

NOTE 9. CAPITALIZATION:

a. Common Shareowners' Investment:
During 1993, 1992 and 1991, respectively, the company issued 451,233, 528,142 and 122,110 new shares of common stock through its Dividend Reinvestment and Stock Purchase Plan, generating proceeds of $15.3 million, $17.5 million and $3.3 million, respectively.

On April 27, 1993, a public offering of 1.65 million newly issued shares of the company's common stock, priced at $35.50 per share, raised net proceeds of $56.7 million. The proceeds were used by the company to refinance short-term debt and for general corporate purposes, including construction.

In February 1989, the Board of Directors of the company declared a dividend distribution of one common stock purchase right ("right") on each outstanding share of the company's common stock. Each right would initially entitle shareowners to buy one-half of one share of the company's common stock at an exercise price of $60.00 per share, subject to adjustment. The rights are not currently exercisable, but would become exercisable if certain events occurred related to a person or group acquiring or attempting to acquire 20 percent or more of the outstanding shares of common stock. The rights expire on February 22, 1999, unless the rights are earlier redeemed or exchanged by the company.

Authorized shares of common stock total 100,000,000 as of December 31, 1993, and can be categorized as follows:

	No. of Shares
Issued and outstanding	30,438,654
Reserved for issuance for Dividend Reinvestment and Stock Purchase Plan	891,874
Common Stock Rights Agreement	15,665,264
Unreserved	53,004,208
Total authorized	100,000,000

A retail rate order effective October 1, 1993, requires WP&L to maintain a utility common equity level of 50.31 percent of total utility capitalization during the test year August 1, 1993 to July 31, 1994. In addition, the PSCW ordered that it must approve the payment of dividends by WP&L to the company that are in excess of the level forecasted in the projected test year ($56.8 million), if such dividends would reduce WP&L's average common equity ratio below 50.31 percent.

h. Preferred Stock:
On October 27, 1993, WP&L issued two new series of preferred stock through two separate public offerings. The 6.2% Series is nonredeemable for 10 years and the 6.5% Series is nonredeemable for five years. The proceeds from the sale were used to retire 150,000 shares of 7.56% Series and 149,865 shares of 8.48% Series preferred stock.

c. Long-term Oeht:
During 1992, WP&L issued $279 million of first mortgage bonds, of which $235 million was used to refinance the principal of existing series in order to take advantage of lower interest rates. The remaining proceeds were used for the payment of short-term debt and general corporate purposes.

Substantially all of WP&L's utility plant is secured by its first mortgage bonds. Current maturities of long-term debt are as follows: $.7 million in 1994, $1.6 million in 1995, $3.3 million in 1996, $56.7 million in 1997 and $11.2 million in 1998.

The fair value of the company's long-term debt, including variable rate demand bonds, is estimated at $518,251,000 and $475,909,000 as of December 31, 1993 and 1992, respectively, based on the quoted market prices for similar issues or on the current rates offered to the company for similar debt.

NOTE 10. COMMITMENTS AND CONTINGENCIES:

a. Coal Contract Commitments:
To ensure an adequate supply of coal, WP&L has entered into certain long-term coal contracts. These contracts include a demand or take-or-pay clause nnder which payments are required if contracted quantities are not purchased. Purchase obligations on these coal and related rail contracts total approximately $263 million through December 31, 2004. WP&L's management believes it will meet minimum coal and rail purchase obligations under the contracts or recover in rates any demand or take-or-pay costs if minimum purchase obligations are not met. Minimum purchase obligations on these contracts over the next five years are estimated to be $67 million in 1994 and $27 million in 1995, 1996, 1997 and 1998, respectively.

b. Purchased Power:
Under firm purchase power contracts, WP&L is obligated to pay $11 million, $8 million, $5 million, $7 million and $14 million in 1994, 1995, 1996, 1997 and 1998, respectively. For 1994, this represents 2,515 megawatts of capacity. Purchase obligations on these purchase power contracts total approximately $169 million through December 31, 2007.

c. Manufactured Gas Plant Sites:
Historically, WP&L has owned 11 properties that have been associated with the production of manufactured gas. Currently, WP&L owns five of these sites, three are owned by municipalities, and the remaining three are owned by private companies. In 1989, WP&L initiated investigation of these manufactured gas plant sites. The Wisconsin Department of Natural Resources ("DNR") has been involved in reviewing preliminary investigation plans and has received reports regarding these investigations. Based on the results of WP&L's preliminary investigations, WP&L recorded an estimated liability and corresponding deferred charge of approximately $15 million as of December 31, 1991.

In 1992, and into the beginning of 1993, WP&L continued its investigations and studies. WP&L confirmed that there was no contamination at two of the sites and received a closeout letter from the DNR related to one of those sites and requested a closeout letter for the other site. Additionally, the investigation of historical records at a third site indicated a minimal likelihood of any significant environmental impacts. In February 1993, WP&L

completed more current cost estimates for the environmental remediation of the eight remaining sites. The results of this more current analysis indicated that during the next 35 years, WP&L will expend approximately $81 million for feasibility studies, data collection, soil remediation activities, groundwater research and groundwater remediation activities, including construction of slurry containment walls and the installation of groundwater pump and treatment facilities. This estimate was based on various assumptions, and is subject to continuous review and revision by management.

Based on the cost estimate set forth above, which assumes a 4 percent average inflation over the 35-year period, WP&L will spend approximately $4.2 million, $1.5 million, $2.1 million, $4.4 million and $4.2 million in 1994 through 1998, respectively. The cost estimate also contemplates that primarily groundwater pump and treatment activities will take place after 1998 through and including 2027. During this time, WP&L estimates that it will incur average annual costs of $2.0 million to complete the planned groundwater remediation activities.

With respect to rate recovery of these costs, the PSCW has approved a five-year amortization of the unamortized balance of incurred environmental costs deferred to date.

Based on the present regulatory record at the PSCW, management believes that future costs of remediating these manufactured gas plant sites will be recovered in rates.

d. FERC Order No. 636:
In 1992 the FERC issued Order No. 636 and 636-A, which requires interstate pipelines to restructure their services. Under these orders, existing pipeline sales service would be "unbundled" such that gas supplies would be sold separately from interstate transportation services. (Pipelines serving WP&L implemented new services November 1, 1993.) Pipelines will, however, seek to recover from their customers certain transition costs associated with restructuring. Any such recovery would be subject to prudence hearings at the FERC and state regulatory commissions.

NOTE 11. SHORT-TERM DEBT AND LINES OF CREDIT:

The company and its subsidiaries maintain bank lines of credit, most of which are at the bank prime rates, to obtain short-term borrowing flexibility, including pledging lines of credit as security for any commercial paper outstanding. Amounts available under these lines of credit totaled $100 million, $70 million and $52.5 million as of December 31, 1993, 1992 and 1991, respectively. Information regarding short-term debt and lines of credit is as follows (In Thousands of Dollars):

	1993	1992	1991
As of end of year—			
Lines of credit borrowings	**$ 2,000**	-	-
Commercial paper outstanding	**$49,000**	$26,000	$23,000
Notes payable outstanding	**$40,954**	$44,095	$29,326
Compensating balance requirements	-	-	$ 75
Discount rates on commercial paper	**3.24%-3.40%**	3.15%-3.90%	4.68%-5.50%
Interest rates on notes payable	**3.34%-3.35%**	3.46%-3.62%	4.74%-8.96%
For the year ended—			
Maximum month-end amount of short-term debt	**$92,000**	$70,155	$55,350
Average amount of short-term debt (based on daily outstanding balances)	**$56,250**	$41,882	$24,323
Average interest rate on short-term debt	**3.33%**	3.78%	7.42%

NOTE 12. SEGMENT INFORMATION:

The following table sets forth certain information relating to the company's consolidated operations (In Thousands of Dollars).

	Year Ended December 31,		
	1993	1992	1991
Operation information:			
Customer revenues—			
Electric	$ 503,187	$ 477,735	$ 488,552
Gas	138,384	119,362	117,775
Environmental engineering and consulting	81,396	67,533	56,702
Other	50,090	8,643	6,520
Total operating revenues	$ 773,057	$ 673,273	$ 669,549
Operating income (loss)			
Electric	$ 118,785	$ 109,459	$ 116,339
Gas	10,431	8,724	15,070
Environmental engineering and consulting	4,219	3,542	3,725
Other (a)	(7,252)	(3,766)	(2,529)
Other income and (deductions), net	2,344	4,741	4,331
Interest expense, net	(37,020)	(37,625)	(34,805)
Income taxes	(25,056)	(23,257)	(32,390)
Preferred stock dividends of subsidiary	(3,928)	(3,811)	(3,811)
Net income	$ 62,523	$ 58,007	$ 65,930
Investment information:			
Identifiable assets, including allocated common plant at December 31—			
Electric	$1,170,010	$1,064,418	$1,014,032
Gas	228,257	210,965	122,176
Environmental engineering and consulting	40,124	31,400	28,908
Other	323,508	259,115	218,383
Total assets	$1,761,899	$1,565,898	$1,383,499
Other information:			
Construction and nuclear fuel expenditures—			
Electric	$ 139,805	$ 113,252	$ 86,829
Gas	18,876	13,974	9,856
Other	18,538	45,606	43,449
Total construction and nuclear fuel expenditures	$ 177,219	$ 172,832	$ 140,134
Provision for depreciation—			
Electric	$ 53,398	$ 49,554	$ 45,319
Gas	7,329	6,578	6,038
Other	8,385	3,817	2,788
Total provision for depreciation	$ 69,112	$ 59,949	$ 54,145

(a) Excludes the effects of affordable housing and historical tax credits of $5.2 million, $7.8 million and $2.7 million in 1993, 1992 and 1991, respectively.

NOTE 13. ACQUISITIONS:

On August 31, 1993, the company issued 515,993 shares of company common stock in exchange for the outstanding common and preferred stock of Jones & Neuse, Inc. ("JN"), a 250-employee environmental consulting and engineering service firm based in Austin, Texas. This transaction was accounted for as a pooling of interests and all prior periods have been restated accordingly; such restatement was not material. The company intends to position JN as a service region of its own 550-employee environmental consulting and engineering company, RMT, a subsidiary of HDC.

In February 1993, HDC acquired A&C Enercom Consultants, Inc. ("A&C"), a Georgia corporation, for cash and new shares of the company's common stock. A&C provides demand-side-management and energy-related consulting services, primarily to public electric and gas utility companies.

NOTE 14. CONSOLIDATED QUARTERLY FINANCIAL DATA (UNAUDITED):

Seasonal factors significantly affect WP&L and, therefore, the data presented below should not be expected to be comparable between quarters nor necessarily indicative of the results to be expected for an annual period.

The amounts below were not audited by independent public accountants, but reflect all adjustments necessary, in the opinion of the company, for a fair presentation of the data.

Quarter Ended	Operating Revenues	Operating Income	Net Income	Earnings Per Share
	(In Thousands except for Per Share Data)			
1993:				
March 31 (*)	**$209,250**	**$36,490**	**$19,766**	**$.70**
June 30 (*)	**173,631**	**19,872**	**7,190**	**.24**
September 30	**173,869**	**29,358**	**13,258**	**.44**
December 31	**216,307**	**40,463**	**22,309**	**.73**
1992 (*):				
March 31	$184,346	$36,223	$18,653	$.69
June 30	147,146	17,464	7,268	.26
September 30	156,516	25,624	12,290	.44
December 31	185,265	38,648	19,796	.71

(*) The financial information presented has been restated to reflect the pooling of JN (see Note 13).

Consolidated Statements of Income (In Thousands)	Year Ended December 31, 1993	1992	1991	1990	1989	1988	1983
Operating revenues:							
Electric	**$503,187**	$477,735	$488,552	$470,819	$463,075	$454,269	$406,466
Gas	**138,384**	119,362	117,775	110,423	107,783	116,982	145,663
Other (a)	**131,486**	76,176	63,222	37,249	33,960	29,682	3,373
Total operating revenues	**773,057**	673,273	669,549	618,491	604,818	600,933	555,502
Operating expenses:							
Electric production fuels	**123,919**	123,440	130,406	125,817	127,062	128,895	122,908
Purchased power	**28,574**	24,427	20,390	17,703	29,935	23,087	19,225
Purchased gas	**91,619**	77,112	70,834	65,348	61,343	76,702	112,574
Other operations and maintenance (a)	**301,272**	241,125	234,635	202,192	191,536	175,218	117,400
Depreciation and amortization	**69,112**	59,949	54,145	55,297	54,572	52,272	37,144
Taxes other than income	**32,378**	29,261	26,534	25,820	24,193	23,832	19,887
Total operating expenses	**646,874**	555,314	536,944	492,177	488,641	480,006	429,138
Operating income	**126,183**	117,959	132,605	126,314	116,177	120,927	126,364
Other income (expenses), net (a)	**(633)**	2,390	3,258	(2,403)	(4,716)	1,257	(1,120)
AFUDC — equity	**2,977**	2,351	1,073	—	—	—	2,766
AFUDC — debt	**1,053**	1,329	886	1,304	1,808	1,629	4,512
Interest on debt	**(38,073)**	(38,954)	(35,691)	(33,372)	(31,121)	(30,887)	(27,843)
Income before income taxes	**91,507**	85,075	102,131	91,843	82,148	92,926	104,679
Income taxes	**(25,056)**	(23,257)	(32,390)	(28,494)	(26,855)	(31,181)	(50,092)
Preferred dividends of subsidiary	**(3,928)**	(3,811)	(3,811)	(3,811)	(3,811)	(3,812)	(4,963)
Net income	**$ 62,523**	$ 58,007	$ 65,930	$ 59,538	$ 51,482	$ 57,933	$ 49,624
Per Share Data (b):							
Earnings per share	**$ 2.11**	$ 2.10	$ 2.42	$ 2.23	$ 1.93	$ 2.18	$ 1.98
Cash dividends paid per share	**$ 1.90**	$ 1.86	$ 1.80	$ 1.74	$ 1.68	$ 1.62	$ 1.18
Book value per share at year-end	**$ 19.15**	$ 17.28	$ 16.77	$ 16.39	$ 15.90	$ 15.65	$ 12.22
Market value per share at year-end	**$ 32 7/8**	$ 33 7/8	$ 32 3/4	$ 24 1/2	$ 24 3/8	$ 23	$ 14 1/4
Shares outstanding at year-end (in 000s)	**30,439**	27,829	27,301	26,663	26,663	26,663	25,515
Weighted average shares outstanding (in 000s)	**29,681**	27,559	27,246	26,663	26,663	26,528	25,014
Other:							
Effective income tax rate	**27.40%**	28.40%	32.88%	32.40%	34.30%	35.00%	47.90%
Embedded cost of long-term debt	**7.77%**	8.19%	8.44%	8.65%	8.65%	8.58%	8.71%
Embedded cost of preferred stock	**6.13%**	6.36%	6.36%	6.36%	6.36%	6.36%	7.09%
Dividend coverage ratio	**2.72x**	2.79x	1.94x	2.90x	2.91x	3.73x	3.60x
Return on common equity	**11.5%**	12.4%	14.6%	14.0%	12.4%	14.3%	16.7%

(a) The financial statements of WPL Holdings, Inc. were consolidated with the operations of its subsidiaries effective January 1, 1988. For prior periods, nonutility subsidiary net revenues and expenses are included with "Other income (expenses), net." Such amounts are not material to a fair presentation of financial results and, therefore, periods prior to January 1, 1988, were not restated.

(b) As adjusted for 2-for-1 stock split for shareowners of record on September 2, 1988.

	Year Ended December 31,						
	1993	1992	1991	1990	1989	1988	1983
Consolidated Balance Sheets (a) *(In Thousands)*							
Assets							
Utility plant	**$1,840,224**	$1,736,592	$1,664,946	$1,612,117	$1,554,992	$1,481,131	$981,929
Dedicated decommissioning funds	**49,803**	40,377	36,640	32,800	29,429	25,873	—
Less: accumulated depreciation	**763,027**	719,987	675,589	640,458	590,012	549,107	445,823
	1,127,000	1,056,982	1,025,997	1,004,459	994,409	957,897	536,106
Construction work in progress	**75,732**	58,973	27,135	17,714	14,151	20,259	187,712
Nuclear fuel, net	**18,000**	16,923	18,682	19,290	24,110	21,056	8,822
Other property and equipment, net, and investments	**133,912**	122,800	84,018	48,568	31,669	19,140	11,014
Current assets	**156,817**	127,357	130,010	133,609	112,141	141,753	132,026
Deferred charges and other	**250,438**	182,863	97,657	37,309	21,647	17,968	5,487
Total assets	**$1,761,899**	$1,565,898	$1,383,499	$1,260,949	$1,198,127	$1,178,073	$881,167
Capitalization and liabilities							
Common shareowners' investment	**$ 582,966**	$ 483,536	$ 459,659	$ 437,082	$ 423,937	$ 417,327	$311,869
Preferred stock	**59,963**	62,449	62,449	59,963	59,963	59,963	68,206
Long-term debt, net	**425,105**	417,975	367,489	342,812	297,184	299,188	286,537
Total capitalization	**1,068,034**	963,960	889,597	839,857	781,084	776,478	666,612
Current maturities of long-term debt	**782**	985	4,415	10,200	9,410	13,813	13,063
Variable rate demand bonds	**56,975**	57,075	57,875	24,000	24,000	24,000	—
Other current liabilities	**217,264**	187,055	172,630	150,822	151,469	137,817	126,564
Other noncurrent liabilities	**418,844**	356,823	258,982	236,070	232,164	225,965	74,928
Total capitalization and liabilities	**$1,761,899**	$1,565,898	$1,383,499	$1,260,949	$1,198,127	$1,178,073	$881,167
Year-end capitalization ratios							
Common	**47.9%**	44.2%	45.8%	48.3%	49.5%	49.8%	44.6%
Preferred	**4.9**	5.7	6.0	6.6	7.0	7.2	9.8
Debt (b)	**47.2**	50.1	48.2	45.1	43.5	43.0	45.6
Total capitalization	**100.0%**	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Key financial ratios – utility only							
Times interest earned							
Before tax (including AFUDC)	**3.69x**	3.41x	3.77x	3.77x	3.52x	3.77x	4.37x
Before tax (excluding AFUDC)	**3.57x**	3.31x	3.71x	3.73x	3.47x	3.72x	2.78x
After tax (including AFUDC)	**2.70x**	2.55x	2.81x	2.80x	2.62x	2.80x	2.36x
Ratio of earnings to fixed charges and preferred dividend requirements							
Before tax (including AFUDC)	**3.15x**	2.94x	3.24x	3.22x	3.00x	3.20x	3.48x
After tax (including AFUDC)	**2.43x**	2.30x	2.54x	2.52x	2.35x	2.51x	2.36x
Construction expenditures financed internally	**53%**	58%	81%	93%	71%	72%	89%
Total utility capital requirements financed internally	**57%**	51%	67%	80%	85%	108%	83%
Utility Bond Rating—							
Moody's Investors Service, Inc.	**Aa**	Aa	Aa	Aa	Aaa	Aaa	Aa
Standard & Poor's Corp.	**AA**	AA	AA	AA	AA	AA+	AA

(a) These statements have been retroactively restated to reflect Wisconsin Power and Light Company's adoption of the Federal Energy Regulatory Commission Uniform System of Accounts, with minor modifications, effective January 1990.

(b) Includes variable-rate-demand bonds and short-term-debt outstanding on December 31.

	Year Ended December 31,						
	1993	1992	1991	1990	1989	1988	1983
Consolidated Electric Statistics							
Customers served (end of period)							
Residential and farm	**316,870**	310,702	304,825	302,942	295,163	293,210	274,253
Commercial and industrial	**43,598**	43,014	41,869	40,993	40,136	38,736	35,530
Wholesale	**32**	31	31	31	32	35	42
Other	**1,243**	958	1,183	1,157	928	942	899
Total	**361,743**	354,705	347,908	345,123	336,259	332,923	310,724
Electric operating revenues (In 000s):							
Residential and farm	**$184,176**	$171,887	$179,751	$170,875	$168,787	$165,034	$152,075
Commercial and industrial	**228,880**	220,174	216,840	214,590	211,026	210,367	175,153
Wholesale	**69,757**	67,326	68,154	65,983	64,091	63,654	51,893
Other	**20,374**	18,348	23,807	19,371	19,171	15,214	27,345
Total	**$503,187**	$477,735	$488,552	$470,819	$463,075	$454,269	$406,466
Sales – megawatthours (In 000s):							
Residential and farm	**2,751**	2,614	2,730	2,566	2,533	2,515	2,232
Commercial and industrial	**5,170**	4,929	4,743	4,667	4,571	4,522	3,368
Wholesale	**2,106**	1,995	1,980	1,885	1,823	1,752	1,379
Other	**334**	269	516	407	673	434	751
Total	**10,361**	9,807	9,969	9,525	9,600	9,223	7,730
Generation and purchases (MWH in 000s):							
Steam	**7,616**	7,420	7,841	7,262	6,585	6,712	5,869
Nuclear	**1,565**	1,615	1,508	1,599	1,534	1,605	1,520
Hydroelectric	**276**	238	247	224	156	157	247
Purchases	**1,488**	1,131	968	1,009	1,933	1,312	626
Other	**6**	6	18	8	14	20	10
Total	**10,951**	10,410	10,582	10,102	10,222	9,806	8,272
System capacity at time of peak demand (MW)							
Company-owned	**2,019**	1,934	1,932	1,936	1,915	1,912	1,637
Firm purchases and sales (net)	**83**	110	70	(55)	83	(83)	185
Total	**2,102**	2,044	2,002	1,881	1,998	1,829	1,822
Native system peak demand (a)	**1,971**	1,782	1,863	1,798	1,777	1,819	1,403
Firm demand at system peak (b)	**1,840**	1,680	1,775	1,718	1,705	1,748	1,371
Consolidated Gas Statistics							
Customers served (end of period)	**136,263**	131,669	128,027	124,698	121,111	117,940	104,838
Gas operating revenues (In 000s):							
Residential	**$ 71,632**	$ 63,699	$ 63,521	$ 59,793	$ 61,158	$ 65,190	$ 66,359
Commercial and industrial firm	**40,748**	37,154	36,407	34,051	33,507	35,871	48,649
Interruptible	**10,685**	14,589	12,051	11,563	8,399	8,051	28,998
Transportation and other	**15,319**	3,920	5,796	5,016	4,719	7,870	1,657
Total	**$138,384**	$119,362	$117,775	$110,423	$107,783	$116,982	$145,663
Therm deliveries (In 000s):							
Residential	**120,005**	114,131	114,772	102,048	116,232	109,678	101,427
Commercial and industrial firm	**87,038**	82,087	83,451	74,325	84,235	76,957	84,041
Interruptible	**27,872**	25,497	26,025	35,434	33,297	24,844	64,425
Transportation and other	**88,223**	71,167	66,531	59,030	60,456	65,085	2,252
Total	**323,138**	292,882	290,779	270,837	294,220	276,564	252,145
Degree days:							
Heating	**7,351**	7,050	7,055	6,733	7,784	7,505	7,792
Cooling	**630**	342	858	629	524	902	760

(a) Includes contract interruptible demand served at time of system peak.
(b) Native system peak less contract interruptible demand, less direct load control served at time of peak.

The company had 41,407 shareowners on December 31, 1993, based on the number of shareowner accounts. Shareowner account records are maintained in the corporate general office in Madison, Wisconsin.

MARKET INFORMATION

Exchange Listings

	Stock Exchange	Trading Symbol	Newspaper Abbreviation
WPL Holdings, Inc. Common	New York Stock Exchange	WPH	WPL Hldg
Wisconsin Power & Light Company 4.50% Preferred	American Stock Exchange	Wis Pr	WiscPL

All other Wisconsin Power and Light Company preferred series are traded on the over-the-counter market.

WPLH Common Stock Quarterly Price Ranges and Dividends

	1993			1992		
Quarter	High	Low	Dividend	High	Low	Dividend
First	$36	32 1/2	.475	$33	29 5/8	.465
Second	36 3/4	33 1/8	.475	34 5/8	30 3/4	.465
Third	36 1/4	35	.475	36 3/8	33 3/8	.465
Fourth	36	31 1/2	.475	36	31 7/8	.465
Year	$36 3/4	$31 1/2	$1.90	$36 3/8	$29 5/8	$1.86

Year-end stock price: $32 7/8

WP&L Preferred Stock

Wisconsin Power and Light Company preferred stock dividends per share for each quarter during 1993 were as follows:

Series	Dividend	Series	Dividend
4.40%	$1.10	6.20%	$1.55*
4.50%	$1.125	6.50%	$0.40625*
4.76%	$1.19	7.56%	$1.89
4.80%	$1.20	8.48%	$2.12
4.96%	$1.24		

* Newly issued stock that paid dividends in the last quarter only

1994 RECORD AND DIVIDEND PAYMENT DATES

As authorized by the WPL Holdings, Inc. and Wisconsin Power and Light Company Boards of Directors, record and dividend payment dates normally are as follows:

WPL Holdings, Inc. Common Stock

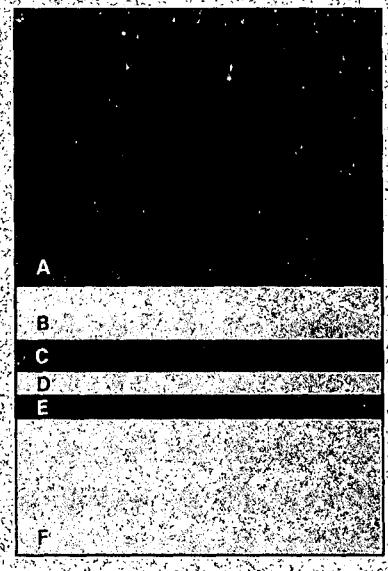
Record Dates	Payment Dates
Jan. 31	Feb. 15
April 29	May 14
July 29	Aug. 15
Oct. 31	Nov. 15

Wisconsin Power and Light Company Preferred Stock

Record Dates	Payment Dates
Feb. 28	Mar. 15
May 31	June 15
Aug. 31	Sept. 15
Nov. 30	Dec. 15

Where WPLH Shareowners Live

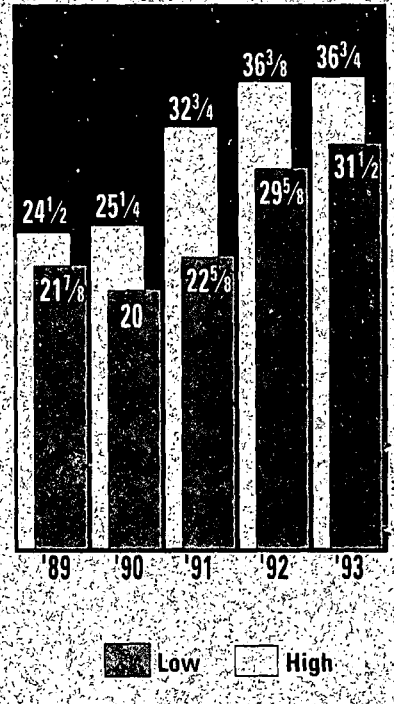
(Based on accounts as of December 31, 1993)



A Wisconsin - 55.4%
B Illinois - 8.5
C Florida - 4.0
D California - 3.6
E New York - 2.1
F All others - 26.4

WPL Holdings, Inc. Common Stock

(5-Year High/Low Price Comparisons)



DIVIDEND CHECKS NOT RECEIVED

If you do not receive your dividend check on the appropriate payment date, we suggest that you wait about 10 days after the scheduled payment date to allow for any delays in mail delivery. After that time, call Shareowner Services at the toll-free number listed at the end of this section.

STREET-NAME ACCOUNTS

Shareowners whose stock is held by banks or brokerage firms and who wish to receive the *Quarterly Report* directly from the company should contact Shareowner Services to be placed on the mailing list.

FORM 10-K INFORMATION

Upon request, the company will provide, without charge, copies of *Form 10-K*, as filed with the Securities and Exchange Commission. Direct your request to Shareowner Services.

ANNUAL MEETING

Shareowners of WPL Holdings, Inc. and Wisconsin Power and Light Company are cordially invited to attend the corporate Annual Meeting at 10 a.m. local time Wednesday, May 18, 1994. This year's Annual Meeting will be held at the Dane County Memorial Coliseum, 1881 Expo Mall, Madison, Wisconsin. Details about the meeting will be sent to shareowners when proxy materials are distributed. Proxy materials will be mailed in late March to shareowners of record as of March 22.

SERVICES OFFERED TO SHAREOWNERS

The company is pleased to provide numerous services for the more than 41,000 institutions and individuals who own the company. Here is a summary of the key services that WPL Holdings offers free of charge to shareowners.

Dividend Reinvestment • WPL Holdings has a Dividend Reinvestment and Stock Purchase Plan that is available to all of its shareowners. The plan enables shareowners to buy common stock directly through the company without paying any brokerage commissions, fees or service charges. The minimum monthly stock purchase is $20 and the current maximum is $25,000 per month. You may obtain a copy of the plan prospectus detailing the features of the plan by contacting Shareowner Services.

Automatic Stock Purchase • This option enables shareowners participating in the Dividend Reinvestment and Stock Purchase Plan who want to purchase common stock on a monthly basis to have money transferred directly from their checking accounts to their plan accounts. The service provides you with a way to add to your stock on a regular basis and build your investment over time.

Direct Deposit • Shareowners who are not reinvesting their dividends through WPL Holdings' plan may choose to have their quarterly common and preferred stock dividend checks electronically deposited into their checking or savings account through this service.

Stock Transfers • WPL Holdings is its own transfer agent for WPL Holdings, Inc. and Wisconsin Power and Light Company stock, and handles any type of stock transfer for shareowners, including transfers for name changes, custodial accounts, joint tenancy, gifts, trusts and other changes.

Shareowner Information • The company keeps its shareowners informed regularly through the *Annual Report*, *Quarterly Report* and other communications. WPL Holdings encourages shareowners with questions or concerns to contact its Shareowner Services' representatives.

ANALYST INQUIRIES

Inquiries from the financial community may be directed to:

Susan J. Kosmo
Wisconsin Power and Light Company
Attn: Investor Relations
P.O. Box 192
Madison, WI 53701-0192
(608) 252-4851

STOCK TRANSFER AGENT AND REGISTRAR

For WPL Holdings, Inc. common stock and Wisconsin Power and Light Company preferred stock:

WPL Holdings, Inc.
Attn: Shareowner Services
P.O. Box 2568
Madison, WI 53701-2568

SHAREOWNER SERVICES

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

Local number (608) 252-3110
Toll-free number (800) 356-5343

Please direct written inquiries to:

WPL Holdings, Inc.
Attn: Shareowner Services
P.O. Box 2568
Madison, WI 53701-2568

CREDITS

Written, Produced and Photographed By
Wisconsin Power & Light Company

Layout and Design
A&C Enercom Consultants, Inc.

Printer
Royle Communications Group, Inc.

1993 Annual Report

WPL Holdings, Inc.
P.O. Box 2568
Madison, Wisconsin 53701-2568
608-252-4888

CC-3-94-84M

Printed entirely on recycled paper using environmentally sensitive inks and varnishes.

50-305 4/6/94

-NOTICE-

THE ATTACHED FILES ARE OFFICIAL RECORDS OF THE INFORMATION & REPORTS MANAGEMENT BRANCH. THEY HAVE BEEN CHARGED TO YOU FOR A LIMITED TIME PERIOD AND MUST BE RETURNED TO THE RECORDS & ARCHIVES SERVICES SECTION P1-22 WHITE FLINT. PLEASE DO NOT SEND DOCUMENTS CHARGED OUT THROUGH THE MAIL. REMOVAL OF ANY PAGE(S) FROM DOCUMENT FOR REPRODUCTION MUST BE REFERRED TO FILE PERSONNEL.

-NOTICE-

Accession 9404140056