1983 ANNUAL REPORT
WISCONSIN POWER AND LIGHT COMPANY

Wisconsin's heartland . . . on the grow

TEGY

MENT

Wisconsin Power and Light Company is principally in the business of providing energy and energy-related services to satisfy the needs of 321,000 customers in its franchise area. Its mission in this regulated base business is to excel in the socially responsible and profitable delivery of quality products and services.

WP&L also is involved in non-regulated businesses. Its mission here is to balance its base business with growth investments. The Company accomplishes this objective by acquiring well-managed, related businesses—in the areas of wind energy, environmental services and telecommunications—that have higher potential rates of return for its shareowners.

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1983
Financial Highlights

	1983	1982
Operating revenues	**$555,502,000**	$512,477,000
Operating expenses	**$480,689,000**	$437,806,000
Net income	**$ 54,587,000**	$ 47,355,000
Earnings on common stock	**$ 49,624,000**	$ 42,256,000
Earnings per share of common stock	**$3.97**	$3.51
Dividends per share of common stock	**$2.36**	$2.20
Total capitalization	**$666,612,000**	$643,679,000
Electric sales (thousand kilowatt-hours)	**7,729,737**	6,969,875
Gas sales (thousand therms)	**252,145**	259,924

Earnings Per Share of Common Stock
(in dollars)

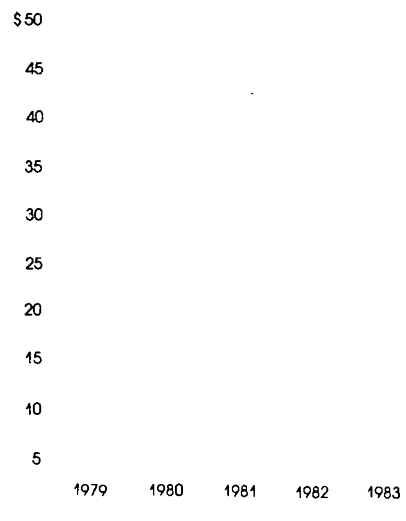
1983: $3.97

Dividends Per Share of
Common Stock
(in dollars)

1983: $2.36

Earnings on Common Stock
(in millions of dollars)

1983: $50 million



Earnings per share increased 13 percent.

Dividends per share increased 16 cents, or 7 percent.

85 percent of total capital requirements were generated internally.

Market value of shares of common stock exceeded book value at year-end by 17 percent.

Book Value Per Share of Common Stock
(in dollars)

1983: $24.45

$26
24
22
20
18
16
14
12
10
8
6
4
2
0

1979 1980 1981 1982 1983

Total Operating Revenue
(in millions of dollars)

1983: $556 million

$760
700
640
580
520
460
400
340
280
220
160
100

1979 1980 1981 1982 1983

Total Net Utility Plant
(in millions of dollars)

1983: $733 million

$760
700
640
580
520
460
400
340
280
220
160
100

1979 1980 1981 1982 1983

THE CHAIRMAN'S COMMENTS

In 1983 your Company's financial performance was again strong as Wisconsin Power & Light Co. maintained its position as one of the top utilities in the nation. Our position was recognized in January 1984 when Moody's Investors Service upgraded the rating of WP&L's first-mortgage bonds to AAA from AA-1. WP&L is one of only three utilities in the nation with a triple-A Moody's rating—the highest rating currently assigned to utility debt issues.

1983 results

Here is a quick review of 1983's financial highlights:

• Operating revenues increased to a new high of $556 million from 1982's record $512 million.
• Earnings per share reached a record $3.97, surpassing 1982's earnings by 13.1 percent.
• Net income increased to $55 million from 1982's record of $47 million.
• Total 1983 dividends paid on common stock were $2.36 per share, a 7.3-percent increase over 1982 dividends.
• Common stock closed the year at $28.50 per share, a gain of $4.50—18.8 percent—over 1982 and $4.05 over its book value of $24.45.

A number of factors contributed to WP&L's financial performance.

Economy—Indicators showed an upswing in Wisconsin's economy at a faster rate than predicted.

Cost Containment—We continued our successful cost-containment programs. A key example of our efforts is system automation, such as the new Customer Information System that has resulted in a $400,000-per-year savings. When fully implemented in 1985, the system will reduce the costs of our products by $1.4 million per year. WP&L also realized substantial cost savings in 1983 from the conversion of some of its fleet vehicles to compressed natural gas and from the ongoing audit of its coal contracts. By continuing our cost-control efforts wherever possible, your Company, as well as its customers, will benefit.

Weather—Despite the economic recovery and WP&L's cost-containment programs, the near-record-breaking temperatures had a more significant impact on earnings in 1983. The earnings decrease we experienced during the first quarter of 1983 due to a warmer-than-normal winter was more than offset by the unusually warm summer and the record-cold December that followed. Altogether, the weather accounted for 27 cents per share of the 46-cent increase in earnings per share over last year.

While achieving the key goal of maintaining the prof itability of the core utility business, WP&L also continuec to move ahead with its diversification plan by acquiring an additional subsidiary. In July WP&L acquired Residual Management Technology, Inc., an environmental con sulting firm.

Also in 1983, your Company formed a subsidiary, Wis consin Mobile Telephone, Inc., to prepare license appli cations to serve metropolitan areas with an advancec mobile-telephone service called cellular telephone.

Economic development

I am proud of WP&L's strong financial performance and also am encouraged by signs of economic recover in Wisconsin and the nation.

The economy is reviving from the recession that cre ated significant unemployment in our service area and throughout the state and nation. Employment has made significant gains in recent months, housing starts are up and the state's large industries have increased their over all production. I believe that the economic upswing wi continue well into 1984.

Economic problems still exist, of course, but they are being addressed. We at WP&L favor strong, positive ac tion rather than "gloom-and-doom," unproductive re sponses. And, we strongly believe that we have a signif icant role to play in Wisconsin's economic development

Economic-development programs are not new a WP&L. We have had an active program in place for nearly 50 years. The goal of our multifaceted program is to broaden the economic base of WP&L's service area to attract new and expanding job-producing enterprises.

In 1983 your Company began a new campaign to promote economic development in both the WP&L service territory and in the state. The campaign theme—"Wisconsin's Heartland . . . on the grow"—represents the Company's ongoing efforts to assist communities in attracting new business and industry and retaining and expanding existing firms. The symbol of the campaign is an outline of the state of Wisconsin with a red heart inside.

Holding company

Diversification is another aspect of WP&L's commitment to economic development. The Company's plan to form a holding company, announced in 1981, would have a positive impact both on Wisconsin's economy and on WP&L shareowners.

Diversification would allow WP&L to participate more

"Wisconsin Power and Light will continue to perform with excellence – well-positioned for future growth – because of the strategy of its management."

James R. Underkofler, Chairman, President and Chief Executive Officer

fully in the state's economic recovery by creating new jobs. A strong economy is good news for WP&L because the utility is only as healthy as the area it serves. Diversification also would ensure the continued growth of WP&L's core utility business—good news for shareowners. While providing for future growth, our holding-company plan is consistent with WP&L's commitment to conservation and the efficient use of its products.

In 1983 we continued our efforts to form a holding company. Both Wisconsin Governor Anthony Earl and the Wisconsin Public Service Commission have publicly supported the formation of public-utility holding companies, subject to regulatory oversight. In late 1983 the Wisconsin Senate tabled legislation to govern the regulation of holding companies on a 17–16 vote. We expect the issue to again come before the Legislature in a future session.

Business outlook

WP&L will continue to create opportunities for future growth by fully utilizing its basic strengths—a solid management team with a diversity of backgrounds that includes both utility and non-utility experience; sound financial health, with a strong balance sheet and favorable financial indicators; a very manageable construction program and a favorable capacity situation; a balanced fuel mix—primarily coal and nuclear; competitive dividend payout ratios; and a regulatory environment that gets good marks when compared with that of other states.

To maintain WP&L's financial health, we must draw upon all of these strengths and continue our commitment to these actions:

- continue to strengthen the core utility business
- diversify into selected non-utility businesses
- control and reduce costs
- improve productivity and pursue excellence
- enhance customer service
- manage WP&L's assets so as to be among the top five in the investment community's financial ranking of utilities.

With a steadily improving economy, I believe that by taking these actions we will continue to make progress toward maintaining appropriate earnings levels and a competitive return on equity.

The strategy of management

A key factor in my optimism about meeting the challenges and opportunities that lie ahead—both for Wisconsin Power & Light and for the state's economy—is your Company's strategic-planning process and a key result of that process, the Strategic Business Plan.

1983 was a year of intense activity for WP&L as we continued to develop our strategic plans. Through the strategic-planning process, we now have the framework in place to establish new priorities in a more studied, logical and prospective manner than in the past.

The Strategic Business Plan is the best current vision of how the Company will achieve its corporate mission. The plan describes how WP&L will address, over an extended period, future business opportunities. It provides corporate direction and guidance as we make our operating plans and decisions.

At year-end 1983, the Strategic Business Plan had identified five key issues—systems planning, cost management, productivity/excellence, customer service and investment/acquisition. WP&L managers at all levels now are involved in developing the Strategic Business Plan into an operational plan.

Our efforts to address these five strategic issues reflect our commitment to profitably sustain the regulated core utility business while placing increased emphasis on customer satisfaction, cost management and new business ventures that benefit our shareowners.

The Strategic Business Plan is the tool for meeting these challenges.

Our performance during 1983 reflects the successful evolution of our strategic plans. Our continued strong performance in the future demands the implementation of new strategies today.

Wisconsin Power and Light will continue to perform with excellence—well-positioned for future growth—because of the strategy of its management.

James R. Underkofler,
Chairman, President and
Chief Executive Officer
February 3, 1984

THE STRATEGY OF MANAGEMENT

An ancient Persian proverb says, "Thinking well is wise; planning well, wiser; doing well, wisest and best of all."

It is hard to get somewhere that you want to be without a good plan. This holds true for corporations, as well. Every organization operates through a strategy of management that effectively determines how the business is carried on. At Wisconsin Power and Light Company, a formalized strategic-planning function has become an integral part of running the business.

Thinking well, planning well, doing well—optimizing the quality of corporate results through strategic thinking and through the strategic-planning process—is Wisconsin Power and Light Company's number-one goal.

Wisconsin Power and Light Company is revising its customer-service strategy in response to major outside forces—market competition, political and regulatory initiatives—and significant changes in social values. That change in the Company's traditional view of customer service—a key issue in WP&L's Strategic Business Plan—is being directed by Robert A. Carlsen, Vice President-Customer Service and Corporate Communications.

One goal of WP&L's new customer-service strategy is to identify and develop new products, services, customers and markets and to project the contributions these new initiatives can make to the Company's core utility business as we move into the future. Activities now underway include developing programs to provide pertinent data from market research about customer wants and needs.

These programs must, of course, be coordinated with WP&L's commitment to the conservation ethic and its policy of strongly supporting, encouraging and assisting customers in the efficient use of energy. And, as WP&L changes the mix of services to its customers, it is imperative that it control the costs of providing those services.

Another important aspect of WP&L's customer-service strategy is to build satisfaction among current customers, which will allow the Company to protect the markets it already has established and to meet the ever-increasing competition in the heating and lighting markets. One strategy designed to meet this goal is the comprehensive new Customer Relations Training Program for WP&L employees.


Energy audit

Other customer-service planning activities include energy research projects, such as solar, wind, heat pumps and other new energy products; innovative gas and electric conservation programs, including an energy-conservation assistance program for commercial and industrial users that was implemented in 1983; and a variety of weatherization projects, such as energy audits, low-income weatherization programs and superinsulated demonstration homes.

An issue now being addressed by the strategic-planning process is how WP&L can promote the economic revitalization of the markets and the geographic areas in which the Company does business.

WP&L has had an organized economic development program for nearly 50 years and today the program is an integral part of the Company's marketing plan. In 1983 WP&L introduced the "Wisconsin's Heartland . . . on the grow" campaign to promote economic development in both the Company's service area and throughout Wisconsin.

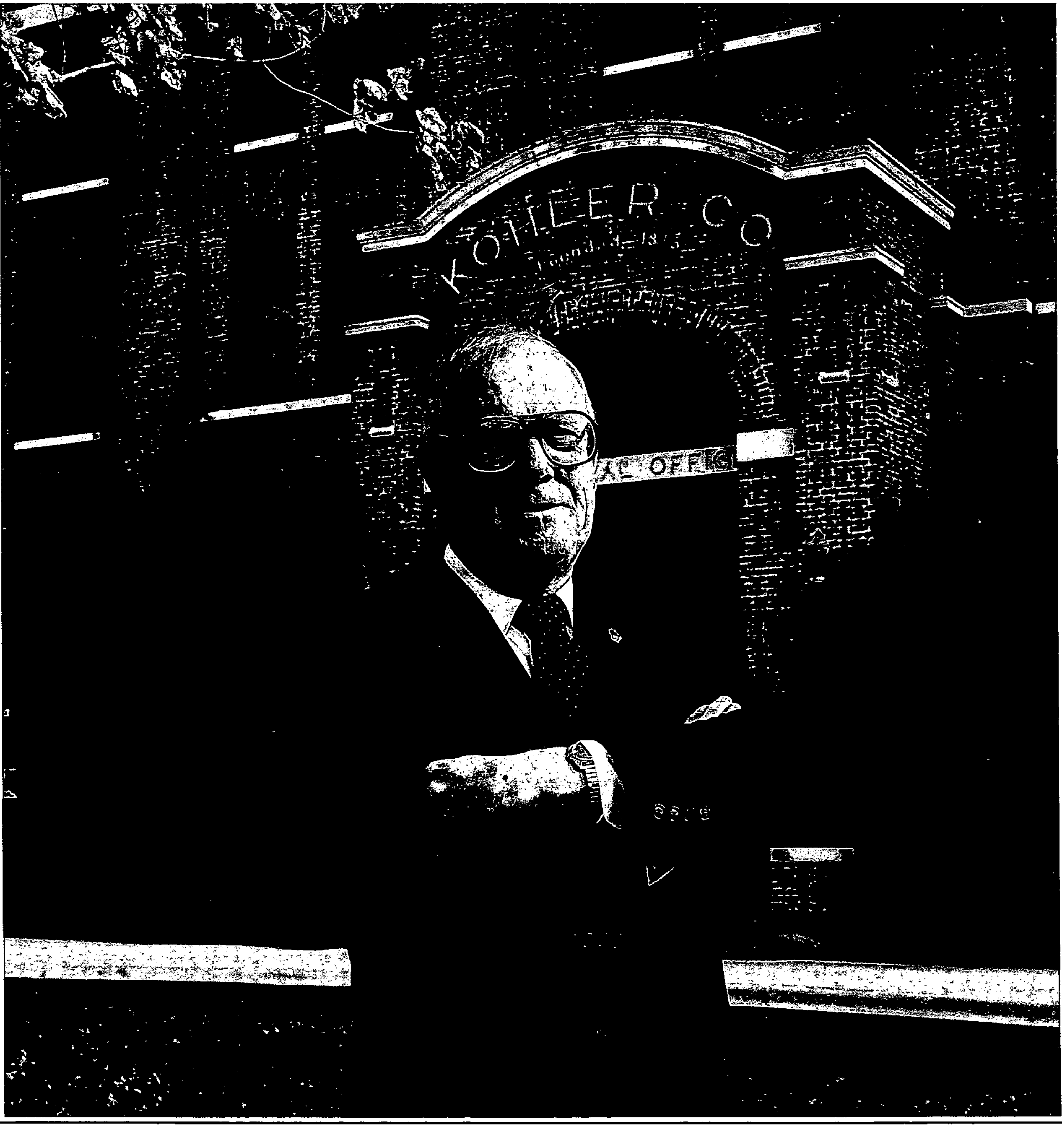
WP&L's efforts continue to produce results. Enzyme Bio-Systems Ltd. announced in November that it will build a $30-million high-technology plant in Beloit for the production of food-processing enzymes. The firm's president cited Wisconsin Power & Light, the Beloit city government and Wisconsin's quality of life as key factors in the final site selection.

Not content with past successes, WP&L has retained the Fantus Co., which conducts 70 percent of site-selection analyses for American businesses, to conduct a study of the service territory's strengths and weaknesses. WP&L received the results of the study in December and now is working with Fantus to develop a marketing program for attracting new jobs from outside the service area and state and for retaining existing jobs.

WP&L's commitment to economic development and customer service was further emphasized in 1983 by the formation of the Wholesale/Large industrial Relations and Economic Development Department. One goal of this new function is to identify and provide specialized services to those businesses that will have a positive impact on Wisconsin's economy.

"We must develop strategies for new products, new services, new customers and new markets to meet our utility customers' changing wants and needs."

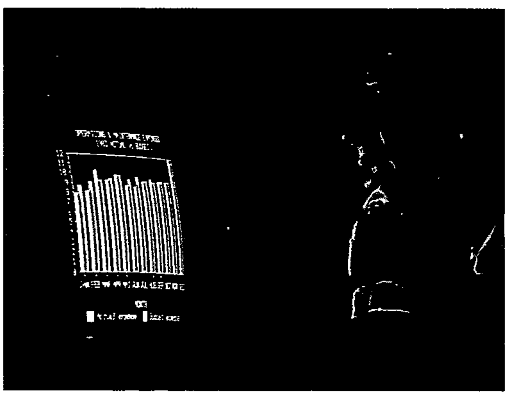
Robert A. Carlsen, Vice President – Customer Service and Corporate Communications



“WP&L’s strategy for maintaining its superior performan
and to augment it with selective diversificatio
Public Service Commission to implement t

WP&L’s corporate financial goal is to produce an investor return that is competitive with other superior investment opportunities, in a manner that will allow the Company to retain its financial ranking among the top utilities in the nation. This goal is the primary focus of corporate activities in all areas of the Company. The strategy for attaining the goal is the responsibility of the Finance and Public Affairs area under the direction of Erroll B. Davis, Jr., Vice President.

That strategy is achieving results. “WP&L shares are a topnotch addition to any utility portfolio,” stated the Oct. 28, 1983, issue of *Value Line*, a nationally recognized investment advisory service. “Reasonable regulation, excellent management and a low-level construction program point to steady growth of earnings and dividends through 1986-88 and beyond.”



Financial planning

The growth in sales of WP&L’s traditional products is slowing, however. To sustain its profitability the Company must take two steps. First, it must stimulate and expand the core utility business by developing new products and markets. This must be done in a manner that emphasizes selective product and market growth, while at the same time maintaining WP&L’s commitment to the efficient and environmentally acceptable use of its products.

And secondly, WP&L must invest in a variety of opportunities in related businesses that both complement the core business and provide WP&L with continued growth and development through diversification.

In line with corporate diversification objectives, in 1982 the Company purchased a majority interest in Windworks, Inc., a manufacturer of wind-power machines and power conditioning/converting equipment.

And, in 1983 WP&L acquired Residuals Management Technology, Inc., an environmental consulting firm specializing in solid- and hazardous-waste management, groundwater quality protection, industrial hygiene engineering and environmental control.

The corporate strategic planning process now is firmly established at WP&L. The Company has developed a Strategic Business Plan that describes how WP&L will address future opportunities in a rapidly changing world.

As part of the strategic-planning process, WP&L’s Public Affairs Department has developed a program to inform legislators and the public about diversification and holding-company goals and objectives.

The department also has created and implemented the Legislative Information/Action System, a computerized system that identifies WP&L’s presence in each state and federal political district. The system also helps the Company to communicate quickly and effectively with shareowners, employees and retirees to mobilize grassroots support on legislative issues.

While financial planning is implicit in the activities of all WP&L departments, the Treasury Department and Controller’s Department are most involved in day-to-day planning.

The Treasury Department is instituting a new approach called capital planning, which examines the capital needs of both the core utility business and the Company’s diversified interests over the next five to 10 years.

Computer models assist the Controller’s Department in many aspects of financial planning, including budgeting, which determines the Company’s rate-case-planning needs.

WP&L’s record of innovative rate design has been integral to the Company’s financial-planning activities. WP&L’s strategy is evolving to a more flexible rate design that offers customers options for future energy supplies.

to build on the excellence and strength of the core utility business. We will continue to work with the Wisconsin Legislature and ...olding-company structure appropriate for this strategy."

Erroll B. Davis, Jr., Vice President – Finance and Public Affairs

Today's planning for tomorrow's energy demands encompasses a variety of programs in the Administration and System Planning area under the direction of William L. Keepers, Vice President.

Utility, or system, planning simply is determining the most efficient way of getting energy from a source to the customer and ensuring that the energy is there when the customer requires it.

At WP&L, it includes both natural gas and electric planning. In both types, the customer ultimately determines the amount of energy needed; WP&L does not control that amount, but is committed to meeting the energy requirement. Therefore, WP&L's planning staff must ensure that system reliability is maintained.

WP&L's philosophy continues to be that the customer should make the ultimate decision about his or her energy needs; system planning is the utility's response to those needs. The challenge, of course, is to accurately predict customers' future energy demand.

What tools are available to help WP&L planners? The Advance Plan, filed every two years with the Wisconsin Public Service Commission by the state's utilities, provides an intriguing glimpse into the future. The comprehensive plan includes conservation and load-management projects, generation and transmission construction plans and a 20-year load forecast for the electric system. WP&L also uses customer surveys and computer models to analyze current and future energy supply and demand.

Another aspect of system planning is the successful economy energy transaction program, in which the Company sells excess power to other utilities.

Fuel management—reducing the growth rate of utility fuel costs—is a key objective identified in the Strategic Business Plan. WP&L's strategy is to consider the financial impact of fuel costs on shareowners and customers, public and social needs, the competitive effects, and the impact on the quality of customer service.

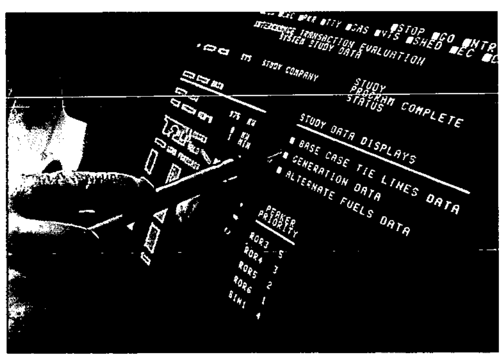
Corporate planning also includes WP&L's support of energy-related research and development activities, which totaled approximately $1.7 million in 1983.

On the environmental front, the Administration and System Planning area works closely with WP&L's Public Affairs Department and public policymakers to address such issues as acid rain and high- and low-level nuclear-waste disposal.

With the rate of technological change accelerating so rapidly, information management is becoming a major focus of Administration and System Planning's strategic activities. Computer technology is reaching virtually every area of the Company.

The office of the future is fast becoming today's office at WP&L as micro-(personal) computers began arriving in November on desk tops in the Company's district offices. The microcomputers will provide the districts with automated recordkeeping and financial analysis, word processing, graphics and other capabilities.

In November, Administration and System Planning completed the development of a new materials-control system designed to be timelier and more responsive to users' needs than the former system. The system is a key segment of the Material Management System, which, when fully implemented in 1985, is expected to reduce the Company's investment in inventory.



Economy energy transaction

"Technological change is a reality and developing strategies and programs to manage that change to the Company's advantage is a necessity."

William L. Keepers, Vice President – Administration and System Planning

Maintaining system reliability, managing construction costs, automafing some functions and resfructuring others for productivity gains, and exploring new technologies and markets for a by-product of coal-burning generating stations highlighted the 1983 planning activities of the Electric Operations and Engineering area under Vice President Charles G. Kerndt.

The operating performance of Wisconsin Power and Light Company's generating stations ranks high nationally and in Wisconsin—a result both of employee efficiency and a well-planned, adequately funded maintenance program. For example, the Company's power plants have consistently exceeded the national average in two key performance indicators, availability and heat rate. This performance record has a positive impact on customers' bills as well as on the Company and its shareowners.

Customers also benefit from WP&L's success in planning and controlling construction costs of the state-of-the-art Edgewater 5 Generating Station in Sheboygan. That unit will be completed in March 1985 at a cost of $295 million—virtually the same cost the Company estimated when construction began in 1980.

WP&L has implemented a more integrated approach to planning and scheduling distribution and transmission construction projects on a Company-wide basis. This approach, which looks two years into the future, has enabled WP&L to more effectively utilize and manage both dollar and human resources. It also provides the Company's financial planners with more timely information about future capital requirements for construction.

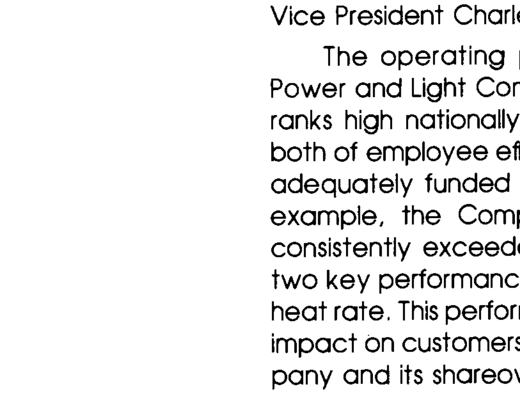
Another facet of WP&L's long-range strategy is incorporating new technology, where appropriate, to improve efficiency. The Company recently completed automating its two large hydroplants, resulting in a significant productivity-and-cost savings of approximately $300,000 per year.

Electric Operations and Engineering is working with other areas of the Company to develop new technologies, uses and markets for fly ash, a by-product of burning coal.

By planning and managing its resources efficiently, Electric Operations and Engineering expects to realize major productivity gains. WP&L's Apprentice Hiring Plan ensures that adequate numbers of trained personnel are available to provide safe, reliable service for WP&L customers.

In 1983 the Company began implementing a plan to restructure and upgrade its district line crews. When fully operational in 1987, the plan will produce an annual savings of $200,000.

A key planning tool of Electric Operations and Engineering is the Construction Management Sysfem (CMS), an automated teleprocessing sysfem that covers all aspects of planning, processing and closing work orders for electric and gas distribution facilities as well as electric transmission facilities. A model for other utilities, the CMS has reduced construction costs, improved customer service, increased productivity, improved construction project planning and utilization of resources and provided greater management control.



Edgewater 5 construction

"The Company's cost-management strategy is to reduce the growth rate of our utility expenses while enhancing our operational excellence."

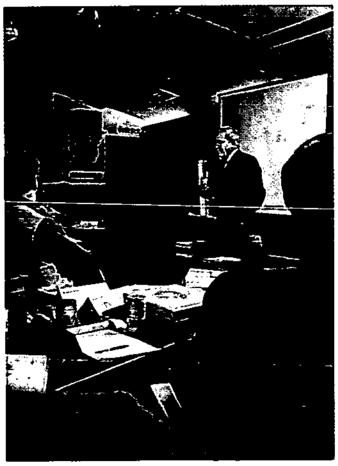
Charles G. Kerndt, Vice President - Electric Operations and Engineering

WP&L must control costs to meet both public expectations and growing business competition in the Company's changing marketplaces. This cost-management strategy requires a major corporate-wide emphasis on productivity, quality and excellence, posing a significant challenge to the employee-development area under Edward F. Killeen, Vice President-Employee Relations.

In the past, cost-reduction/productivity-improvement efforts could be accomplished according to functional expertise, such as engineers cutting engineering costs, and would not conflict with overall corporate goals and objectives. But today's more complex issues require an integration of the corporation's functional expertise so that the strengths of the entire organization will come to bear on the challenges facing the Company.

That integration has begun at WP&L and will thrive through the strategic-business-planning process. For example, two task forces with corporate-wide representation now are investigating programs that would establish a quality-of-performance ethic at WP&L in which every employee plays a critical role.

WP&L's extensive training and development programs guarantee every employee the opportunity to excel and prepare both employees and the organization for change. The Executive and Management Development Program, for example, ensures that the optimum number of qualified managers exists at all levels of the organization to lead the Company in accomplishing its goals.



One target of Employee Relations' aggressive cost-management efforts is health-care costs. The Company has developed and implemented over the past three years a multifaceted cost-containment plan designed to better manage health-care expenditures now and in the future.

WP&L took great strides in 1983 toward slowing the medical-cost spiral. For the first time since 1967, the Company reintroduced the policy of requiring employees to contribute to the cost of their health-care plan. And, WP&L began offering a cost-containment health plan that features increased use of deductibles and coinsurance.

In 1983, a joint union-management committee recommended seven health-care cost-containment measures, which were ratified by the union membership. The Company also developed an employee-education program designed to build awareness of where health-care dollars are spent and how employees can be effective health-care consumers.

WP&L now is conducting studies of a flexible benefits program that can be implemented within the nexf two years. The program would provide a smorgasbord of health, retirement, vacation and other benefit plans—and more importantly, costs—from which employees could choose to meet their individual needs.

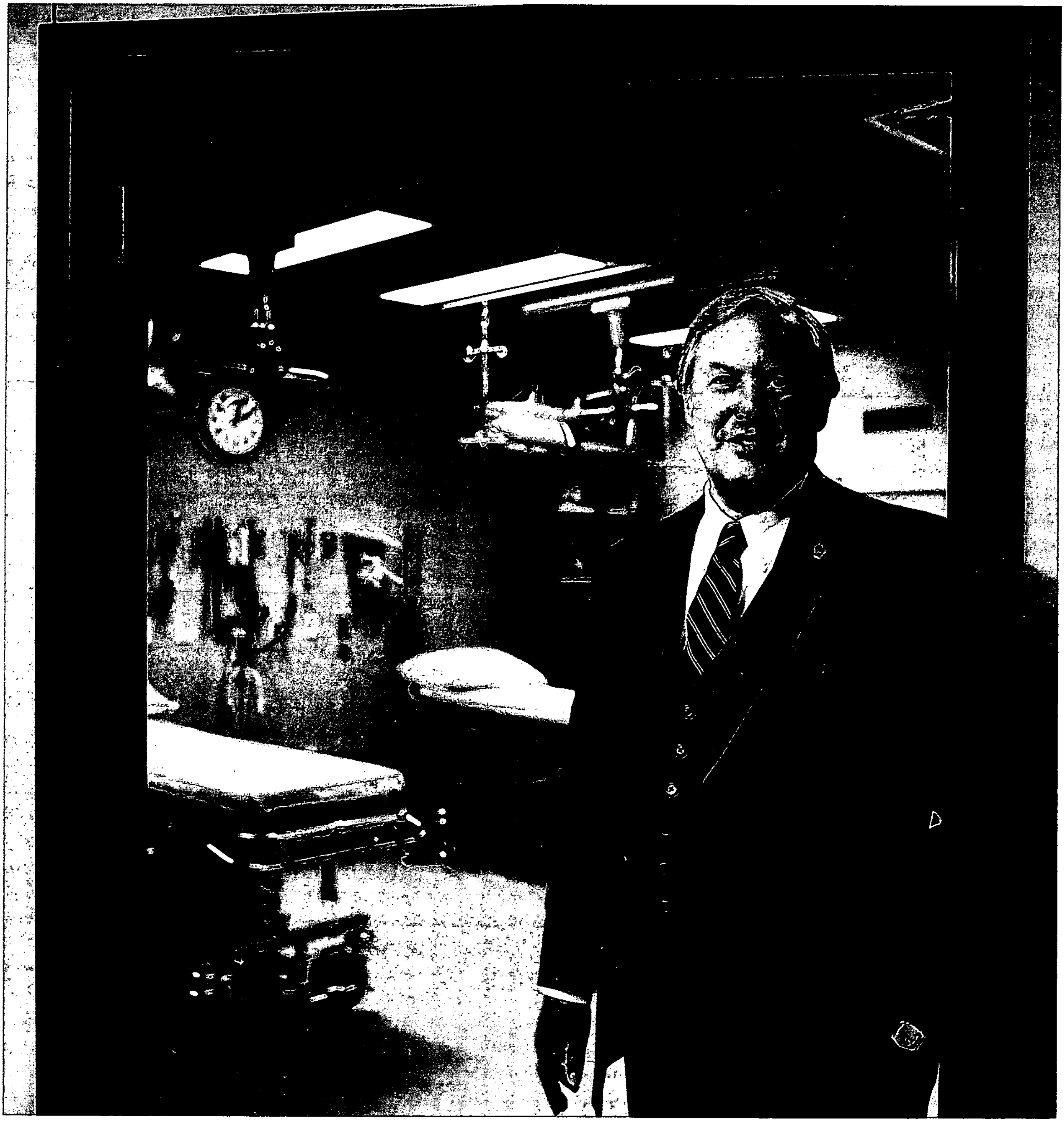
Another accomplishment was WP&L's decision to self-insure its group insurance benefits, using an insurance company only for administrative services. In 1983 the Company made arrangements with an outside claim-audit service to begin randomly auditing employees' medical claims effective Jan. 1, 1984.

The Company's philosophy is that when the individual becomes more involved in the consequences of purchasing medical services, there will be a better utilization of the health-care system. And, as people become wiser consumers, the forces of competition will redevelop in the health-care marketplace. Those competitive forces will contribute to long-term cost-containment.

Management development

"Our strategy for slowing the medical-cost explosion is to influence wise consumption by returning the employee to a central role in the health-care cost system."

Edward F. Killeen, Vice President - Employee Relations

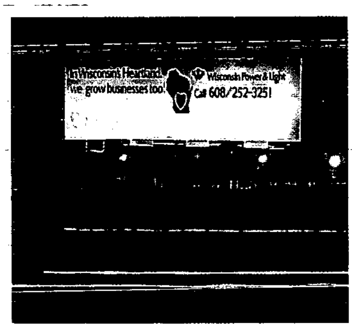


Emergency room, The Memorial Hospital of Iowa County, Inc., Dodgeville, Wisconsin

1983 HIGHLIGHTS

A 15-kilowatt wind turbine generator manufactured by Windworks, Inc. is helping provide electricity for the Golden Gate Bridge in San Francisco. The Windworker 10 wind machine is part of an alternate-energy demonstration program funded by the state of California. Windworks is a WP&L subsidiary.

The state-of-the-art Edgewater 5 Generating Station in Sheboygan was on schedule and 78-percent complete at year-end 1983. The unit will be completed in March 1985 at a cost of $295 million—virtually the same cost WP&L estimated at the start of construction in 1980.



A billboard along Interstate Highway 90 near Janesville and Beloit proclaims WP&L's new campaign to promote economic development both in the Company's service area and throughout Wisconsin.

WP&L recently completed automating its two hydroplants on the Wisconsin River at Prairie du Sac and Wisconsin Dells.

Area development continued in 1983 with 14 new industries locating in WP&L's service territory and 51 expanding their operations here. These new and expanded industries created more than 1,000 additional jobs. The Company added nearly 3,900 new customers to its electric system and more than 1,350 new natural-gas customers in 1983.

In August the Wisconsin Public Service Commission approved an $8-million increase in WP&L's retail electric, gas and water rates. The Company filed a new rate case in December for a $22.9-million increase to take effect in July 1984.

WP&L announced that it is providing a tuition-paid scholarship to a Wisconsin resident of Asian, Black, Hispanic or Native American descent who enrolls in the electrical engineering program at the University of Wisconsin-Platteville.

In July WP&L announced that it had acquired Residuals Management Technology, Inc. (RMT), a Madison, Wis.-based environmental consulting firm with a nationwide market. Established in 1977, RMT specializes in solid- and hazardous-waste management, groundwater quality protection, industrial hygiene engineering and environmental control.

In November the Company began installing microcomputers in its 14 district offices starting with Beloit, above. The $300,000 project will provide WP&L offices in Madison and throughout the service area with automated recordkeeping and financial analysis, word processing, graphics and other capabilities.

FINANCIAL SECTION

SELECTED FINANCIAL DATA

	1983	1982	1981	1980	1979
	(In Millions Except for Per Share Data)				
Operating revenues	**$ 556**	$ 512	$ 455	$ 404	$ 362
Net income	**$ 55**	$ 47	$ 41	$ 35	$ 33
Earnings per share of common stock	**$3.97**	$3.51	$3.05	$2.64	$2.50
Total assets (at Dec. 31)	**$ 881**	$ 834	$ 786	$ 730	$ 687
Long-term obligations and preferred stock with mandatory redemption (at Dec. 31)	**$ 295**	$ 304	$ 303	$ 304	$ 269
Cash dividends declared per share of common stock	**$2.36**	$2.20	$2.04	$1.88	$1.80

1983 FINANCIAL REVIEW

Management's Discussion and Analysis of Financial Condition and Results of Operations

FINANCIAL CONDITION

Financial position and changes in financial position of the Company are reflected in the consolidated balance sheets and consolidated statements of net changes in cash and special deposits. These financial statements portray the Company's capital resources and liquidity. As we use the term, liquidity means the ability of the Company to generate adequate amounts of cash to meet its needs. This concept is very important to the Company since our needs for cash include expenditures for construction, taxes, research and development, environmental programs, dividends and other operating expenses. Since the Company is capital intensive and requires large investments in long-lived assets, long-term liquidity is more important than short-term liquidity. Many of the measures of short-term liquidity that are important in other industries, such as the amount of working capital or the ratio of current assets to current liabilities, are less important in evaluating the financial condition of a public utility and the Company.

The Company has achieved a high degree of long-term liquidity by maintaining strong bond ratings, minimizing cost increases, aggressively pursuing rate increases to keep pace with rising expenses and obtaining adequate depreciation rates.

The Company has maintained excellent bond ratings by Standard & Poor's Corp. and by Moody's Investors Service over the last five years, enabling it to take advantage of lower interest rates when issuing high-quality debt. The Company's rating on first mortgage bonds was upgraded by Moody's to the highest rating currently assigned to utility debt issues. The Company has maintained good financial health and has not issued any long-term debt since 1981.

The Company's solid financial condition has enabled it to pay interest charges, preferred stock dividends and common stock dividends out of current earnings, as illustrated in the following table:

	1983	1982	1981	1980	1979
Ratio of earnings to fixed charges and preferred dividend requirements after taxes	**2.51X**	2.18X	2.02X	2.01X	2.00X
Common stock dividend coverage ratio	**3.76X**	3.77X	3.87X	3.86X	3.66X

With the high cost of construction, uncertainties in the capital markets and high interest rates still being experienced, an important measure of financial strength is the percentage of a company's construction expenditures financed by internal sources. In addition to paying interest and dividends, the Company has been able to finance a large percentage of its construction expenditures from internally generated funds.

	1983	1982	1981	1980	1979
Construction expenditures financed with internal funds	**86%**	73%	71%	71%	85%

The Company expects to be able to continue financing a high percentage of construction expenditures internally over the next five years.

The Edgewater 5 project is the only major construction project the Company currently has in progress. If the Company maintains its 75-percent ownership of the unit, the project would require about $221 million of capital through its projected completion date, of

Report on the Financial Information

Wisconsin Power and Light Company 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 assure the integrity and objectivity of the financial information presented in this report. This system of internal control provides 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, whose composition and duties are described on page 41 of this annual report.

James R. Underkofler
Chairman, President and Chief Executive Officer

Erroll B. Davis, Jr.
Vice President—Finance & Public Affairs

which about $176 million had been spent as of Dec. 31, 1983. Construction that took place during 1983 was financed primarily from internal sources, as noted above. It is anticipated that the Edgewater 5 project will be completed in March of 1985 with no material expenditures in excess of budgeted expenditures.

RESULTS OF OPERATIONS

The results of operations of the Company are reflected in the Consolidated Statements of Income.

	1983	1982	1981	1980	1979
Earnings per share of common stock	**$3.97**	$3.51	$3.05	$2.64	$2.50
Cash dividends per share of common stock	**$2.36**	$2.20	$2.04	$1.88	$1.80

The Company has been able to achieve earnings growth and increase its dividends over the past five years.

Electric revenues increased each year due to increasing production fuel costs recovered through the fuel adjustment clause. Higher revenues also resulted from base rate increases. Major retail rate increases during the five-year period include a $5.7 million annual increase in September 1983, a $37 million annual increase in June 1981, a $20 million annual increase in July 1980, a $2 million annual increase in February 1980 and a $19 million annual increase in December 1978. Settlements were reached in March 1982 and in February 1981 with the Company's wholesale customers providing for annual increases of $4,600,000 and $650,000 in rates, respectively.

During 1982 and 1981, electric sales growth was adversely affected despite a slight increase in the number of customers reflecting a recessionary economy. In 1983, the trend started to reverse. Housing starts increased, enabling the Company to add more residential customers. With the improving economy and an unusually hot summer in the second half of 1983, the Company sold more kwh to its customers.

Over the past five years, gas revenues continued to increase, primarily as a result of the recovery of accelerating purchased gas costs through the purchased gas adjustment clause, and modest increases in base rates. Rate increases during the period included an annual increase of about $2.1 million in September 1983, $4.3 million in June 1981, and $5 million in July 1980. Over the last five years the Company has gained a relatively small number of gas customers. The increased sales volume from new customers was offset by a decrease in average usage per customer. This trend reflects higher gas prices and customer conservation efforts.

Fuel costs increased due to greater generation required to meet higher kwh sales and higher unit costs paid for fossil fuels. Purchased power costs also increased as a result of the increased sales and higher unit prices paid to suppliers.

Other operation and maintenance expenses increased due to higher labor costs, employee benefits, material costs, and increased environmental and safety requirements at power plants.

Straight-line depreciation expense increased due to plant additions and shorter economic lives for certain categories of plant in service.

Allowance for funds used during construction increased significantly in 1983 as the Edgewater 5 project moved closer to completion.

Total tax expense increased in 1983 over 1982, reflecting higher earnings before taxes. See "Notes to Consolidated Financial Statements," Note 1k, for additional information on tax expenses.

The rate of inflation has a significant impact upon costs such as electric production fuels and purchased gas (along with the related electric and gas revenue increases), labor, employee benefits and materials. For a more detailed discussion of the effects of inflation on the Company, see the "Supplementary Information to Disclose the Effects of Changing Prices," page 35.

Auditors' Report

To the Shareowners and Board of Directors,
Wisconsin Power and Light Company:

We have examined the consolidated balance sheets and statements of capitalization of WISCONSIN POWER AND LIGHT COMPANY (a Wisconsin corporation) and subsidiaries as of December 31, 1983 and 1982, and the related consolidated statements of income, reinvested earnings and net changes in cash and special deposits for each of the five years in the period ended December 31, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Wisconsin Power and Light Company and subsidiaries as of December 31, 1983 and 1982, and the results of their operations and their net changes in cash and special deposits for each of the five years in the period ended December 31, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.

ARTHUR ANDERSEN & CO.

Milwaukee, Wisconsin,
February 3, 1984.

Consolidated Statements of Income

	1983	1982	1981	1980	1979
	Year Ended December 31,				
	(In Thousands Except For Per Share Data)				
Operating revenues: (Note 1i)					
Electric	**$408,466**	$370,863	$336,260	$298,271	$272,488
Gas	**145,663**	138,388	115,222	103,374	87,588
Water	**3,373**	3,226	3,034	2,504	2,202
	555,502	512,477	454,516	404,149	362,278
Operating expenses:					
Electric production fuels	**122,908**	107,283	91,397	95,608	86,793
Purchased power	**19,225**	13,934	15,864	7,469	7,551
Purchased gas	**112,574**	104,046	89,674	77,495	63,221
Other operation	**87,545**	81,420	72,963	62,805	53,518
Maintenance	**29,855**	28,005	25,205	24,160	20,475
Depreciation (Notes 1j and 1k)—					
Straight-line	**37,144**	36,145	31,368	29,502	26,980
Deferred income taxes	**10,849**	983	6,520	7,402	8,078
Taxes (Note 1k)—					
Current Federal income	**26,447**	32,331	22,100	14,941	18,860
Investment tax credit—					
Deferred	**8,809**	9,711	10,951	9,181	4,813
Restored	**(2,555)**	(2,500)	(1,938)	(1,742)	(1,427)
Current state income	**8,001**	8,875	6,082	4,350	4,609
Property, payroll and other	**19,887**	17,573	16,187	13,818	14,485
	480,689	437,806	386,373	344,989	307,956
Net operating income	**74,813**	74,671	68,143	59,160	54,322
Other income and (deductions):					
Allowance for equity funds used during construction (Note 1d)	**2,768**	1,601	515	8	84
Discount on reacquired bonds	**—**	2	1	903	431
Other, net	**(1,120)**	(205)	2,919	187	798
Tax benefit (expense) on other income	**1,459**	(477)	(1,891)	(980)	(524)
Income before interest expense	**77,918**	75,592	69,687	59,278	55,111
Interest expense:					
Interest on bonds	**26,926**	26,967	26,580	20,540	20,233
Allowance for borrowed funds used during construction (Note 1d)	**(4,512)**	(2,401)	(683)	(164)	(116)
Other	**917**	3,671	3,063	3,718	1,973
	23,331	28,237	28,960	24,094	22,090
Net income	**54,587**	47,355	40,727	35,184	33,021
Cash dividends on preferred stock	**4,963**	5,099	5,189	5,253	5,358
Earnings on common stock	**$ 49,624**	$ 42,256	$ 35,538	$ 29,931	$ 27,663
Earnings per share of common stock (Note 1f)	**$3.97**	$3.51	$3.05	$2.64	$2.50
Cash dividends paid per share of common stock	**$2.36**	$2.20	$2.04	$1.88	$1.80

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

Consolidated Balance Sheets

	December 31, 1983	1982
Assets	*(In Thousands)*	
Utility plant: (Notes 1c, 1d, 1e and 3)		
Plant in service—		
Electric	**$825,709**	$794,298
Gas	**103,978**	99,123
Water	**13,260**	12,513
Common	**38,982**	36,905
	981,929	942,839
Less—Accumulated provision for depreciation (Note 1j)	**445,823**	405,926
	536,106	536,913
Construction work in progress—		
Jointly owned electric power production facilities	**173,773**	131,726
Other	**13,939**	9,501
	187,712	141,227
Nuclear fuel, net (Note 1g)	**8,822**	17,000
Total utility plant	**732,640**	695,140
Investments, at cost (Note 1b)	**11,014**	14,324
Current assets:		
Cash and special deposits (Note 6)	**718**	849
Temporary cash investments, at cost which approximates market	**13**	1,665
Accounts receivable, less allowance for doubtful accounts of $1,708,000 and $1,238,000 respectively	**51,169**	43,104
Unbilled revenue (Note 1i)	**44,809**	34,469
Fossil fuel, at average cost	**21,527**	26,995
Materials and supplies, at average cost	**13,086**	11,755
Prepayments	**704**	736
	132,026	119,573
Deferred charges:		
Unamortized project expenditures (Note 2)	**1,224**	2,181
Other	**4,263**	2,728
	5,487	4,909
TOTAL ASSETS	**$881,167**	$833,946
Capitalization and Liabilities		
Capitalization: (See statement on page 25)		
Common shareowners' investment	**$311,869**	$279,697
Preferred stock without mandatory redemption	**60,000**	60,000
Preferred stock with mandatory redemption	**8,206**	9,706
First mortgage bonds, net	**285,537**	294,276
Total capitalization	**656,612**	643,679
Current liabilities:		
Maturing first mortgage bonds and sinking fund requirements (Note 4d)	**13,063**	108
Sinking fund requirement on preferred stock (Note 5)	**739**	750
Short-term debt (Note 6)	**11,000**	5,000
Accounts payable (Note 6)	**66,958**	58,140
Accrued payroll and vacations	**5,887**	5,192
Accrued taxes	**17,925**	30,446
Accrued interest	**10,850**	9,703
Other	**13,205**	12,293
	139,627	121,632
Other credits:		
Accumulated deferred investment tax credits (Note 1k)	**54,130**	48,672
Unamortized unbilled revenue	**3,813**	5,103
Other	**16,985**	14,860
	74,928	68,635
Construction commitments (Note 3)		
TOTAL CAPITALIZATION AND LIABILITIES	**$881,167**	$833,946

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

Consolidated Statements of Net Changes in Cash and Special Deposits

	Year Ended December 31,				
	1983	1982	1981	1980	1979
	(In Thousands)				
Operating activities:					
Net income	**$ 54,587**	$47,355	$40,727	$35,184	$33,021
Items not affecting working capital:					
Depreciation	**47,993**	37,128	37,888	36,904	35,058
Investment tax credit deferred, net	**5,998**	5,948	7,639	6,252	2,733
Amortization of nuclear fuel	**12,748**	16,786	10,173	8,053	7,006
Amortization of unbilled revenue	**(1,290)**	(1,291)	(1,291)	(1,290)	(1,291)
Equity component of allowance for funds used during construction (AFUDC)	**(2,766)**	(1,601)	(515)	(8)	(84)
Other	**2,908**	2,826	2,873	2,329	2,135
Working capital provided by operations	**120,176**	107,151	97,494	87,424	78,578
Cash dividends on stock	**(34,389)**	(31,518)	(28,891)	(26,505)	(25,317)
Working capital generated internally	**85,787**	75,633	68,603	60,919	53,261
Changes in working capital other than cash:					
Temporary cash investments	**1,652**	(1,654)	(11)	—	—
Accounts receivable	**(8,065)**	(5,805)	(2,445)	(16)	(4,789)
Unbilled revenue	**(10,340)**	816	(6,383)	(6,242)	(2,758)
Fossil fuel	**5,468**	4,495	(666)	(3,009)	(8,718)
Materials and supplies	**(1,331)**	(41)	609	(2,971)	(1,212)
Accounts payable	**8,818**	18,310	289	7,345	8,242
Accrued taxes	**(12,521)**	3,034	16,198	(11,681)	13,906
Accrued interest	**1,147**	(126)	4,265	858	(196)
Other, net	**1,639**	(5,997)	8,710	1,594	2,915
Cash generated internally	**72,254**	88,665	89,169	46,797	60,651
Financing activities:					
Sale of first mortgage bonds	**—**	—	45,000	16,000	—
Sale of common stock	**11,989**	9,780	6,078	4,556	3,661
Net change in short-term debt	**6,000**	5,000	(39,150)	31,829	1,321
Bond maturities and sinking fund retirements	**(5)**	(5,030)	(2,898)	(8,540)	(1,528)
Preferred stock redemptions	**(1,511)**	(636)	(896)	(12)	(3,000)
Net change in pollution control construction fund	**5,133**	1,592	(188)	(14,484)	—
	21,606	10,706	7,946	29,349	454
Construction activities:					
Additions to utility plant, exluding AFUDC	**(85,706)**	(87,388)	(86,165)	(79,245)	(55,138)
Additions to nuclear fuel	**(6,833)**	(12,645)	(8,704)	(6,863)	(7,046)
AFUDC	**(7,278)**	(4,002)	(1,198)	(172)	(200)
Total construction and nuclear fuel expenditures	**(99,817)**	(104,035)	(96,067)	(86,280)	(62,384)
Sale of share in joint plant	**—**	—	—	5,252	—
Other activities, net	**5,826**	4,807	(1,778)	3,118	1,080
Net changes in cash and special deposits	**$ (131)**	$ 143	$ (730)	$ (1,764)	$ (199)

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

Consolidated Statements of Capitalization

	December 31, 1983	1982
	(In Thousands)	
Ccmmon shareowners' investment: (Note 4a)		
Common stock, $5 par value, authorized 18,000,000 shares; issued and outstanding 12,757,470 and 12,283,496, respectively	**$ 63,787**	$ 61,418
Premium on capital stock (Note 4b)	**100,834**	91,222
Capital surplus	**1,747**	1,747
Reinvested earnings	**145,501**	125,310
	311,869	279,697
Preferred stock: (Note 4c)		
Cumulative, without par value, authorized 3,750,000 shares, maximum aggregate stated value $150,000,000; issued and outstanding 689,446 and 704,559 shares, respectively, $100 stated value.		
Preferred stock without mandatory redemption—		
4.50% series, 100,000 shares outstanding	**10,000**	10,000
4.80% series, 75,000 shares outstanding	**7,500**	7,500
4.96% series, 65,000 shares outstanding	**6,500**	6,500
4.40% series, 30,000 shares outstanding	**3,000**	3,000
4.76% series, 30,000 shares outstanding	**3,000**	3,000
8.48% series, 150,000 shares outstanding	**15,000**	15,000
7.56% series, 150,000 shares outstanding	**15,000**	15,000
	60,000	60,000
Preferred stock with mandatory redemption (Note 5)— 12% series, 89,446 shares and 104,559 shares outstanding, respectively	**8,945**	10,456
Sinking fund requirement	**(739)**	(750)
	8,206	9,706
First mortgage bonds, net: (Note 4d)		
Series H, 3¼%, due 1984	**13,063**	13,068
Series J, 4⅝%, due 1989	**8,007**	8,007
Series K, 4¼%, due 1992	**4,446**	4,446
Series L, 6¼%, due 1998	**20,229**	20,229
Series M, 8%, due 1999	**24,509**	24,509
Series N, 8⅞%, due 2000	**24,900**	24,900
Series O, 8%, due 2001	**29,995**	29,995
Series P, 8⅞%, due 2004	**35,000**	35,000
1975 Series A, 7¾%, due 1991-2005	**16,000**	16,000
1975 Series B, 7¾%, due 2000	**875**	875
1975 Series C, 7¾%, due 2000	**1,000**	1,000
Series Q, 8⅞%, due 2006	**35,000**	35,000
Series R, 9⅛%, due 2008	**35,000**	35,000
1980 Series A, 8%, due 2000	**9,000**	9,000
1980 Series A, 8¼%, due 2007-2010	**7,000**	7,000
Series S, 13⅜%, due 1991	**45,000**	45,000
	309,024	309,029
Unamortized discount and premium, net	**(1,477)**	(1,565)
Maturing first mortgage bonds and sinking fund requirements	**(13,063)**	(108)
Pollution control construction fund held by trustee	**(7,947)**	(13,080)
Total first mortgage bonds, net	**286,537**	294,276
TOTAL CAPITALIZATION	**$666,612**	$643,679

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

Consolidated Statements of Reinvested Earnings

	Year Ended December 31,				
	1983	1982	1981	1980	1979
	(In Thousands)				
Reinvested earnings:					
Balance at beginning of year	**$125,310**	$109,505	$ 95,873	$ 87,227	$ 79,591
Add—Net income	**54,587**	47,355	40,727	35,184	33,021
	179,897	156,860	136,600	122,411	112,612
Deduct—					
Cash dividends on preferred stock	**4,963**	5,099	5,189	5,253	5,358
Cash dividends on common stock	**29,426**	26,419	23,702	21,252	19,959
Expense of issuing common stock and other	**7**	32	19	33	68
Transfer from premium on capital stock (Note 4b)	**-**	-	(1,815)	-	-
	34,396	31,550	27,095	26,538	25,385
Balance at end of year	**$145,501**	$125,310	$109,505	$ 95,873	$ 87,227

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. **Accounting Policies:**
Our books and records are maintained in accordance with the uniform systems of accounts prescribed by our regulators. The Wisconsin Public Service Commission (PSC) has jurisdiction over our retail rates, and the Federal Energy Regulatory Commission (FERC) has jurisdiction over our wholesale rates.

The financial statements presented are prepared from those records and are in conformity with generally accepted accounting principles.

b. **Consolidation and Investment in Subsidiaries:**
The consolidated financial statements include the accounts of the Company and its subsidiaries. South Beloit Water, Gas and Electric Co. and Wisconsin Power and Light Nuclear Fuel, Inc., wholly owned subsidiaries, are accounted for on a consolidated basis. The other subsidiaries are accounted for on the equity method—NUFUS Resources, Inc., (wholly owned); Windworks, Inc. (84 percent owned); and Residuals Management Technology, Inc. (RMT) (wholly owned).On July 30, 1983, the Company purchased for $300,000 all the net assets of RMT, a Madison-based environmental consulting firm with a nationwide market. RMT specializes in solid and hazardous waste management, ground water quality protection, industrial hygiene engineering and environmental control. All significant intercompany transactions and accounts have been eliminated in these statements.

c. **Utility Plant:**
Utility plant is recorded at original cost. Such cost includes material, labor, overhead and allowance for funds used during construction (see note 1d). Normal repairs and replacement of minor items are charged to maintenance expense. Costs of depreciable property retired are removed from utility plant accounts and such costs, plus removal expenses less salvage value, are charged to accumulated depreciation. Thus, no gain or loss is recognized in connection with the ordinary retirement of depreciable utility property. Substantially all of the Company's utility plant is pledged as security for its first-mortgage bonds.

d. **Allowance for Funds Used During Construction (AFUDC):**
AFUDC represents the interest cost of borrowed funds and the imputed cost of equity funds used for construction. On the income statement, the equity funds portion is reported as "Other income" and the borrowed funds portion is reported as a reduction of "Interest expense."

The Company is limited to capitalizing AFUDC at 7 percent on construction work in progress (CWIP) not included in rate base. The PSC determines how much CWIP is included in rate base on a case-by-case basis. The 7 percent rate has not exceeded the amount allowed by FERC.

e. **Research and Development:**
Research and development costs normally are charged to operating expense as they occur. However, those costs that relate to a construction project are capitalized as part of the cost of utility plant.

f. **Earnings Per Share:**
Earnings per share of common stock are computed by dividing net income minus preferred dividends by the weighted average number of common shares outstanding, which were:

	(In Thousands)
1983	12,507
1982	12,043
1981	11,643
1980	11,326
1979	11,087

g. **Nuclear Fuel:**
Nuclear fuel is recorded as an asset at its original cost. This cost, plus estimated removal and storage costs for the fuel, is amortized to fuel expense based on the quantity of heat produced for the generation of electric energy. The U.S. Department of Energy currently charges one mill per kwh generated for future disposal of nuclear fuel. These costs are recovered in rates charged for electric utility service.

Net nuclear fuel on the balance sheet consists of:

	December 31, (In Thousands) 1983	1982
Original cost of nuclear fuel	$76,964	$70,131
Accumulated amortization	68,142	53,131
Net nuclear fuel	$ 8,822	$17,000

Accumulated amortization includes the income tax effects of using liberalized depreciation methods and assumes that plutonium and uranium in the spent fuel will have no residual value.

Nuclear fuel obtained from NUFUS Resources, Inc. is recorded at cost, which includes the cost of operations of the subsidiary.

NOTE 1
(continued)

h. Retirement Plans:

The Company has retirement plans for substantially all of its employees. Some employees participate in plans completely paid for by the Company, while other employees participate in plans in which they share the cost with the Company.

The Company's policy is to fund the retirement plans and to amortize the unfunded prior-service costs over a period of approximately 30 years.

Information related to the plans is presented below:

	1983	1982	1981	1980	1979
		As of January 1, (In Thousands)			
Actuarial value of accumulated plan benefits:					
Vested	$39,749	$34,444	$30,066	$33,052	$28,298
Nonvested	1,791	1,308	1,218	1,542	1,281
Total	$41,540	$35,752	$31,284	$34,594	$29,579
Net assets available for benefits	$71,680	$55,464	$51,351	$39,701	$32,621
Total pension provision for the year	$ 3,600	$ 4,248	$ 4,333	$ 4,088	$ 3,160

The average retirement age assumption is 63.5 and the assumed investment rate is 7.5 percent. Prior to 1981, the assumptions were age 62 and 6.5 percent, respectively.

i. Revenue Recognition:

Pursuant to a PSC order, the Company accrues estimated revenues for services rendered but not yet billed at month end.

j. Depreciation:

1) Straight-line—The Company allocates the cost of utility plant over the useful life of such plant through depreciation expense. Straight-line depreciation is computed on the average balance of depreciable property at individual straight-line rates applied to various classes of property.

The annual composite rates were:

	Electric	Gas	Water	Common
1983	4.0%	4.2%	2.2%	5.9%
1982	3.8%	4.2%	1.9%	5.8%
1981	3.8%	4.2%	1.9%	6.3%
1980	3.6%	4.2%	1.8%	6.9%
1979	3.4%	4.2%	1.7%	6.6%

Straight-line rates have been approved by the PSC.

Depreciation expense related to the Kewaunee nuclear plant includes a provision for decommissioning the plant. The PSC has decided on a method to be used by all Wisconsin utilities to provide for nuclear plant decommissioning costs using an end-of-life estimated cost. The Company's share of this cost is currently estimated to be $110 million. Revised depreciation rates, which accrue estimated decommissioning costs over the remaining life of the Kewaunee nuclear plant, were approved by the PSC and became effective Sept. 3, 1983.

2) Deferred income taxes—See note 1k, "Income Taxes."

k. **Income Taxes:**

1) Depreciation expenses computed for tax purposes reflect the use of various available liberalized depreciation methods, including the Accelerated Cost Recovery System, and other timing differences. Under PSC rules, the estimated reduction of income taxes due to the use of these practices is recorded as additional depreciation, described as deferred income taxes in the income statement. For 1983, deferred income taxes increased significantly due to the deduction of the U.S. Department of Energy nuclear fuel disposal costs and increased federal repair allowance costs. For 1982, the reduction of income taxes was significantly less due to increased straight-line depreciation expense and increased amortization of nuclear fuel. The amounts recorded as deferred income tax were:

	Federal	**State**	**Total**
	(In Thousands)		
1983	$10,133	$716	$10,849
1982	$ 843	$140	$ 983
1981	$ 5,880	$640	$ 6,520
1980	$ 6,926	$476	$ 7,402
1979	$ 7,594	$484	$ 8,078

2) The Company receives tax credits from the federal government for investing in certain types of property. The benefits of these investment tax credits are spread over the useful lives of the property.

Additional federal tax credits are also allowed because the Company has an Employee Stock Ownership Plan (ESOP). The lower amount of 1983 tax credit reflects the 1983 federal tax law change from a qualified property investment to a payroll-based tax credit.

The following amounts of federal tax credit were attributable to the Company's ESOP.

	(In Thousands)
1983	$ 256
1982	$1,263
1981	$1,374
1980	$1,187
1979	$ 653

3) Certain indirect costs and research-and-development costs have been capitalized for financial-reporting purposes, but deducted for income-tax purposes. The tax benefit of these items is used to reduce the income-tax provision in the period the costs are incurred.

4) The Company's effective income-tax rate can be computed by dividing total income-tax expense, investment tax credit deferred and restored, and deferred income taxes by the sum of such expense and net income. The following table reconciles the effective income-tax rate to the statutory federal-income-tax rate:

	1983	**1982**	**1981**	**1980**	**1979**
Effective income-tax rate as reported	47.9%	51.3%	52.8%	49.9%	51.8%
Allowance for funds used during construction, which does not constitute current taxable income	3.2	1.9	0.6	0.1	0.1
State income taxes and state additional depreciation, net	(4.7)	(5.1)	(4.7)	(4.1)	(4.4)
Reversals of various plant-related timing differences for which deferred taxes had not been provided	(2.0)	(2.0)	(2.3)	(2.7)	(2.5)
Investment tax credits restored	2.4	2.6	2.3	2.5	2.1
Other differences, net	(0.8)	(2.7)	(2.7)	0.3	(1.1)
Statutory federal-income-tax rate	46.0%	46.0%	46.0%	46.0%	46.0%

NOTE 2 UNAMORTIZED PROJECT EXPENDITURES:

In May 1981, a settlement agreement was reached to terminate a nuclear fuel contract with the Getty Oil Co. The fuel was originally intended to be used for the proposed Koshkonong/Haven nuclear project. The Company's share of the settlement was $2,335,000. In June 1981, the Company also reached a settlement agreement with the Westinghouse Electric Corp. concerning the termination of a contract for the proposed Koshkonong/Haven project's plant design and licensing. The Company's share of the settlement was $762,000. The Company received a final PSC rate order, effective Sept. 3, 1983, that included recovery of both items over three years and concurrently started amortizing these costs, net of related income taxes, to "other operation expenses."

NOTE 3 JOINTLY OWNED UTILITY PLANTS AND CONSTRUCTION COMMITMENTS:

The Company participates with other Wisconsin utilities in the construction and operation of several jointly owned electric plants. The chart below represents the Company's proportionate share of such plants as of Dec. 31, 1983:

	Ownership Interest	Plant in Service	Accumulated Provision For Depreciation	Construction Work in Progress
		(In Thousands)		
Coal:				
Columbia Energy Center ...	46.2%	$149,994	$54,314	$ 1,386
Edgewater Unit 4	68.2%	$ 34,547	$18,245	$ 783
Edgewater Unit 5	75.0%	$ 4,820	$ 738	$170,430
Nuclear:				
Kewaunee Nuclear Plant	41.0%	$103,779	$57,031	$ 1,174

The Company provides its own financing during the construction period for its share of the jointly owned plants. The Company's share of operations and maintenance expenses is included in the appropriate expense categories in the income statements.

Utility plant construction expenditures for 1984, including expenditures for the above facilities under construction, are estimated to be $107,469,000, and substantial commitments have been incurred in connection with such expenditures.

NOTE 4
CAPITALIZATION:

a. **Common Stock:**
During the past five years the Company has issued new shares of common stock through its Dividend Reinvestment and Stock Purchase Plan (DRIP) and an Employee Stock Ownership Plan (ESOP). Annual issues were:

	Number of Shares	Proceeds
	(In Thousands)	
1983	474	$11,989
1982	448	$ 9,780
1981	350	$ 6,078
1980	276	$ 4,556
1979	196	$ 3,661

As of December 31, 1983, 1,530,000 shares of authorized common stock were reserved for issuance under the Company's ESOP and DRIP plans.

b. **Premium on Capital Stock:**
In 1981, the Company transferred $1,815,000 from "Premium on Capital Stock" to "Reinvested Earnings," pursuant to regulatory requirements.

c. **Preferred Stock:**
There were no issues of preferred stock during the five years ended Dec. 31, 1983.

d. **Bonds:**
The sinking fund requirements and maturities on first-mortgage bond issues outstanding as of Dec. 31, 1983, are:

	1964	1965	1986	1987	1988
			(In Thousands)		
Bond sinking fund requirements not satisfied as of Dec. 31, 1983	$ 283	$ –	$ –	$9,000	$9,000
Bonds maturing	$12,780	$ –	$ –	$ –	$ –

NOTE 5
PREFERRED
STOCK WITH
MANDATORY
REDEMPTION:

The Company is required to maintain a sinking fund sufficient to redeem 7,500 shares of its 12 percent Series Preferred Stock during each 12-month period ending August 31, at a redemption price of $100 per share plus accrued dividends. The Company also may redeem an additional 7,500 shares during each such period at a price determined in the same manner.

NOTE 6
SHORT-TERM
DEBT AND
LINES OF CREDIT:

The Company maintains bank lines of credit to obtain short-term borrowing flexibility. The Company either pays commitment fees, maintains compensating balances, or a combination of both. Compensating balances are average bank deposits that earn no interest. There are no legal restrictions on withdrawal of these funds. In accordance with normal banking practice, such unused lines of credit may generally be withdrawn at the discretion of the lenders. Information regarding short-term borrowings and lines of credit is as follows:

	1963	**1982**
	(In Thousands)	
As of end of year—		
Average interest rate on outstanding short-term borrowings	9.89%	8.93%
Unused lines of credit	$65,200	$65,200
Commercial paper outstanding	$ 5,000	$ –
Notes payable to financial institution	$ 6,000	$ 5,000
For the year ended—		
Maximum month-end amount of short-term borrowings	$11,000	$ 5,000
Average amount of short-term borrowings (based on daily outstanding balances)	$ 2,909	$ 310
Average interest rate on short-term borrowings	9.32%	9.13%

The average interest rate was computed by dividing total short-term interest expense for the period by the average amount of such borrowings outstanding.

Accounts payable includes the amount of checks issued to discharge liabilities of the Company but not yet cleared through our general fund bank account, less the deposit balance in this account. As of Dec. 31, 1983 and 1982, such net amounts were $9.6 million and $7.6 million, respectively.

NOTE 7 SEGMENT INFORMATION:

The following table sets forth certain information relating to the Company's consolidated operations.

	Year Ended December 31,				
	1983	1962	1961	1980	1979
	(In Thousands)				
OPERATION INFORMATION:					
Customer sales—					
Electric	$405,637	$370,074	$335,593	$297,707	$271,938
Gas	144,627	137,508	114,240	100,762	84,318
Water	3,368	3,223	3,030	2,501	2,198
Interdepartmental sales—					
Electric	829	789	667	564	550
Gas	1,036	880	982	2,612	3,270
Water	5	3	4	3	4
Total operating revenues	$555,502	$512,477	$454,516	$404,149	$362,278
Operating profit—					
Electric	$116,264	$113,068	$106,225	$ 85,916	$ 80,397
Gas	8,984	9,942	4,679	6,684	8,197
Water	1,116	1,061	954	692	661
Income taxes, current and deferred (i)	(51,551)	(49,400)	(43,715)	(34,132)	(34,933)
Other income and deductions, net	3,105	921	1,544	118	789
Interest expense, net	(23,331)	(28,237)	(28,960)	(24,094)	(22,090)
Net income per consolidated statements of income	$ 54,587	$ 47,355	$ 40,727	$ 35,184	$ 33,021
INVESTMENT INFORMATION:					
Identifiable assets at Dec. 31 (ii)—					
Electric	$757,608	$720,180	$682,679	$630,408	$595,561
Gas	100,372	90,777	86,922	81,777	72,439
Water	10,617	10,208	9,764	9,356	8,674
Assets not allocated (iii)	12,570	12,781	6,257	7,963	10,092
Total assets	$881,167	$833,946	$785,622	$729,504	$686,766
OTHER INFORMATION:					
Construction and nuclear fuel expenditures—					
Electric	$ 92,402	$ 95,141	$ 87,060	$ 78,584	$ 53,350
Gas	6,604	8,069	8,248	6,900	8,208
Water	811	825	759	796	826
Total construction and nuclear fuel expenditures	$ 99,817	$104,035	$ 96,067	$ 86,280	$ 62,384
Provision for straight-line depreciation—					
Electric	$ 32,433	$ 31,718	$ 27,313	$ 25,733	$ 23,501
Gas	4,419	4,160	3,836	3,560	3,295
Water	292	267	219	209	184
Total provision for straight-line depreciation	$ 37,144	$ 36,145	$ 31,368	$ 29,502	$ 26,980

(i) See Note 1k for information with respect to deferred income tax amounts recorded as additional depreciation.

(ii) Includes allocated common plant and is net of the respective accumulated provisions for depreciation.

(iii) Includes cash and special deposits, prepayments, other deferred charges and other investments.

NOTE 8
CONSOLIDATED QUARTERLY FINANCIAL DATA:
(Unaudited)

Seasonal factors significantly affect utilities and therefore the data presented below should not be expected to be comparable between quarters. Quarterly data is not necessarily indicative of the results to be expected for an annual period.

The fourth quarter of 1983 includes the effects of provisions for both gas cost refunds and charitable contributions.

The fourth quarter of 1982 includes an interest accrual for certain prior-year tax audit deficiencies, an increase in straight-line depreciation expense pursuant to a regulatory directive and an increase in expense associated with the Company's conservation programs. Also, the Company was not permitted to recover, through its fuel adjustment clause, approximately $3.1 million of nuclear fuel expense, including anticipated storage costs. Principally, these items, combined with a decline in unit sales due to economic conditions and warmer than normal weather, resulted in a decline in fourth quarter 1982 earnings.

Quarterly earnings per share may not total for the year since the quarterly computations are based on weighted average shares outstanding during each quarter.

Quarter Ended	Operating Revenues	Net Operating Income	Net Income	Earnings on Com. Stk.	Earnings/ Share of Com. Stk.
		(In Thousands except for Per Share Data)			
1983:					
March 31	$152,289	$22,345	$18,790	$17,523	$1.42
June 30	$119,942	$15,313	$10,875	$ 9,623	$0.77
September 30	$130,547	$20,459	$15,043	$13,821	$1.10
December 31	$152,725	$16,696	$ 9,878	$ 8,656	$0.68
1982:					
March 31	$161,413	$26,926	$20,610	$19,325	$1.63
June 30	$108,598	$15,334	$ 9,163	$ 7,880	$0.66
September 30	$109,609	$17,808	$11,867	$10,605	$0.88
December 31	$132,858	$14,603	$ 5,714	$ 4,447	$0.36

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

Supplementary Information to Disclose the Effects of Changing Prices (Unaudited)

The following supplementary information is presented in accordance with the requirements of the Financial Accounting Standards Board's Statement No. 33, "Financial Reporting and Changing Prices," for the purpose of providing certain information about the effects of changing prices. It should be viewed as an estimate of the approximate effect of inflation, rather than as a precise measure.

Constant dollar amounts represent historical costs stated in terms of dollars of equal purchasing power, as measured by the Consumer Price Index for All Urban Consumers.

Current cost amounts reflect the changes in specific prices of plant from the date the plant was acquired to the present, and differ from constant dollar amounts to the extent that specific prices have increased more or less than prices in general.

The current cost of plant represents the estimated cost of replacing existing plant assets and was determined by indexing the surviving plant by the Handy-Whitman Index of Public Utility Construction Costs.

The current year's provision for depreciation, amortization of nuclear fuel and additional depreciation on the constant dollar and current cost amounts of property, plant and equipment was determined by applying the Company's depreciation or amortization rates to the indexed plant and nuclear fuel amounts.

As prescribed in Statement 33 income taxes were not adjusted.

Fuel inventories, the cost of fuel used in generation (except nuclear fuel amortization) and gas purchased for resale have not been restated from their historical cost in nominal dollars. Regulations limit the recovery of fuel and purchased gas costs through the operation of adjustment clauses or adjustments in basic rate schedules to actual costs. For this reason fuel inventories (excluding nuclear fuel) are effectively monetary assets.

Under the ratemaking prescribed by the Wisconsin Public Service Commission (PSC), only the historical cost of plant is recoverable in revenues as depreciation. Therefore, the difference between the cost of plant stated in terms of constant dollars or current costs and the historical cost of plant is not presently recoverable in rates as depreciation, and is reflected as an adjustment to net recoverable cost. While the PSC gives no recognition to the indexed values of property, plant and equipment, based on past practices, the Company is of the opinion that it will be allowed to earn on the increased cost of its net investment in plant when replacement of facilities actually occurs.

To properly reflect the economics of rate regulation in the "Statement of Income from Continuing Operations," the adjustment of net property, plant and equipment should be offset by the gain from the decline in purchasing power of net amounts owed.

During a period of inflation, holders of monetary assets suffer a loss of general purchasing power while holders of monetary liabilities experience a gain. The gain from the decline in purchasing power of net amounts owed is primarily attributable to the substantial amount of debt that has been used to finance property, plant and equipment. Since the depreciation on this plant is limited to the recovery of historical cost, the Company does not have the opportunity to realize a holding gain on debt and is limited to recovery only of the embedded cost of debt capital.

Supplementary Financial Data Adjusted for the Effects of Changing Prices for the Year Ended December 31, 1983

(In Thousands of Average 1983 Dollars)

	1983 Constant Dollar	1983 Current Cost
Net income as reported in the primary consolidated statement of income	$54,587	$54,587
Increase in provision for depreciation	(50,910)	(58,158)
Net income (excluding adjustment to net recoverable cost)	3,677	(3,571)
Adjustment to net recoverable cost	22,916	41,551
Reduction of purchasing power loss through debt financing	14,421	14,421
Increases in specific prices of utility plant held during the year	–	34,027
Less effect on net plant of increase in the general price level	–	(45,414)
Net income adjusted for the effects of changing prices	$41,014	$41,014

Five-Year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices

(In Thousands of Average 1967 Dollars)

	Years Ended December 31, 1983	1982	1981	1980	1979
Operating revenues	$186,098	$177,266	$166,856	$163,756	$166,641
Net assets at year-end at net recoverable cost	$124,984	$119,495	$115,257	$118,981	$128,320
Historical cost information adjusted for general inflation					
Net income (excluding adjustment to net recoverable cost)	$ 1,232	$ 4,191	$ 531	$ 1,750	$ 4,731
Earnings (loss) per common share (after dividends on preferred stock and excluding adjustment to net recoverable cost)	$ (.03)	$ .20	$ (.12)	$ (.03)	$ .20
General information					
Reduction of purchasing power loss through debt financing	$ 4,831	$ 4,504	$ 10,966	$ 15,753	$ 18,277
Cash dividends declared per common share	$ .79	$ .76	$ .75	$ .76	$ .83
Market price per common share at year-end	$ 9.37	$ 8.21	$ 6.84	$ 6.53	$ 7.72
Average consumer price index	298.5	289.1	272.4	246.8	217.4
Current cost information					
Net income (loss) (excluding adjustment to net recoverable cost)	$ (1,196)	$ 1,584	$ (1,320)	$ 73	$ 2,586
Earnings (loss) per common share (after dividends on preferred stock and excluding adjustment to net recoverable cost)	$ (.23)	$ (.01)	$ (.28)	$ (.18)	$ .01
General price level increases in excess of (less than) specific price increases	$ 3,815	$ 5,314	$ (11,047)	$ 25,456	$ 16,331

Five-Year Comparative Data

	Year Ended December 31,					Four-Year Change	
	1983	1982	1981	1980	1979	Amount	Percent
CONSOLIDATED ELECTRIC STATISTICS							
Customers served (end of period):							
Residential and rural	**274,253**	270,924	269,218	266,344	262,679	11,574	4.4
Industrial	**511**	495	494	491	473	38	8.0
Commercial	**35,019**	34,450	33,765	33,112	32,323	2,696	8.3
Wholesale	**42**	41	41	41	41	1	2.4
Class A	**5**	6	6	6	4	2	50.0
Other	**893**	915	912	913	919	(26)	(2.8)
Total	**310,724**	306,831	304,436	300,907	296,439	14,285	4.8
Sales—kilowatt-hours (in thousands):							
Residential and rural	**2,232,331**	2,153,905	2,089,738	2,115,735	2,052,605	179,726	8.8
Industrial	**2,134,768**	1,932,986	2,037,912	1,974,380	2,050,866	83,902	4.1
Commercial	**1,232,932**	1,171,030	1,146,005	1,147,810	1,119,412	113,520	10.1
Wholesale	**1,379,151**	1,283,842	1,258,888	1,242,395	1,210,293	168,858	14.0
Class A	**691,796**	365,871	530,415	905,625	719,149	(27,353)	(3.8)
Other	**58,759**	57,241	58,500	60,368	69,992	(11,233)	(16.0)
Total	**7,729,737**	6,969,875	7,121,458	7,446,313	7,222,317	507,420	7.0
Electric operating revenues (in thousands):							
Residential and rural	**$152,075**	$143,236	$124,750	$107,151	$ 97,262	$ 54,813	56.4
Industrial	**94,587**	86,122	80,989	67,516	64,324	30,263	47.0
Commercial	**80,566**	75,856	66,223	55,460	49,953	30,613	61.3
Wholesale	**51,893**	47,061	40,053	35,686	31,383	20,510	65.4
Class A	**19,398**	11,543	17,799	25,900	24,203	(4,805)	(19.9)
Other	**7,947**	7,045	6,446	6,558	5,363	2,584	48.2
Total	**$408,486**	$370,863	$336,260	$298,271	$272,488	$133,978	49.2
System capacity—at time of system peak (Kw's):							
Company plants (including jointly owned)	**1,637,200**	1,631,000	1,622,900	1,648,400	1,644,500	(7,300)	(0.4)
Firm purchased power	**184,700**	157,700	25,700	40,700	47,700	137,000	287.2
Total	**1,821,900**	1,788,700	1,648,600	1,689,100	1,692,200	129,700	7.7
System peak demand	**1,403,000**	1,252,000	1,262,000	1,259,000	1,240,000	163,000	13.1
Reserve margin at time of peak	**418,900**	536,700	386,600	430,100	452,200	(33,300)	(7.4)
CONSOLIDATED GAS STATISTICS							
Customers served (end of period):							
Residential	**93,498**	92,289	91,337	89,620	87,490	6,008	6.9
Commercial firm	**10,812**	10,655	10,430	10,013	9,473	1,339	14.1
Industrial firm	**384**	382	383	377	375	9	2.4
Interruptible	**144**	143	140	131	124	20	16.1
Total	**104,838**	103,469	102,290	100,141	97,462	7,376	7.6
Sales-therms (in thousands):							
Residential	**101,427**	106,587	100,556	111,408	115,208	(13,781)	(12.0)
Commercial firm	**58,284**	63,025	57,158	61,710	63,706	(5,422)	(8.5)
Industrial firm	**25,757**	23,641	24,794	24,775	29,914	(4,157)	(13.9)
Interruptible	**64,425**	65,293	73,253	75,700	82,699	(18,274)	(22.1)
Interdepartmental sales	**2,252**	1,378	1,913	7,452	11,500	(9,248)	(80.4)
Total	**252,145**	259,924	257,674	281,045	303,027	(50,882)	(16.8)
Gas operating revenues (in thousands):							
Residential	**$ 66,359**	$ 61,660	$ 48,545	$ 42,973	$ 35,188	$ 31,171	83.6
Commercial firm	**34,072**	32,576	26,115	22,786	18,655	15,417	82.6
Industrial firm	**14,577**	12,278	10,798	9,146	8,649	5,928	68.5
Interruptible	**28,996**	28,174	27,043	23,975	20,026	8,972	44.8
Interdepartmental sales and other	**1,657**	3,700	2,721	4,494	5,070	(3,413)	(67.3)
Total	**$145,663**	$138,388	$115,222	$103,374	$ 87,588	$ 58,075	66.3
Maximum daily sendout—therms (in thousands)	**2,077**	2,031	2,030	1,941	1,995	82	4.1

COMPANY PROFILE

Wisconsin Power and Light Company serves 39 counties; 622 cities, villages and towns; and more than 321,000 electric, gas and water customers in a 16,000-square-mile area in south-central Wisconsin. The Company employs 2,400 people in field locations, generating stations and in the Company's corporate offices in Madison.

The service territory is organized into three regions, creating a network of 14 district offices. Engineering and warehousing facilities are located in Fond du Lac and near Beloit to serve the northern and southern sections of the territory.

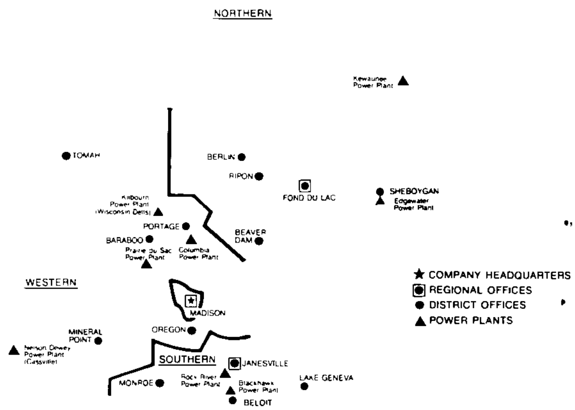
The generating mix of WP&L's major power plants includes coal, nuclear and hydroelectric power.

The five coal-fired generating stations account for more than 74 percent of the Company's capacity. The Columbia Energy Center, located near Portage, is the Company's largest coal plant. Owned jointly with several utilities, the plant's two units have a combined capacity of nearly 1,000 megawatts. Edgewater is a multi-unit coal plant located on the shores of Lake Michigan in Sheboygan with a capacity of 441 megawatts. One unit at Edgewater is owned jointly with another utility. An additional unit now is under construction and will be in operation in March 1985. Smaller coal-fired generating stations in the WP&L system are Rock River and Blackhawk, located on the Rock River near Janesville and in Beloit, respectively, and Nelson Dewey, located on the Mississippi River in Cassville.

Nuclear energy contributes more than 13 percent to WP&L's system capacity through the Kewaunee Nuclear Plant that WP&L owns jointly with several utilities. Located on the shores of Lake Michigan in eastern Wisconsin, the unit has been in service since 1974 and has a capacity of about 535 megawatts.

Hydroelectric generating stations on the Wisconsin River at Prairie du Sac and Wisconsin Dells produce nearly 40 megawatts—about 2.5 percent of WP&L's system capacity. Additional peaking units and small hydro facilities bring the Company's system capacity to more than 1,600 megawatts.

An equally important component of WP&L's business is natural-gas distribution. A network of



more than 2,100 miles of gas distribution lines serves approximately 105,000 customers in 178 cities, villages and towns. A water utility, serving residents of Beloit, Ripon and South Beloit, Ill., also is a component of the WP&L business.

In 1982 WP&L acquired a majority interest in Windworks, Inc., a manufacturer of wind-energy machines and power conditioning equipment. As a subsidiary of WP&L, Windworks adds technological and assembly capabilities to WP&L's ongoing interest in renewable energy systems.

In 1983 the Company acquired Residuals Management Technology, Inc., an environmental consulting firm that specializes in solid- and hazardous-waste management, groundwater quality protection, industrial hygiene engineering and environmental control.

Nearly 50,000 shareowners own the Company. People from every state in the nation and several foreign countries have invested in WP&L. Most WP&L shareowners, however, live in Wisconsin. Approximately 56 percent of the common and 80 percent of the preferred shareowners are Wisconsin residents.

The average common-stock holding is 298 shares, a figure that includes both individual and institutional shareowners. Holdings by individual investors represent about 60 percent of the total.

AND PERSONNEL

OFFICERS

(As of December 31, 1983)

James R. Underkofler
Chairman of the Board, President and Chief Executive Officer

Robert A. Carlsen
Vice President - Customer Service and Corporate Communications

Erroll B. Davis, Jr.
Vice President - Finance and Public Affairs

William L. Keepers
Vice President - Administration and System Planning

Charles G. Kerndt
Vice President - Electric Operations and Engineering

Edward F. Killeen
Vice President - Employee Relations

Homer J. Vick*
Vice President

Thomas L. Consigny
Assistant Vice President - Public Affairs

Dualne L. Mossman
Assistant Vice President - Wholesale/Large Industrial Relations and Economic Development

George A. Goff
Controller

Edward M. Gleason
Treasurer and Secretary

James E. Emerick
Assistant Controller

John L. Walker
Assistant Controller

Eliot G. Protsch
Assistant Treasurer

Thomas A. Landgraf
Assistant Secretary

*Placed on disability leave, February 1983

MANAGEMENT

GENERAL OFFICE DEPARTMENT HEADS

Daniel L. Bartel
Director of Electrical Operations

James W. Bindl
Director of Human Resource Planning and Development

Donald L. Brown
Director of Generation and System Planning

David E. Ellestad
Director of Electrical Engineering

John G. Fable
Director of Safety

George E. Gilbert
Director of Gas Operations and Real Estate

Daniel A. Gomez-Ibanez
Director of Strategic Business Planning

Richard M. Gregory
Director of Purchases and Stores

Merlin E. Horn
Director of Environmental Affairs

Theodore J. Iltis
Director of Advanced Technology and Nuclear Affairs

Glen R. Klelley
Director of Personnel

John W. Laub
Director of Information and Administrative Services

Dale G. Moody
Director of Consumer Services

Donald R. Plepenburg
Director of Corporate Communications

William C. Register
Director of System Operations and Planning

George L. Richardson
Director of Generating Station Engineering and Construction

David W. Thompson
Director of Generating Station Operations

Charlotte O. Woods
Director of Internal Audits

REGIONAL MANAGERS

Donald P. Goiffon
Southern Region (Janesville)

James E. Johnson
Western Region (Madison)

George E. Wennerlyn
Northern Region (Fond du Lac)

DISTRICT MANAGERS

Roger L. Baumann
Fond du Lac

Ronald L. Cowan
Baraboo

Philip E. Crawford
Mineral Point

John D. Grawe
Janesville

Robert G. Lindenau
Dane County (Oregon)

Felix J. Matarrese
Portage

Thaddeus A. Miller
Lake Geneva

Suzette M. Mullooly
Beaver Dam

Jules A. Nicolet
Sheboygan

W. Keith Penniston
Berlin

Larry L. Studesville
Beloit

Michael J. Wish
Tomah

GENERATING STATION MANAGERS

Carl R. Diehls
Columbia (Portage)

William A. Frederick
Nelson Dewey (Cassville)

Henry R. Hosterman
Edgewater (Sheboygan)

Thomas M. Schreoder
Blackhawk and Rock River (Beloit)

1983 MANAGEMENT CHANGES

Donald P. Goiffon was named Southern Regional Manager in February. He had been District Manager at Beloit. **Larry L. Studesville** was named to succeed Goiffon as District Manager at Beloit. Studesville had been Local Manager at West Madison.

Daniel L. Bartel was named Director of Electrical Operations in March. He succeeded the late **George R. Bylngton**, who died March 18. Bartel had been District Manager at Fond du Lac.

Roger L. Baumann was named District Manager at Fond du Lac in April. He previously served as District Manager at Lake Geneva.

Glen R. Klelley was named Director of Personnel in April. He had been Vice President-Industrial Relations at the Madison-Kipp Corp., Madison, Wis.

Thaddeus A. Miller was named District Manager at Lake Geneva in May. He previously served as Supervisor of Generation Planning, Generation and System Planning.

W. Keith Penniston was named District Manager at Berlin in January. Penniston had been District Manager at Tomah. **Michael J. Wish** was named to succeed Penniston. Wish previously served as Customer Relations Administrator at Dane County.

In April the Company announced the reorganization of its financial, strategic planning and customer relations areas. Following are the major elements of the reorganization:

A new department - Wholesale/Large Industrial Relations and Economic Development - was formed. **Dualne L. Mossman** was elected Assistant Vice President-Wholesale/Large Industrial Relations and Economic Development. He had been Corporate Secretary and Director of Strategic Planning Services.

Edward M. Gleason was elected Treasurer and Secretary. He had been Assistant Controller and had assumed the responsibilities of Treasurer April 1 following the resignation of Frederick A. Remeschatis.

Daniel Gomez-Ibanez was named Director of Strategic Business Planning. He previously served as Director of Customer Accounting and Rates.

Thomas A. Landgraf was elected Assistant Secretary. He previously served as Assistant Controller.

Eliot G. Protsch was elected Assistant Treasurer. He had been Financial Relations Supervisor, Treasury Department.

James E. Emerick was elected Assistant Controller. He had been Supervisor of Rate Case and Asset Planning, Controller's Department.

John L. Walker was elected Assistant Controller. He previously served as Rates Manager, Customer Accounting and Rates.

NON-UTILITY SUBSIDIARIES

RESIDUALS MANAGEMENT TECHNOLOGY, INC.

E. Brooks Becker
President

Thomas P. Kunes
Executive Vice President

John J. Reinhardt
Senior Vice President - Operations

WINDWORKS, INC.

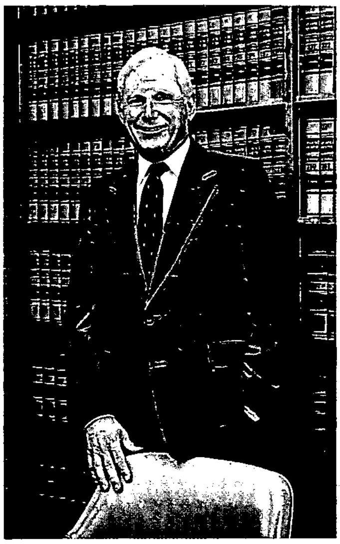
Hans F. Meyer
President and Treasurer

Edward M. Gleason
Secretary

Pamela D. Meyer
Assistant Treasurer and Assistant Secretary

BOARD OF DIRECTORS

(as of December 31, 1983)



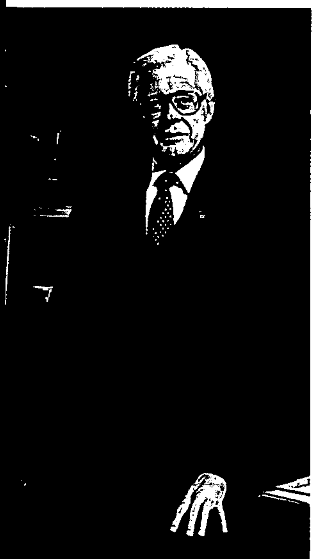
Eugene O. Gehl
Corporate Counsel for
Wisconsin Power and Light
Company and partner in the
firm of Brynelson, Herrick,
Gehl & Bucaida,
Madison, Wisconsin
A WP&L director since 1977

Henry C. Prange
Chairman of the Board,
President and
Chief Executive Officer,
H.C. Prange Company
(retail department stores),
Sheboygan, Wisconsin
A WP&L director since 1965

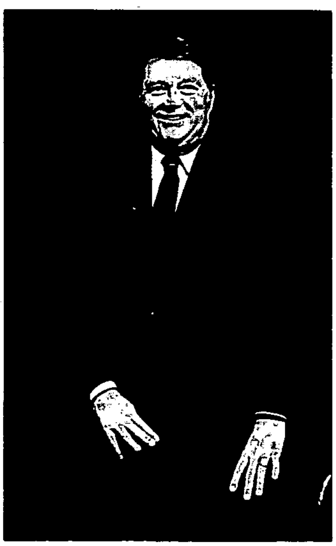
Gerard E. Veneman
President and Chief Executive
Officer,
Nekoosa Papers, Inc.
(a subsidiary of
Great Northern Nekoosa
Corporation),
Port Edwards, Wisconsin;
and Director and Executive
Vice President, Great Northern
Nekoosa Corporation (a paper
and pulp manufacturer and
distributor),
Stamford, Connecticut
A WP&L director since 1980

Carol T. Toussaint
Executive Director,
The United Madison
Community Foundation,
Madison, Wisconsin
A WP&L director since 1976

Henry F. Scheig
President and
Chief Executive Officer,
Aid Association for Lutherans
(a fraternal benefit society),
Appleton, Wisconsin
A WP&L director since 1980



James R. Underkofler
Chairman of the Board,
President and
Chief Executive Officer,
Wisconsin Power
and Light Company
A WP&L director since 1965



L. David Carley
Partner, Carley Capital Group
(a venture capital group)
Washington, D.C.
Elected to the Board of
Directors in October 1983
Also was a WP&L director
from 1975 to 1977

Dr. Bernard S. Adams
President, Ripon College,
Ripon, Wisconsin
A WP&L director since 1970

Rockne G. Flowers
President, Nelson Industries,
Inc. (a muffler and filter
manufacturing firm),
Stoughton, Wisconsin
A WP&L director since 1979

Shirley B. Thompson
Executive Assistant for the
Wisconsin Advisory Council on
Vocational Education,
Madison, Wisconsin
and Farm Owner and Manager,
Mt. Horeb, Wisconsin
A WP&L director since 1978

COMMITTEES OF THE BOARD

The Audit Committee recommends the independent auditors to be selected by the shareowners at the annual meeting. The committee reviews with the independent auditors the scope and results of the audit and matters regarding the Company's financial reporting and internal accounting controls. It meets with the management and the independent auditors to discuss and review accounting and reporting principles, policies and practices to be used. Both the internal and the independent auditors periodically meet alone with the committee and have authority to contact it on any matters requiring its attention. The committee consists of all board members who are not employees or officers of the Company.

The Corporate Planning and Performance Committee examines corporate planning and performance, including the review of such items as sales and load forecasts, operating and construction plans and budgets, financing programs and rate-case matters. The committee consists of all members of the Board of Directors.

The Personnel Committee functions as an executive review group, evaluating overall management performance and efficiency. The committee also reviews human resource development and affirmative action programs, benefit plans and changes and major provisions of negotiated employment contracts. It approves the salaries of officers and managers. The committee consists of all board members who are not employees or officers of the Company and the chief executive officer as a nonvoting member.

The Nominating Committee recommends to the board nominees for election to the board and reviews the appropriateness of present board members' continued membership on the board. The committee consists of the chief executive officer and two members of the board who are not employees or officers of the Company.

INFORMATION FOR S

MARKET INFORMATION

Wisconsin Power and Light Company common stock is listed on the New York Stock Exchange and has unlisted trading privileges on the Midwest Stock Exchange. The trading symbol is **WPL**. The 4½ percent preferred stock is traded on the American Stock Exchange. All other preferred series are traded in the over-the-counter market.

The following table represents the high and low sales prices for common stock as reported by the New York Stock Exchange-Composite Transactions.

WPL Common Stock Prices

1983	High	Low	1982	High	Low
1st quarter	26⅞	24	1st quarter	22⅛	19⅛
2nd quarter	26½	23	2nd quarter	23¼	21
3rd quarter	27⅜	23⅛	3rd quarter	25½	20¼
4th quarter	29⅛	27	4th quarter	29½	22¼

DIVIDENDS

Dividends on Wisconsin Power and Light Company stock have been paid quarterly since January 1946. Common stock dividends are normally payable as authorized by the Board of Directors on the 15th of February, May, August and November to shareowners of record the last business day of the preceding month. Preferred stock dividends are payable on the 15th of March, June, September and December. Preferred record dates are also the last business day of the month preceding the payment dates.

Cash dividends per share paid during 1983 were 58 cents for the first two quarters and 60 cents for the last two quarters, for a total of $2.36 per share for the year.

Preferred stock dividends paid per share for each quarter during 1983 were as follows: 4.5%, $1.125; 4.8%, $1.20; 4.96%, $1.24; 4.4%, $1.10; 4.76%, $1.19; 8.48%, $2.12; 7.56%, $1.89; and 12%, $3.00.

DIVIDEND REINVESTMENT PLAN

WP&L offers to its shareowners and employees the opportunity to purchase new shares of its common stock through the investment of common and preferred dividends and optional cash contributions. Plan participants incur no brokerage commissions, fees or service charges for purchases under the plan. The price of shares purchased with reinvested dividends is discounted 5 percent from market value. Optional cash contributions of up to $3,000 per month may be made to purchase shares at market value.

Dividends reinvested under the WP&L Dividend Reinvestment Plan are eligible to be treated as qualified dividends under provisions of the 1981 Economic Recovery Tax Act. An individual shareowner (other than a non-resident alien) may elect to exclude from income up to $750 ($1,500 on a joint return) of qualified reinvested dividend income on a federal income tax return. This exclusion is available for qualified reinvested dividends paid between Jan. 1, 1982, and Dec. 31, 1985. A more complete discussion of this provision is included in the Dividend Reinvestment Plan Prospectus.

Plan prospectuses are available upon request from Shareowner Services.

ANNUAL MEETING

Shareowners are cordially invited to attend the corporate Annual Meeting at 10 a.m. local time, Wednesday, April 18, 1984, at the Dane County Coliseum, 1881 Expo Mall, Madison, WI. Proxy materials will be mailed to shareowners in early March.

HAREOWNERS

SHAREOWNER INFORMATION

WP&L's shareowner and stock plan records are maintained in the corporate general offices. Shareowner inquiries and requests from the general public for any financial publications may be directed to:

Wisconsin Power and Light Company
Attn: Shareowner Services
P.O. Box 192
Madison, WI 53701

Toll-free shareowner information numbers are:

Local calls (Madison area)	252-3110
Other Wisconsin	1-800-362-5490
Outside Wisconsin	1-800-356-5343

STOCK TRANSFER AGENTS AND REGISTRARS

TRANSFER AGENTS

FOR COMMON AND PREFERRED STOCK:

Illinois Stock Transfer Company
223 W. Jackson Blvd.
Chicago, IL 60606

FOR COMMON STOCK ONLY:

Morgan Guaranty Trust Company
30 W. Broadway
New York, NY 10015

REGISTRARS

Continental Illinois National Bank & Trust Company of Chicago
231 South LaSalle Street
Chicago, IL 60693

Morgan Guaranty Trust Company
30 W. Broadway
New York, NY 10015

FORM 10-K INFORMATION

A copy of Form 10-K as filed with the Securities and Exchange Commission will be provided without charge upon request. Requests may be directed to Shareowner Services.

DUPLICATE ACCOUNTS AND MAILINGS

If you are receiving more than one Annual Report or other duplicate mailings from Shareowner Services, it is probably because of some slight variation in your name on our records. WP&L establishes shareowner accounts on the basis of names and addresses provided by you or your broker when stock is transferred or issued.

If you do not need two or more mailings, we would prefer, when possible, sending you just one. Please send a written request to Shareowner Services to eliminate any unnecessary duplicate mailings.

STOCK HELD IN "STREET NAME"

The Company maintains a direct mailing list to ensure that shareowners whose stock is held in broker accounts may receive information on a timely basis. If you would like your name added to this list, please send your request to Shareowner Services.

INVESTOR RELATIONS INFORMATION

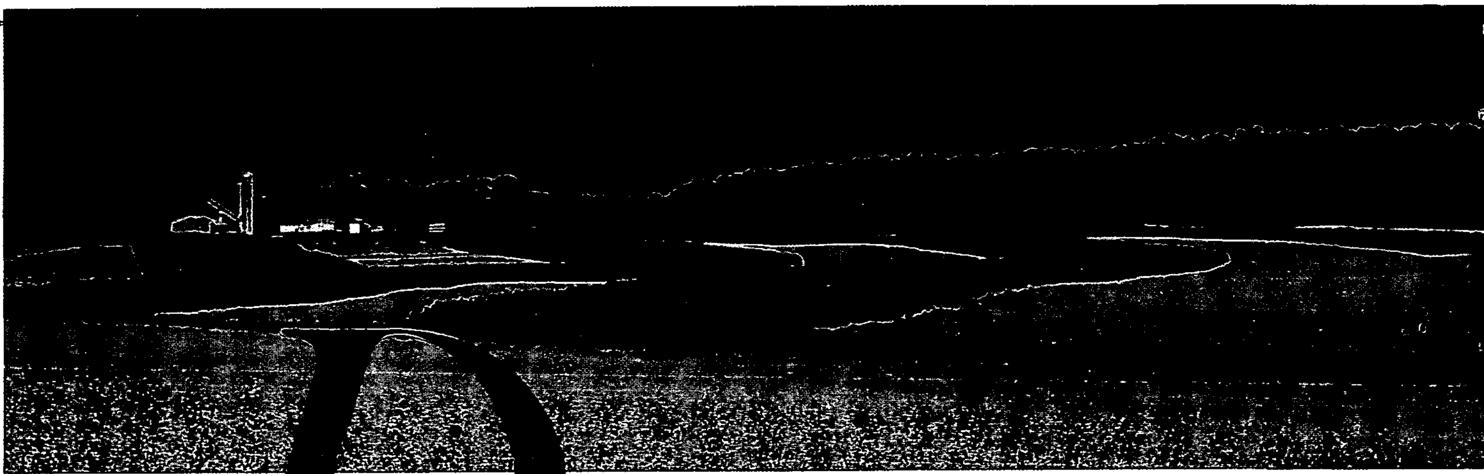
Inquiries from the financial community may be directed to:

Wisconsin Power and Light Company
Attn: Investor Relations
P.O. Box 192
Madison, WI 53701

Toll-free investor relations numbers are:

In Wisconsin	1-800-362-5311
Outside Wisconsin	1-800-622-2258

This Annual Report to shareowners is published primarily for their use by Wisconsin Power and Light Company, Corporate Communications Department. It is not submitted in connection with the sale, offer to sell or offer to buy any security.



1984 DATES OF INTEREST TO SHAREOWNERS

JANUARY 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 **16** 17 18 19 20 21 22 23 24 25 26 27 28 29 30 **31**

FEBRUARY 1 2 3 4 5 6 7 8 9 10 11 12 13 14 $\boxed{15}$ 16 17 18 19 20 21 22 23 24 25 26 27 28 **29**

MARCH 1 2 3 4 5 6 7 8 9 10 11 12 13 14 $\boxed{15}$ 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

APRIL 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 **16** 17 18 19 20 21 22 23 24 25 26 27 28 29 **30**

MAY 1 2 3 4 5 6 7 8 9 10 11 12 13 14 $\boxed{15}$ 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 **31**

JUNE 1 2 3 4 5 6 7 8 9 10 11 12 13 14 $\boxed{15}$ 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30

JULY 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 **16** 17 18 19 20 21 22 23 24 25 26 27 28 29 30 **31**

AUGUST 1 2 3 4 5 6 7 8 9 10 11 12 13 14 $\boxed{15}$ 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 **31**

SEPTEMBER 1 2 3 4 5 6 7 8 9 10 11 12 13 14 **15** 16 **17** 18 19 20 21 22 23 24 25 26 27 28 29 30

OCTOBER 1 2 3 4 5 6 7 8 9 10 11 12 13 14 **15** 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 **31**

NOVEMBER 1 2 3 4 5 6 7 8 9 10 11 12 13 14 $\boxed{15}$ 16 17 18 19 20 21 22 23 24 25 26 27 28 29 **30**

DECEMBER 1 2 3 4 5 6 7 8 9 10 11 12 13 14 **15** 16 **17** 18 19 20 21 22 23 24 25 26 27 28 29 30 31

■ Common record date ⊡ Common dividend payment date ⬒ Dividend Reinvestment Plan investment dates

■ Preferred record date ■ Preferred dividend payment date □ Annual Meeting

Wisconsin Power & Light Company
P.O. Box 192
Madison, Wisconsin 53701

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