— NOTICE —

THE ATTACHED FILES ARE OFFICIAL RECORDS OF THE DIVISION OF DOCUMENT CONTROL. THEY HAVE BEEN CHARGED TO YOU FOR A LIMITED TIME PERIOD AND MUST BE RETURNED TO THE RECORDS FACILITY BRANCH 016. PLEASE DO NOT SEND DOCUMENTS CHARGED OUT THROUGH THE MAIL. REMOVAL OF ANY PAGE(S) FROM DOCUMENT FOR REPRODUCTION MUST BE REFERRED TO FILE PERSONNEL.

DEADLINE RETURN DATE

Docket #50-305
Control #8504030278
Date 03/22/85 of Document:
REGULATORY DOCKET FILE

RECORDS FACILITY BRANCH

8504030285 850322
PDR ADOCK 05000305
I PDR

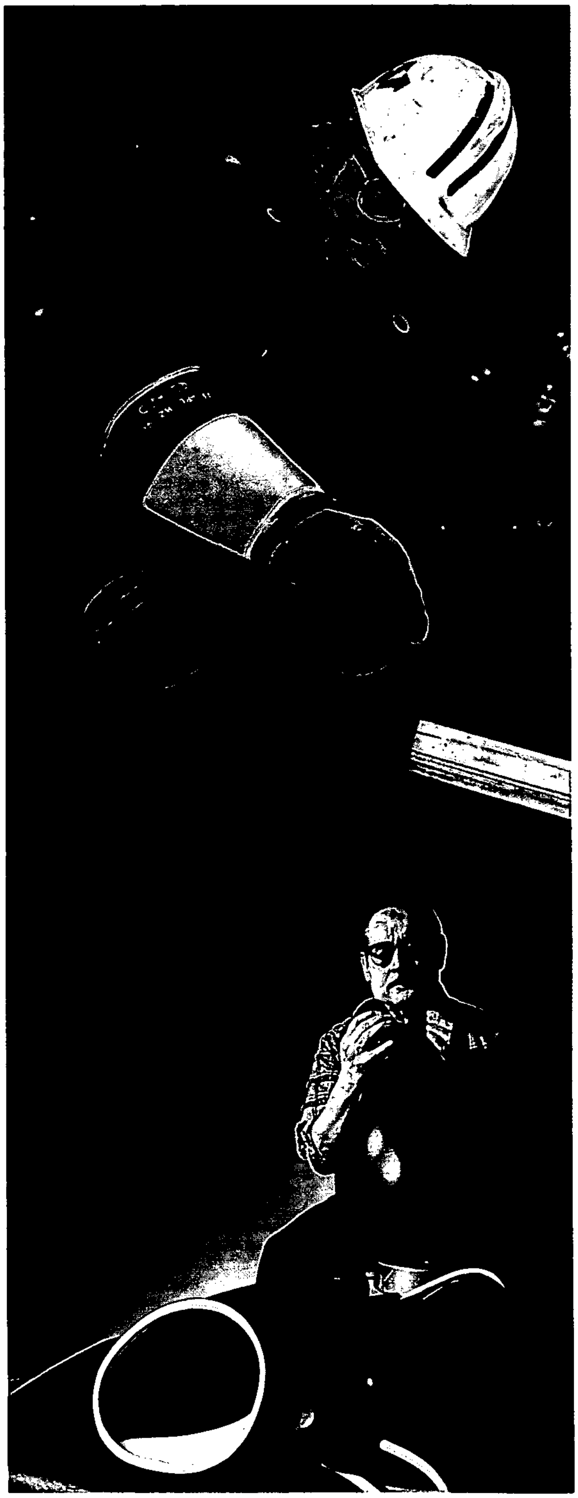
Wisconsin Power & Light Company
is an energy corporation with assets of nearly $1 billion. The Company's regulated core utility business provides electric power, natural gas and water to 326,000 customers. Founded 60 years ago, the utility supplies reliable and safe energy at prices that are competitive and that produce a fair return for shareowners. The Company's non-utility subsidiaries engage in complementary business activities, primarily in the areas of energy services, telecommunications and environmental services.

Contents

Wisconsin Power and Light Company's 60-year record of achievement is built on a commitment to excellence spearheaded by management and shared by its 2,400 employees. Their superior performance of the vital day-to-day operations of the Company is one of WP&L's greatest strengths.

The job of Safety Equipment Tester, for example, is not a high-profile one, but Bill Meier's position is essential to utility employees who must cope with safety hazards daily as they ensure the efficient delivery of WP&L's products and services to our customers.

Meier, WP&L's only Safety Equipment Tester, performs visual inspections, safety tests and repairs of the Company's safety equipment such as the rubber mitt he is inspecting, at right.



The mitt, which also appears on the cover, protects WP&L employees like Marvin Lee (above), Line Technician at Baraboo, a 33-year employee who works with high-voltage equipment. Even an undetected pinhole in a rubber mitt could spell disaster for the employee using it.

In 1984 Meier, who has been with WP&L for 34 years, tested more than 13,000 pieces of safety equipment, performing his duties with skill, patience and a commitment to excellence reinforced by the knowledge that doing his job well enables Lee and his other co-workers to do their jobs safely and effectively.

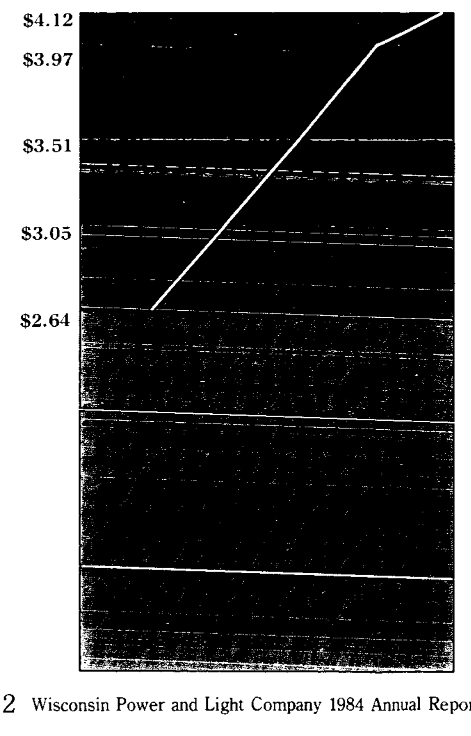
The key to Wisconsin Power and Light's tradition of excellence is people like Bill Meier and Marvin Lee.

A Commitment to Excellence

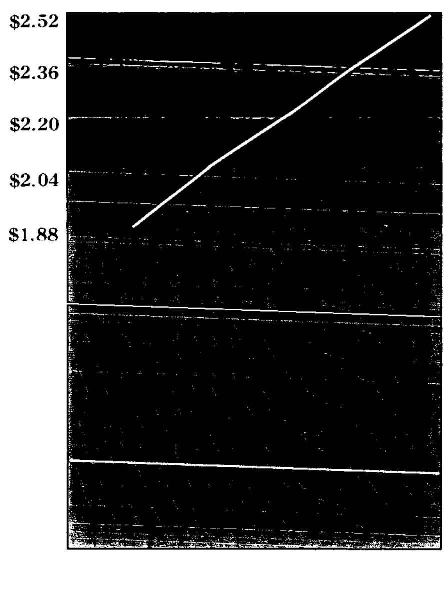
1984 Financial Highlights

	1984	1983
Operating revenues	**$575,476,000**	$555,502,000
Operating expenses	**$499,509,000**	$480,689,000
Net income	**$ 58,332,000**	$ 54,587,000
Earnings on common stock	**$ 53,552,000**	$ 49,624,000
Earnings per share of common stock	**$4.12**	$3.97
Dividends per share of common stock	**$2.52**	$2.36
Total capitalization	**$711,439,000**	$666,612,000
Electric sales (thousand kilowatt-hours)	**8,589,490**	7,729,737
Gas sales (thousand therms)	**261,917**	252,145

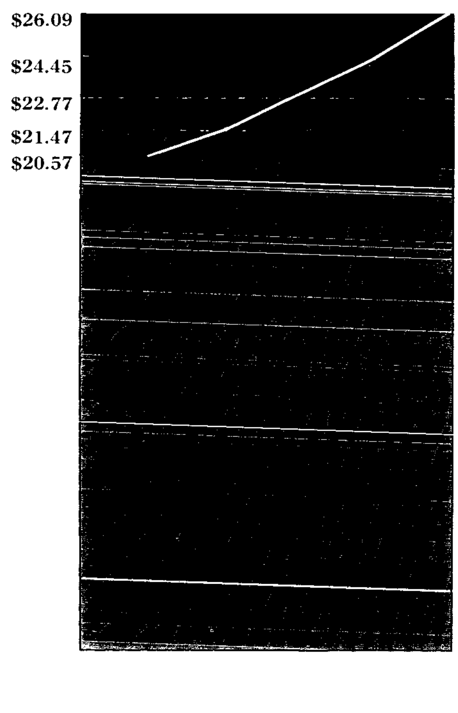
Earnings Per Share of Common Stock
(In dollars)



Dividends Per Share of Common Stock
(In dollars)



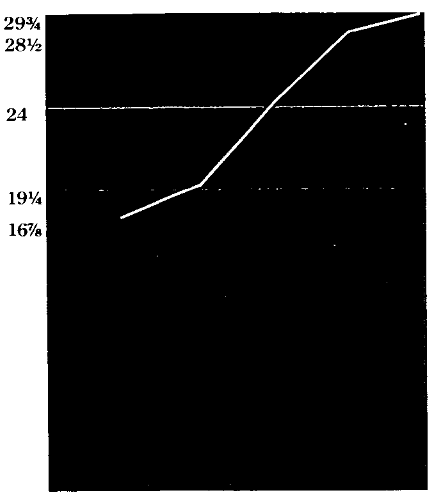
Book Value Per Share of Common Stock
(In dollars – at year end)



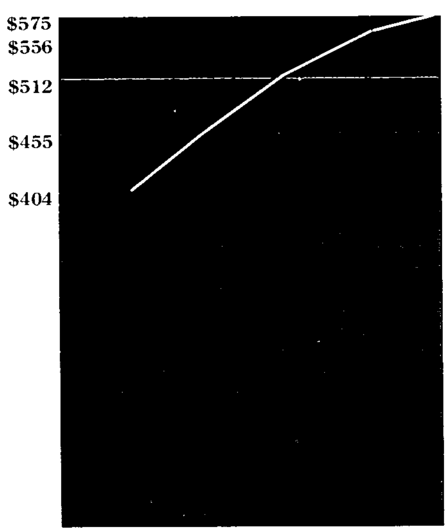
- WP&L's bond rating was upgraded to Aaa by Moody's Investors Service and to AA+ by Standard & Poor's.
- Earnings per share increased 3.8 percent in 1984 and averaged 10.5 percent annually over the past five years.
- Dividends per share increased 16 cents, or 6.8 percent.
- Market value of shares of common stock reached a record high of 30⅞ in 1984 and exceeded book value at year-end by 14 percent.
- 77 percent of total capital requirements were generated internally.
- Electric sales increased 11.1 percent in 1984, primarily due to a rise in sales to industrial customers, reflecting a strengthened economy.

■ 1984
■ 1983
■ 1982
■ 1981
■ 1980

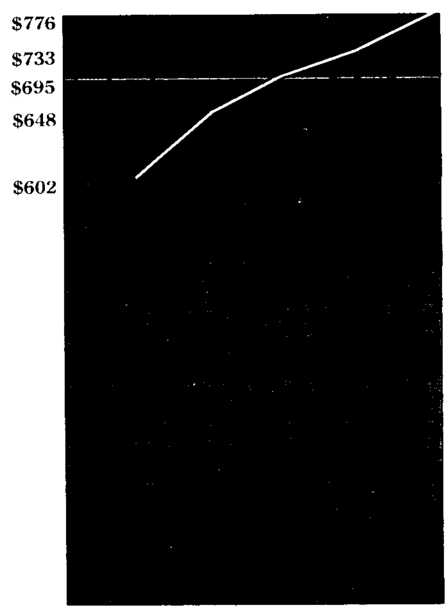
Market Value Per Share of Common Stock
(In dollars – year-end closing)



Total Operating Revenues
(In millions of dollars)



Total Net Utility Plant
(In millions of dollars)



Reflections on Excellence

My message to you this year will be a departure from that of previous years. Rather than review 1984's financial results, which management discusses on pages 20 and 21 of this report, I would like to make a few observations about excellence.

During the past year I have observed a resurgence of the American spirit, a renewed pride in our nation and a recommitment to the excellence that built America into a world leader.

Evidence of that rededication abounds, from the triumph of the '84 Summer Olympics, to the pride of American workers committed to revitalizing the economy, to the enthusiastic spirit of WP&L employees who are helping rebuild lives after a devastating tornado destroyed a small Wisconsin community.

"Our commitment to excellence...has been a tradition at WP&L throughout its 60-year history."

Excellence also has become a byword in today's business world. But the emphasis on excellence in achievement is not a new concept at Wisconsin Power and Light Company.

Our commitment to excellence — the theme of this year's Annual Report — has been a tradition at WP&L throughout its 60-year history. Today, as one of the top utilities in the nation, we consistently strive to perform with excellence.

The key to excellence is people. And, it is the quality of our employees that has given WP&L its reputation for excellence, an achievement requiring a spirit of employee partnership that WP&L has enjoyed for more than half a century.

That spirit was severely tested during the summer of '84 by numerous violent storms that raged through our service area. The storms left thousands of our customers without electrical power, and our employees worked around the clock, in many cases, to get customers' lives back to normal.

"The key to excellence is people."

But some of our customers' lives still are not back to normal, eight months later. The most devastating of those June storms struck Barneveld, a rural, southwest-Wisconsin community of 600 residents. The tornado killed nine people, injured more than 200, and destroyed nearly all of Barneveld's businesses and about half of its 200 homes.

WP&L employees began arriving in the ravaged town within an hour after the tornado hit, and have been a major force in the rebuilding of Barneveld. They quickly and aggressively developed a special energy-assistance program for Barneveld residents that represents an intensive, Company-wide effort and exemplifies the spirit of employee partnership at WP&L.

Another encouraging sign of Americans' recommitment to excellence is the success of their efforts to participate fully in the nation's economic recovery and growth. During the past two years we have seen our state's economy invigorated, as well. While some weaknesses remain, our philosophy at WP&L is to accentuate the positive and responsibly address the negative. Our ambitious economic-development program — with its theme, "Wisconsin's heartland . . . on the grow" — does just that.

"I observe that excellence everyday in Wisconsin Power & Light employecs. The result is both reliable service at the lowest-possible cost for our customers and a competitive return on investment for our shareowners."

The positives prevail in WP&L's service area. Two shining examples are manufacturing plants whose headquarters are located in Japan and Arizona.

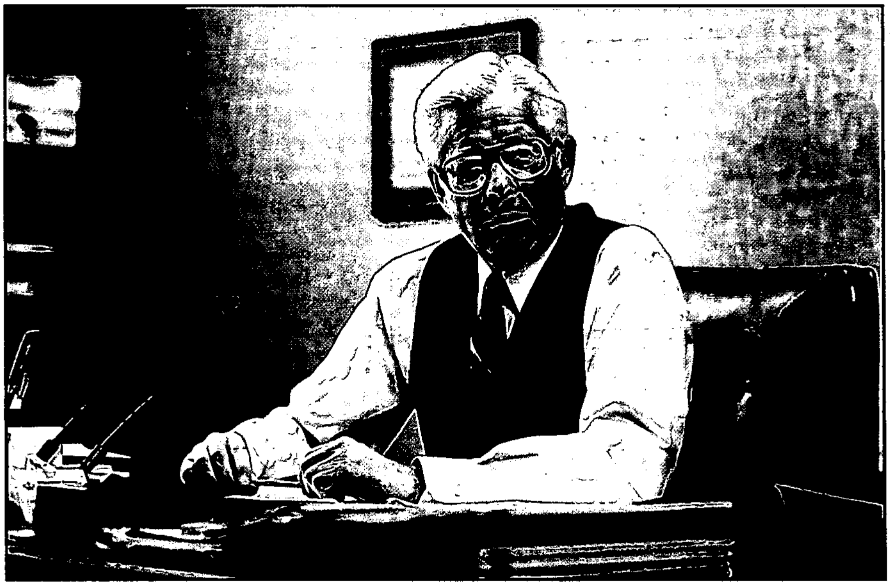
The success of the Kikkoman Foods, Inc. plant that has been operating in Walworth, Wis., since 1973 shows that American workers and products *can* compete in the world economy. The Heartland's excellent labor force has put productivity at the Kikkoman plant here on a par with that of the firm's plants in Japan.

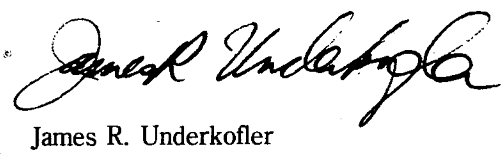
Wisconsin's Heartland can compete successfully with the sunbelt states, too. SOKOL Crystal Products, Inc. produces crystals for satellites at its plants in Mineral Point, Wis., and Phoenix, Ariz. Productivity is 40 percent higher at the Mineral Point facility, thanks to the skill, dedication and excellence of Wisconsin workers.

I observe that excellence everyday in Wisconsin Power and Light employees. The result is both reliable service at the lowest-possible cost for our customers and a competitive return on investment for our shareowners.

Our customers and shareowners have a right to expect continued excellent performance from WP&L employees and we certainly expect it of ourselves. That is our 60-year tradition.

We pledge to build on the momentum of the past 60 years, to meet our commitment to being the best, and to fulfill our promise of more to come.





James R. Underkofler
Chairman, President and
Chief Executive Officer

February 8, 1985

A message to Shareowners

1984 — Wisconsin Power and Light Company's 60th anniversary year — was another year of accomplishment for our Company. We strengthened our financial condition, reorganized our management team, improved our marketing capability and diversified into new markets. The following pages detail those and other 1984 achievements.

Like other utilities, WP&L faces challenges on many fronts. The Company is establishing a standard of excellence by anticipating, addressing and aggressively managing complex, challenging issues through the strategic-planning process.

During the next several years, WP&L management will be focusing on significant challenges in five major areas:

- **Marketing**
- **Emerging technologies**
- **Environment**
- **Transmission management**
- **Regulation and legislation**

Marketing is defining customers' future needs and planning today how the Company will meet those needs tomorrow. Changing customer values and service demands, new competitive forces such as energy alternatives, and new regulatory trends require a reassessment of our traditional market segmentation, product-service offerings, and pricing.

WP&L Executive Vice Presidents William L. Keepers, left, and Erroll B. Davis, Jr.

Signifying the importance of marketing to the Company's future, in 1984 WP&L established separate planning and program-development departments for its natural-gas and electric businesses — Gas Marketing and Customer Service and Electric Marketing and Customer Service.

To remain at the forefront of technological change, the Company is exploring **emerging technologies** through its participation in several feasibility and research studies. Two promising new technologies WP&L is investigating are fiber optics and K-Fuel, a new type of low-sulfur, high-energy-content coal.

The key **environmental** challenges facing WP&L today and in the future are acid rain, groundwater contamination, polychlorinated biphenyls (PCBs) and toxic wastes. The Company's staff of skilled environmental scientists works closely with our legislative and regulatory liaison staff, other scientists, and public policymakers to responsibly address these issues. In addition, WP&L continues to support energy-related research and development, contributing $2.6 million to state and national research programs in 1984.

A WP&L strategic-planning task force began work in 1984 on the issues involved in **electric transmission management**. The challenge facing WP&L is managing the access and use of our transmission network in order to maximize benefits to customers and to the Company today and in the future.

Numerous factors could have an impact on the transmission-management issue, including the increased use of cogeneration systems, the possible purchase of Canadian energy by Wisconsin utilities, access to regional capacity surpluses and concerns at the federal level about power transfer over utilities' electric transmission facilities.

The strategic-planning task force also is addressing similar issues confronting the Company as we plan the effective use of WP&L's gas distribution system.

Energy distribution management is an issue that will not go away, and we expect considerable discussion in the months ahead about the nation's energy distribution systems and how they will be managed and regulated.

While we see merit in the concept of bringing together willing buyers and willing sellers of energy, we are committed to ensuring that such transactions are conducted in a manner that maintains the reliability and integrity of our systems.

Another task force is addressing WP&L's **legislative and regulatory relations**. Regulation today is in a period of change, both at the state and federal levels. WP&L foresees the potential for far-reaching, fundamental changes in the way utilities are regulated, or even deregulated.

Through the Company's strategic-planning process, WP&L is anticipating and preparing for these regulatory changes as well as for challenges on the legislative front — legislative candidates who run on a platform of rate suppression and other utility-related issues; the continuing push to deregulate in some areas while intensifying regulation in others; and the trend toward regulatory decisions that are based on short-term political considerations rather than longer-term customer-service and corporate-financial-viability concerns.

"As we begin 1985, we are positioned financially, managerially and operationally to aggressively manage the challenges of both today and tomorrow."

We are confident that WP&L is well-positioned to meet these and other challenges confronting us. As we begin 1985, we are positioned financially, managerially and operationally to aggressively manage the challenges of both today and tomorrow.

Cost containment is WP&L's continuing mode of operation. There is an ongoing effort at all levels of the Company to perform productively and to control and reduce costs without degrading customer service. We believe that cost savings are the key to funding other strategies for strengthening the core utility business and to meeting our competition.

One of those strategies is diversification. While we anticipate that the utility business will continue to be our primary business in the future, we also believe that there is a role for diversification at WP&L. We plan to continue to make selective investments in enterprises with growth potential to accomplish our objective of increasing overall shareowner returns.

"We plan to continue to make selective investments in enterprises with growth potential."

Although legislation to permit the formation of utility holding companies has encountered delays and opposition, we remain strong in our belief that diversification through the holding-company structure we proposed in 1981 is in the best interest of our shareowners, employees, customers and the state. Until the holding-company issue is resolved, we presently are diversifying under the limitations associated with utility-subsidiary status.

We also expect a rebounding economy to enhance WP&L's financial position. Despite conflicting opinions by economists on whether the economy is headed toward further growth or a recession in 1985, we are encouraged by the signs of renewed economic strength that emerged at year-end 1984.

We believe that 1985 will be a year of increased change and challenge for WP&L. The year also holds great potential for the Company as it continues to build on its 60-year tradition of excellence.

Wisconsin Power and Light Company is in a strong position today, and in an equally strong position to take advantage of tomorrow's opportunities, thanks to our corporate-wide commitment to excellence in finance, management, operations, performance, and customer and community service.

A Commitment to Excellence

Excellence in finance

Wisconsin Power and Light Company ranks as one of the top utilities in the nation due to its consistently strong financial performance.

In 1984 net income reached a new high of $58 million, 6.9 percent ahead of 1983. WP&L's operating revenues rose to $575 million, an increase of 4 percent over 1983's revenues. Coming off a very strong year in 1983, WP&L showed a 15-cent increase in earnings per share in 1984, to $4.12.

The Company remains committed to its corporate financial goal of producing an investor return that is competitive with other superior investment opportunities. Over the past five years, WP&L's annual compound growth rate was 10.5 percent. In 1984 the total return (dividends plus market price appreciation) earned per share on common stock was 13.2 percent. WP&L's progress toward its financial goals was recognized in 1984 by several prestigious national investment organizations.

Both Moody's Investors Service and Standard & Poor's Corp. upgraded their ratings of WP&L's first-mortgage bonds in 1984. The Company's Aaa rating is the highest that Moody's awards, and at year-end, WP&L was one of only six utilities in the nation with this coveted rating. Standard & Poor's upgraded WP&L's bonds to AA+ from AA. With the new bond ratings, WP&L now is ranked as one of the highest-quality utilities in the country by the two major rating agencies.

Another measure of WP&L's achievement was the Company's sixth-place national ranking in 1984 by First Boston, Inc. The international investment banking organization ranked WP&L sixth in overall quality at year-end 1983 among the 75 electric utilities traded on the New York Stock Exchange that have the largest market value. Similar First Boston rankings for 1984 place WP&L in the top 20 percent of this group, despite the financial pressures associated with the Company's recent completion of a major power-plant construction project, the Edgewater 5-George Richardson Generating Unit. The criteria First Boston evaluated in its analyses were utilities' financing flexibility, operating performance, earned returns and other operational and financial measures.

Throughout 1984, Value Line, a nationally recognized investment advisory service, gave the Company's financial strength an A+ rating. The October 26, 1984, edition of the *Value Line Investment Survey* stated that "most investors will be best advised to retain their investments in WP&L."

Forbes magazine, a national business and financial publication, also recognized WP&L's performance in early 1985. In its annual survey of corporations nationwide,

Finance is synonymous with the New York Stock Exchange (large photo at right), where WP&L's stock has been listed since 1976. The Company's varied financial activities include coordinating 14 District Shareowner Committees such as the Sheboygan committee, shown at far left touring WP&L's new Energy-Saver home at Kohler, Wis., and meeting regularly with security analysts. In the photo at left, WP&L Treasurer and Secretary Ed Gleason, right, discusses the Company's financial position with Steve Keane, Vice President and Associate Director of Research for Robert W. Baird & Co. Inc. in Milwaukee.

WP&L Stock Price And Book Value

Stock Price Range

Book Value Year-End

Forbes ranked the Company as one of the leading utilities in the country. Among the 25 top-ranked Midwest utilities in the *Forbes* survey, WP&L's position over the past five years was third in earnings-per-share growth and fifth in return on equity.

Excellence in management

Over the past 60 years, Wisconsin Power and Light has achieved a leadership position in the utility industry. The Company is recognized for its innovative and aggressive management of change within challenging economic and regulatory environments.

The Company's philosophy of striving to be the best originates with its management team and is shared by employees throughout the organization. To meet the demands of managing a modern utility, WP&L has assembled a team with a diversity of backgrounds that include both utility and non-utility experience. WP&L managers have made key decisions to ensure abundant, reliable energy at the lowest-possible cost. They are committed to fulfilling the corporate mission to excel in the socially responsible and profitable delivery of quality energy and energy-related products and services to satisfy customers' needs.

Marketing — which simply is satisfying those needs — took on new prominence in the Company in 1984. A reorganization in April separated WP&L's natural gas and electric businesses to improve their effectiveness and to provide greater emphasis on their marketing strategies.

WP&L management continued its aggressive cost-management efforts in all areas of the Company in 1984.

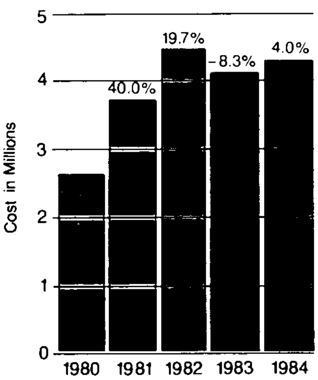
Those efforts have had a major impact on WP&L's health-care costs, for example. The more prudent use of health-care services by WP&L employees, a hospital audit program, changes in the financing of health-care benefits and other measures have stopped the trend of double-digit increases in WP&L's medical costs (see graph at left). The Company's 1984 medical expenses increased at a rate less than the inflation rate of medical costs nationwide.

WP&L also was instrumental in forming a coalition of businesses that is addressing health-care cost increases. The Company continues to investigate ways to contain medical-benefit costs without compromising the quality of care received by employees and their families.

During 1984 management also continued to refine the corporate strategic-planning process that is in place at WP&L. A number of departments began implementing action plans following completion of the initial phase of the planning process.

Consistent with the strategic-planning process — which has defined how WP&L

Percent Increase in WP&L Health-care Costs



The many aspects of management at WP&L include managing medical expenses, managing human resources and managing energy costs. The Company's cost-management initiatives have succeeded in slowing the health-care cost spiral (graph). Southern Regional Manager Suzette Mullooly holds regular planning sessions with her staff, which includes Jack Grawe, District Manager at Janesville (photo at left). With a renewed emphasis on marketing, WP&L launched a new program in 1984 to market the efficient use of energy. The Best Investment Energy Audit Program is custom-tailored for small businesses, schools and churches such as the one at right. Jerry Kasuboski, right, Consumer Services Representative I at Ripon, presents an analysis of the church's energy-saving potential and a customized plan of action to the minister.

will address future opportunities and change — the Company moved ahead in 1984 with its corporate diversification plan. In June WP&L formed a subsidiary called ENSERV, which will purchase and burn "K-Fuel" — a low-sulfur, high-energy-content coal produced by a patented new process.

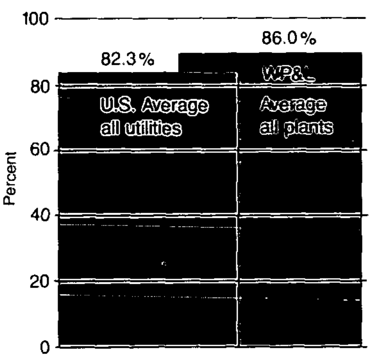
The fuel is expected to eliminate the need for costly equipment to reduce sulfur-dioxide emissions at coal-fired generating plants. A two-year test of the K-Fuel is scheduled to begin during the second half of 1985 at WP&L's Rock River Generating Station near Beloit, Wis. The Company views the K-Fuel process as a long-term research venture with potential world-wide applications for upgrading fuel quality and reducing energy costs.

Excellence in operations

Wisconsin Power and Light Company excels in providing reliable and reasonably priced energy to nearly 326,000 customers. Our accomplishments in this area are the result of our employees' superior performance of the vital day-to-day operations of the Company.

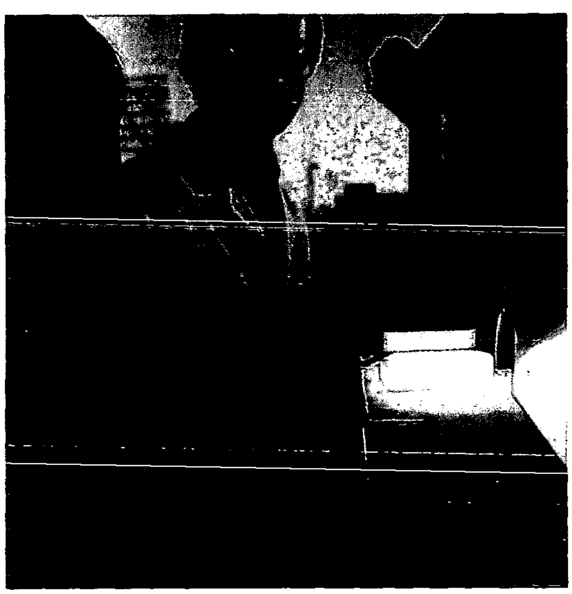
The Company's coal-fired generating stations have, for a number of years, exceeded national averages in availability — a key indicator of performance and one of the most important factors in the cost of customer service. WP&L's availability average over the past 10 years ranks above the national average (see graph at left), according to the most current data available from the North American Electric Reliability Council. The Company's two units at the Columbia Energy Center near Portage and Edgewater 4, located in Sheboygan, ranked high nationally with an average availability for the 1974-1983 period of 88 percent, compared with the 77-percent average availability of comparable coal-fired generating units.

Power Plant Availability 1974-1983



That performance pays off in WP&L's ability to provide reliable service at the lowest-possible cost for our customers. Wisconsin's three most economical coal-fired power plants are WP&L's Nelson Dewey, Edgewater 4 and Columbia generating stations, respectively, according to a September 1984 report of the Accounts and Finance Division of the Wisconsin Public Service Commission that evaluated the power-generation expenses of 19 privately owned generating stations.

The Company also has a positive story to tell about its newest coal-fired power plant, the Edgewater 5-George Richardson Generating Unit. The state-of-the-art unit is scheduled to begin commercial operation March 1, 1985.



Customers benefit from the Company's operational excellence by receiving reliable service at the lowest-possible cost. That excellence is exemplified by WP&L's effective cost management of the Edgewater 5 construction project (large photo at right) and by the operating performance of the Company's coal-fired generating stations (graph). At left, WP&L's research and development activities, such as the test being conducted by WP&L Environmental Scientist John Flickinger, background, help ensure WP&L's continued excellence. In the photo at right, the dedicated work of employees like Gary Olson, standing, Street Operations Mechanic (Class 2), and Joe Williamson, Laborer, Semi-Skilled, both of Southern Area, helped the Company complete its Gas Main Replacement Program three years ahead of schedule.

Edgewater 5 will be completed at a cost of approximately $306 million. This cost is considerably less than that of comparably sized units nationwide, according to a 1984 power-plant cost study conducted by Construction Resources Analysis, University of Tennessee, under contract with the Edison Electric Institute. The construction of Edgewater 5 required approximately 20 percent fewer worker hours than the national average, according to the study.

Our employees maintain WP&L's high standards of excellence in other areas of operational performance, as well. November marked the completion of the Company's Gas Main Replacement Program, a project that replaced more than 1.7 million feet of gas main (the underground pipes that carry natural gas) and associated services (gas lines from the gas main to the buildings) throughout the service area. Employees from many areas of the Company were involved in the massive 15-year project. Through their effort and dedication, the project was completed three years ahead of schedule.

The Company's support of energy-related research and development — which totaled $2.6 million in 1984 — reflects a commitment to improve its performance through the application of new technologies and is consistent with WP&L's position as a leader in the utility industry.

Excellence in performance

What makes Wisconsin Power and Light a high-performance company? Employees who have built a tradition of excellence in performing their daily responsibilities. Employees who emphasize innovation, leadership and customer service.

Customers have benefited from WP&L's history of innovative rate design, which has resulted in rates that today remain below the national average and among the lowest in the Midwest, according to the latest surveys conducted in 1984 by the National Association of Regnlatory Utility Commissioners and by the Edison Electric Institute.

WP&L's energy-efficiency programs — instituted long before the wave of national concern about energy resources — continue to position the Company as a nationally recognized force in the industry. But more importantly, these programs fulfill WP&L's

Advanced computer technology, customer service and safety training contribute to WP&L's excellent performance record. In 1984 the Company implemented an automated meter-reading system featuring a portable computer (large photo at right) on wbich WP&L meter readers such as John Canales, West Madison, record customers' meter readings (photo at far left). WP&L's customer services received a strong endorsement in 1984 from customers surveyed by an independent market-research firm (photo at left). WP&L's safety training programs, which include fire-safety training (photo at right), are vital to the Company's emphasis on employee safety.

objective of helping customers control their energy costs.

The Company's Energy$Teller Program was the first electric-efficiency effort of its kind in the nation when it began in 1983. The Energy$Teller is a compact energy computer that plugs into an appliance and tells the customer — in dollars and cents — how much that appliance costs to operate. During 1984, more than 6,000 customers took advantage of the WP&L Energy$Teller Program, which already has received two national awards.

The effectiveness of WP&L's customer-service programs was verified in 1984 when a market-research firm conducted a survey of the Company's residential customers. The survey results showed that 86 percent were satisfied with the Company and its services.

Another measure of performance is employee safety. A hallmark of excellence in safety in the electric utility industry is achieving one million worker-hours without a lost-time injury. At year-end 1984, the Kilbourn and Prairie du Sac hydroelectric generating stations and the Berlin and Ripon districts had continued their records of more than one million worker-hours without a lost-time accident. And, in 1984 the Company received commendations from the American Gas Association, the Edison Electric Institute and the National Safety Council in recognition of its safety performance during the previous year.

Computer technology has had a dramatic impact on the processing of meter readings and has reduced costs significantly for the Company and its customers. With the implementation of the automated portable meter-reading system in 1984, WP&L became the first utility in the state with a company-wide system. The Company projects that over the next seven years, the efficient new system will mean a total net savings in operating costs of $853,000 (in 1984 dollars). A major benefit of the system is that it enables WP&L to improve cash flow by reducing the time between reading the meter and billing the customer.

Excellence in community service

Wisconsin Power and Light's commitment to excellence also is expressed in its involvement with the communities it serves. The Company recognizes its responsibility to help improve the social and economic environment in its service area. Throughout its 60-year history, WP&L has worked hard to establish the position of community leadership that it enjoys today.

The Company's position has been built and maintained by the many individual

One of WP&L's corporate goals is to be a responsible member of each community it serves and to promote the community's social and economic well-being. That commitment was tested in the summer of 1984 when a tornado destroyed Barneveld, Wis. (large photo at right). WP&L employees played a major role in the rebuilding of Barneveld (photo at right). The Company's involvement with the communities it serves also is seen in its regular, open communications with its customers, such as members of WP&L's Farm Advisory Council (photo at far left). Employees like Betsy Benson also are involved in their communities on a more personal level (photo at left). Benson, right, WP&L's Manager of Gas Market Planning and Analysis, also serves as President of the Black Hawk Council of the Girl Scouts of the U.S.A., an organization of 8,600 girls in a nine-county area of southern Wisconsin.

employees who give freely of their time and skills to improve the quality of life in their communities. They believe they can make a difference in the lives they touch through their volunteer efforts. And they *are* making a difference — as foster parents, fire-fighters, Big Brothers and Big Sisters, blood donors, scouting leaders, emergency medical technicians, hospital volunteers and civic- and ethnic-group leaders.

At the corporate level, WP&L has developed an extensive energy-education program that it provides to schools to improve understanding of energy's role in society and the effective ways individuals can contribute to energy efficiency. Approximately 65,000 students participate in WP&L's program each year.

For many years WP&L has had a corporate-contribution policy designed to meet community needs and to promote public welfare. Recognizing the growing complexity of corporate philanthropy, the Company established the Wisconsin Power and Light Foundation, Inc., in 1984 to administer the contributions program. Through the Foundation, WP&L in 1984 supported programs aimed at enhancing the quality of life in the areas of health and welfare, education, civic improvements and the arts.

WP&L has taken a leadership role in the public debate on business, environmental and energy issues at both the national and state levels. The Company expresses its views through long-established, effective and open lines of communication with legislators and regulators. WP&L also maintains direct communication channels with its major constituent groups. The Company has established 14 District Shareowner Committees, Consumer Affairs Councils and a Farm Advisory Council to provide additional perspectives on energy- and business-related issues.

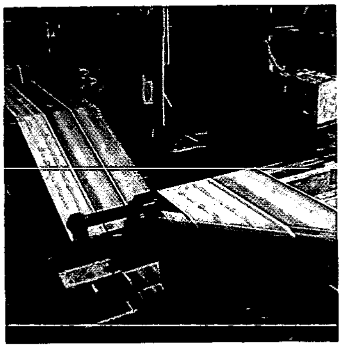
Another link to the agribusiness community is the annual Electric Power and Farm Equipment Show. WP&L has been a sponsor and the prime mover of the show, one of the oldest ongoing events of its type in the nation. A showcase for the latest in farm-equipment technology, this year's event attracted more than 53,000 people from throughout the Midwest. In recognition of the show's 25th anniversary in 1984, President Ronald Reagan and U.S. Secretary of Agriculture John Block sent congratulatory letters to the Company, and the Wisconsin Assembly passed a resolution commending WP&L's leadership role in organizing the event.

The Company's commitment to the people it serves was put to the test in June 1984 when a tornado devastated the rural community of Barneveld. WP&L employees arrived on the scene within the hour to provide immediate help to the stunned residents.

And, the Company moved quickly to develop a special, comprehensive assistance program to help its Barneveld customers rebuild their community in the most cost-effective and energy-efficient way possible. WP&L established a temporary office to make it convenient for residents to take advantage of the energy-assistance program. The program provided cash rebates to residents who built energy-efficient homes and small businesses. In addition, homeowners were offered rebates to purchase high-efficiency appliances, and were given an extensive package of energy-saving products that they could install themselves.

WP&L's involvement with the communities in its service area extends to promoting their economic development and growth. The Company's ongoing economic-development campaign — "Wisconsin's heartland . . . on the grow" — has created greater public awareness of the leadership role WP&L has played for more than 50 years in attracting businesses and jobs to the service area.

In 1984 the Company kicked off a new economic-development marketing campaign aimed at more than 4,600 carefully targeted industry prospects that were identified in WP&L's two-year economic study as being best-suited to south-central Wisconsin. Through research materials, brochures and personal contacts, WP&L is communicating to those prospects that Wisconsin offers special profitability advantages to their particular businesses.



WP&L's economic-development efforts produce results. The Perry Printing Co. took a long, hard look at the sunbelt states before building a $3-million new plant in Baraboo, Wis., in 1982. Perry, which prints thousands of major national publications, credits the team effort of WP&L, the Wisconsin Department of Development and the Baraboo Development Group with playing a major role in the printing company's decision to expand its operations in Wisconsin's heartland.

Financial Section

1984 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 statement 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. In 1984, the Company issued $8,500,000 of first mortgage bonds at a floating interest rate due in 2014. The average interest rate during 1984 was 6.38 percent.

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 by the following table:

	1984	1983	1982	1981	1980
Ratio of earnings to fixed charges and preferred dividend requirements after taxes	**2.59X**	2.51X	2.18X	2.02X	2.01X
Common stock dividend coverage ratio	**3.33X**	3.76X	3.77X	3.87X	3.86X

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.

	1984	1983	1982	1981	1980
Construction expenditures financed with internal funds	**77%**	86%	73%	71%	71%

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

(Continued)

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 current 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 40 of this annual report.

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

G.A.Goff
Controller

The Edgewater 5 project is the only major construction project the Company currently has in progress. The project will require about $230 million of capital through its projected completion date, of which about $221 million had been spent as of Dec. 31, 1984. Construction that took place during 1984 was financed primarily from internal sources, as noted. 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.

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

	1984	1983	1982	1981	1980
Earnings per share of common stock	**$4.12**	$3.97	$3.51	$3.05	$2.64
Cash dividends per share of common stock	**$2.52**	$2.36	$2.20	$2.04	$1.88

Electric revenues increased each year due to increased production fuel costs and purchase power expense being recovered in base rates or through the fuel adjustment clause. Retail base rate changes during the five year period include a $14.4 million annual decrease in October 1984, a $5.7 million annual increase in September 1983, a $3.7 million annual increase in June 1981, a $2.0 million annual increase in July 1980. Settlements were reached in April 1984, March 1982, and in February 1981 with the Company's wholesale customers providing for annual increases of $348,000, $4,600,000 and $650,000 in rates, respectively.

During 1984 and 1983 substantially increased sales to other electric utilities along with increased sales to industrial customers resulted in increased electric revenues that for 1984 offset the base rate decrease. These increased sales resulted from the improving economy of the state, the unusually hot summer of 1983 and modest increases in the number of customers served.

Over the past five years, gas revenues continued to increase but at a slower rate. For 1984, revenue increases resulted primarily from increased usage per customer. The revenue increase for the remaining periods presented resulted primarily from the recovery of increased purchased gas costs through the purchased gas adjustment clause and modest increases in base rates. Base rate increases during the period included an annual increase of about $1.8 million in October 1984, $2.1 million in September 1983, $4.3 million in June 1981, and $5.0 million in July 1980. During the past five years the number of gas customers have increased slightly resulting in modest increases in gas sales and revenues. Customer conservation efforts and higher gas prices have resulted in average usage per customer decreasing through 1983. This trend of decreasing usage per customer reversed in 1984 as noted above.

The combined fuel costs and purchase power expenses increased each year, especially in 1984 and 1983, resulting from higher kWh sales and higher unit costs paid for fossil fuels. These increases were somewhat offset by the continued reliable, low cost generation from the Company's share of the Kewaunee Nuclear Plant.

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

Straight-line depreciation expense increased due to plant additions, shorter economic lives for certain categories of plant-in-service and increased estimates for decommissioning the Kewaunee Nuclear Plant at the end of its operating license.

Allowance for funds used during construction (AFUDC) increased significantly in 1984 reflecting higher rates and increased balances of qualifying construction work in progress. See "Notes to Consolidated Financial Statements," note 1d, for additional information on AFUDC.

Total tax expense decreased in 1984 over 1983 reflecting the increased plant additions for tax purposes during 1984. See "Notes to Consolidated Financial Statements," note 1j, 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
of 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, 1984 and 1983, and the related consolidated statements of income, common shareowners' investment and net changes in cash and special deposits for each of the five years in the period ended December 31, 1984. 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, 1984 and 1983, 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, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.

Milwaukee, Wisconsin,
February 8, 1985.

ARTHUR ANDERSEN & CO.

Consolidated Statements of Inoome

	Year Ended December 31,				
	1984	1983	1982	1981	1980
	(In Thousands Except For Per Share Data)				
Operating revenues: (Note 1h)					
Electric	**$425,004**	$406,466	$370,863	$336,260	$298,271
Gas	**146,809**	145,663	138,388	115,222	103,374
Water	**3,663**	3,373	3,226	3,034	2,504
	575,476	555,502	512,477	454,516	404,149
Operating expenses:					
Electric production fuels	**119,817**	122,908	107,283	91,397	95,608
Purchased power	**34,230**	19,225	13,934	15,864	7,469
Purchased gas	**111,694**	112,574	104,046	89,674	77,495
Other operation	**91,776**	87,545	81,420	72,963	62,805
Maintenance	**30,827**	29,855	28,005	25,205	24,160
Depreciation (Notes 1i and 1j) —					
Straight-line	**42,147**	37,144	36,145	31,368	29,502
Deferred income taxes	**11,926**	10,849	983	6,520	7,402
Taxes (Note 1j) —					
Current Federal income	**21,055**	26,447	32,331	22,100	14,941
Investment tax credit —					
Deferred	**10,437**	8,809	9,711	10,951	9,181
Restored	**(2,751)**	(2,555)	(2,500)	(1,938)	(1,742)
Current state income	**6,100**	8,001	8,875	6,082	4,350
Property, payroll and other	**22,251**	19,887	17,573	16,187	13,818
	499,509	480,689	437,806	386,373	344,989
Net operating income	**75,967**	74,813	74,671	68,143	59,160
Other income and (deductions):					
Allowance for equity funds used during construction (Note 1d)	**8,421**	2,766	1,601	515	8
Discount on reacquired bonds	**54**	—	2	1	·903
Other, net	**(2,753)**	(1,120)	(205)	2,919	187
Tax benefit (expense)	**126**	1,459	(477)	(1,891)	(980)
	5,848	3,105	921	1,544	118
Income before interest expense	**81,815**	77,918	75,592	69,687	59,278
Interest expense:					
Interest on bonds	**27,023**	26,926	26,967	26,580	20,540
Allowance for borrowed funds used during construction (Note 1d)	**(5,384)**	(4,512)	(2,401)	(683)	(164)
Other	**1,844**	917	3,671	3,063	3,718
	23,483	23,331	28,237	28,960	24,094
Net income	**58,332**	54,587	47,355	40,727	35,184
Cash dividends on preferred stock	**4,780**	4,963	5,099	5,189	5,253
Earnings on common stock	**$ 53,552**	$ 49,624	$ 42,256	$ 35,538	$ 29,931
Earnings per share of common stock (Note 1e)	**$4.12**	$3.97	$3.51	$3.05	$2.64
Cash dividends paid per share of common stock	**$2.52**	$2.36	$2.20	$2.04	$1.88

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

Consolidated 8alance Sheets

Assets	December 31, 1984	1983
	(In Thousands)	
Utility plant: (Notes 1c, 1d and 2)		
Plant in service—		
Electric	$ 862,420	$825,709
Gas	109,319	103,978
Water	13,724	13,260
Common	46,967	38,982
	1,032,430	981,929
Less—Accumulated provision for depreciation (Note 1i)	493,039	445,823
	539,391	536,106
Construction work in progress—		
Jointly owned electric power production facilities	216,343	173,773
Other	9,524	13,939
	225,867	187,712
Nuclear fuel, net (Note 1f)	10,855	8,822
Total utility plant	776,113	732,640
Investments, at cost (Note 1b)	11,593	11,014
Current assets:		
Cash and special deposits (Note 5)	861	731
Accounts receivable, less allowance for doubtful accounts of $1,803,000 and $1,708,000, respectively	47,736	51,169
Unbilled revenue (Note 1h)	39,508	44,809
Fossil fuel, at average cost	27,198	21,527
Materials and supplies, at average cost	16,330	13,086
Prepayments	1,075	704
	132,708	132,026
Deferred charges:		
Unamortized project expenditures	709	1,224
Other	3,979	4,263
	4,688	5,487
TOTAL ASSETS	$ 925,102	$881,167

Capitalization and Liabilities	1984	1983
Capitalization: (See statement on page 25)		
Common shareowners' investment	$ 345,316	$311,869
Preferred stock without mandatory redemption	60,000	60,000
Preferred stock with mandatory redemption	6,672	8,206
First mortgage bonds, net	299,451	286,537
Total capitalization	711,439	666,612
Current liabilities:		
Maturing first mortgage bonds and current sinking fund requirements (Note 3d)	—	13,063
Sinking fund requirements on preferred stock (Note 4)	742	739
Short-term debt (Note 5)	31,100	11,000
Accounts payable (Note 5)	49,143	66,958
Accrued payroll and vacations	7,555	5,887
Accrued taxes	16,481	17,925
Accrued interest	9,115	10,850
Other	16,720	13,205
	130,856	139,627
Other credits and long-term liabilities:		
Accumulated deferred investment tax credits (Note 1j)	61,135	54,130
Unamortized unbilled revenue	2,522	3,813
Other	19,150	16,985
	82,807	74,928
Construction commitments (Note 2)		
TOTAL CAPITALIZATION AND LIABILITIES	$ 925,102	$881,167

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

Consolidated Statements of Net Changes in Cash and Speoial Deposits

	Year Ended December 31,				
	1984	1983	1982	1981	1980
	(In Thousands)				
Operating activities:					
Net income	**$ 58,332**	$ 54,587	$ 47,355	$40,727	$35,184
Items not affecting working capital:					
Depreciation	**54,073**	47,993	37,128	37,888	36,904
Investment tax credit deferred, net	**7,089**	5,998	5,948	7,639	6,252
Amortization of nuclear fuel	**7,086**	12,748	16,786	10,173	8,053
Amortization of unbilled revenue	**(1,291)**	(1,290)	(1,291)	(1,291)	(1,290)
Equity component of allowance for funds used during construction (AFUDC)	**(8,421)**	(2,766)	(1,601)	(515)	(8)
Other	**1,889**	2,906	2,826	2,873	2,329
Working capital provided by operations	**118,757**	120,176	107,151	97,494	87,424
Cash dividends on stock	**(37,417)**	(34,389)	(31,518)	(28,891)	(26,505)
Working capital generated internally	**81,340**	85,787	75,633	68,603	60,919
Changes in working capital other than cash:					
Accounts receivable	**3,433**	(8,065)	(5,805)	(2,445)	(16)
Unbilled revenue	**5,301**	(10,340)	816	(6,383)	(6,242)
Fossil fuel	**(5,671)**	5,468	4,495	(666)	(3,009)
Materials and supplies	**(3,244)**	(1,331)	(41)	609	(2,971)
Accounts payable	**(17,815)**	8,818	18,310	289	7,345
Accrued taxes	**(1,444)**	(12,521)	3,034	16,198	(11,681)
Accrued interest	**(1,735)**	1,147	(126)	4,265	858
Other, net	**4,812**	1,639	(5,997)	8,710	1,594
Cash generated internally	**64,977**	70,602	90,319	89,180	46,797
Financing activities:					
Sale of first mortgage bonds	**8,500**	—	—	45,000	16,000
Sale of common stock	**12,614**	11,989	9,780	6,078	4,556
Net change in short-term debt	**20,100**	6,000	5,000	(39,150)	31,829
Bond maturities and sinking fund retirements	**(13,276)**	(5)	(5,030)	(2,898)	(8,540)
Preferred stock redemptions	**(1,531)**	(1,511)	(636)	(896)	(12)
Net change in pollution control construction fund	**4,621**	5,133	1,592	(188)	(14,484)
	31,028	21,606	10,706	7,946	29,349
Construction and nuclear fuel activities:					
Additions to utility plant, excluding AFUDC	**(81,921)**	(85,706)	(87,388)	(86,165)	(79,245)
Additions to nuclear fuel	**(9,791)**	(6,833)	(12,645)	(8,704)	(6,863)
AFUDC	**(13,805)**	(7,278)	(4,002)	(1,198)	(172)
	(105,517)	(99,817)	(104,035)	(96,067)	(86,280)
Sale of share in joint plant	**—**	—	—	—	5,252
Other activities, net	**9,642**	5,826	4,807	(1,778)	3,118
Net change in cash and special deposits	**$ 130**	$ (1,783)	$ 1,797	$ (719)	$ (1,764)

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

Consolidated Statements of Capitalization

	December 31, 1984	December 31, 1983
	(In Thousands)	
Common shareowners' investment: (Note 3a)		
Common stock, $5 par value, authorized 18,000,000 shares; issued and outstanding 13,236,601 and 12,757,470 shares, respectively	**$ 66,183**	$ 63,787
Premium on capital stock (Note 3b)	**111,018**	100,834
Capital surplus	**1,747**	1,747
Reinvested earnings	**166,368**	145,501
Total common shareowners' investment	**345,316**	311,869
Preferred stock: (Note 3c)		
Cumulative, without par value, authorized 3,750,000 shares, maximum aggregate stated value $150,000,000; issued and outstanding 674,147 and 689,446 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 4) —		
12% series, 74,147 shares and 89,446 shares outstanding, respectively	**7,414**	8,945
Sinking fund requirements	**(742)**	(739)
	6,672	8,206
Total preferred stock, net	**66,672**	68,206
First mortgage bonds, net: (Note 3d)		
Series H, 3¼%, due 1984	**—**	13,063
Series J, 4⅝%, due 1989	**7,803**	8,007
Series K, 4¼%, due 1992	**4,437**	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
1984 Series A, floating rate, due 2014	**8,500**	—
	304,248	309,024
Unamortized discount and premium, net	**(1,471)**	(1,477)
Maturing first mortgage bonds and current sinking fund requirements	**—**	(13,063)
Pollution control construction fund held by trustee	**(3,326)**	(7,947)
Total first mortgage bonds, net	**299,451**	286,537
TOTAL CAPITALIZATION	**$711,439**	$666,612

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

Consolidated Statements of Common Shareowners' Investment

	Year Ended December 31,				
	1984	1983	1982	1981	1980
	(In Thousands)				
Reinvested earnings:					
Balance at beginning of year	**$145,501**	$125,310	$109,505	$ 95,873	$ 87,227
Add—Net income	**58,332**	54,587	47,355	40,727	35,184
	203,833	179,897	156,860	136,600	122,411
Deduct—					
Cash dividends on preferred stock	**4,780**	4,963	5,099	5,189	5,253
Cash dividends on common stock	**32,637**	29,426	26,419	23,702	21,252
Expense of issuing common stock and other	**48**	7	32	19	33
Transfer from premium on capital stock (Note 3b)	**—**	—	—	(1,815)	—
	37,465	34,396	31,550	27,095	26,538
Balance at end of year	**166,368**	145,501	125,310	109,505	95,873
Common stock:					
Balance at beginning of year	**63,787**	61,418	59,177	57,428	56,049
Par value of common stock issued	**2,396**	2,369	2,241	1,749	1,379
Balance at end of year	**66,183**	63,787	61,418	59,177	57,428
Premium on capital stock:					
Balance at beginning of year	**100,834**	91,222	83,678	81,161	77,984
Excess of amount received over par value of common stock issued and other	**10,184**	9,612	7,544	4,332	3,177
Transfer to retained earnings (Note 3b)	**—**	—	—	(1,815)	—
Balance at end of year	**111,018**	100,834	91,222	83,678	81,161
Capital surplus:					
Balance at beginning and end of year	**1,747**	1,747	1,747	1,747	1,747
TOTAL COMMON SHAREOWNERS' INVESTMENT	**$345,316**	$311,869	$279,697	$254,107	$236,209

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) and the Illinois Commerce Commission have jurisdiction over our retail rates, and the Federal Energy Regulatory Commission (FERC) has jurisdiction over our wholesale rates.

b. **Consolidation and Investment in Subsidiaries:**

The consolidated financial statements include the Company and its wholly owned consolidated subsidiaries — South Beloit Water, Gas and Electric Co. and Wisconsin Power and Light Nuclear Fuel, Inc. The remaining subsidiaries are accounted for on the equity method — NUFUS Resources, Inc. (wholly owned); Omnion Power Engineering Corp. (formerly known as Windworks, Inc., 84 percent owned); Residuals Management Technology, Inc. (RMT) (wholly owned); Wisconsin Mobile Telephone, Inc. (WMT) (wholly owned); and ENSERV, Inc. (wholly owned). All significant inter-company 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 below). Normal repairs and replacements of minor items are charged to maintenance expense. The costs of depreciable property retired, including removal costs less salvage value, are charged to accumulated depreciation upon removal from utility plant accounts. 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." AFUDC does not contribute to the current cash flow of the Company.

The Company capitalizes AFUDC for its retail and wholesale jurisdictions separately.

Effective with the Company's latest rate order issued in October 1984, the Company is capitalizing AFUDC at 11.05% on qualifying construction work in progress (CWIP) for its retail jurisdiction not included in rate base. Prior to the rate order the Company was limited to a 7% AFUDC rate. The PSC determines how much CWIP is included in rate base statewide on a case-by-case basis. Currently, the Company is allowed to include approximately 10% of its CWIP in rate base. Previously, the Company had been allowed to include CWIP in rate base in amounts up to 10% of rate base representing about 70% of CWIP.

Effective in 1984, the Company capitalized AFUDC on qualifying CWIP and nuclear fuel for its wholesale jurisdiction at the maximum allowable rate of 11.29%. Prior to 1984 the Company used the 7% rate.

e. **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)
1984	12,998
1983	12,507
1982	12,043
1981	11,643
1980	11,326

f. **Nuclear Fuel:**

Nuclear fuel is recorded as an asset at its original cost and is charged to expense based upon the quantity of heat produced for the generation of electricity. Estimated future disposal costs of such fuel are expensed based on kilowatt-hours (kWhs) generated. Under the Nuclear Waste Policy Act of 1982, the U.S. Department of Energy (DOE) is responsible for the ultimate storage and disposal of spent nuclear fuel removed from nuclear reactors. A contract with the DOE for disposal of spent nuclear fuel requires the Company to pay a quarterly fee to DOE of 1 mill per kWh on gross nuclear generation after April 6, 1983, and a one-time fee applicable to nuclear generation through April 6, 1983, of approximately $10,900,000. The Company had previously recovered amounts for spent nuclear fuel disposal costs sufficient to cover this fee. Disposal costs are recovered in rates charged for electric utility service.

Net nuclear fuel on the balance sheet consists of:

	December 31,	
	1984	**1983**
	(In Thousands)	
Original cost of nuclear fuel	**$86,755**	$76,964
Accumulated amortization	**75,900**	68,142
Net nuclear fuel	**$10,855**	$ 8,822

Accumulated amortization includes the income tax effects of using liberalized depreciation methods and assumes that plutonium and uranium in the spent nuclear 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.

g. **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:

	As of January 1,				
	1984	1983	1982	1981	1980
	(In Thousands)				
Actuarial value of accumulated plan benefits:					
Vested	$45,072	$39,749	$34,444	$30,066	$33,052
Nonvested	2,016	1,791	1,308	1,218	1,542
Total	$47,088	$41,540	$35,752	$31,284	$34,594
Net assets available for benefits	$86,119	$71,680	$55,464	$51,351	$39,701
Total plan provisions for the year	$ 2,756	$ 3,600	$ 4,248	$ 4,333	$ 4,088

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.

In addition to providing pension benefits, the Company provides certain health-care and life-insurance benefits for substantially all employees who reach early or normal retirement age while working for the Company. The estimated cost for such benefits, $715,000 in 1984, is accrued and charged to expense as a level percentage of their payroll costs over the working lives of those employees expected to qualify for such benefits. The Company's policy is to fund the unfunded actuarial accrued liability over 20 years.

h. **Revenue Recognition:**

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

i. **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, approved by the PSC, applied to various classes of property. The annual composite rates were:

	Electric	Gas	Water	Common
1984	4.3%	4.2%	2.2%	6.1%
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%

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 1j, "Income Taxes."

---

j. **Income Taxes:**

1) Depreciation expenses computed for tax purposes reflect the use of various available liberalized depreciation methods, including the Accelerated Cost Recovery System. Under PSC rules, the estimated reduction of federal income taxes due to the use of these practices is recorded as additional depreciation, described as deferred income taxes in the income statement.

Effective with the Company's Oct. 9, 1984, retail rate order, the state income tax effect of such timing differences must now be accounted for on a flow-through basis instead of the deferred method noted above.

Additionally, such amounts previously deferred ($8,844,000) are required to be flowed back monthly over the next 15 years beginning Oct. 1, 1984.

The amounts recorded as deferred income tax were:

	Federal	State	Total
		(In Thousands)	
1984	$11,579	$347	$11,926
1983	$10,133	$716	$10,849
1982	$ 843	$140	$ 983
1981	$ 5,880	$640	$ 6,520
1980	$ 6,926	$476	$ 7,402

In 1984, deferred income taxes increased primarily due to depreciable plant additions for tax purposes. In 1983, deferred income taxes increased significantly due to the deduction of the U.S. DOE nuclear fuel disposal costs and increased federal repair allowance costs. In 1982, the reduction of income taxes was significantly less due to increased straight-line depreciation expense and increased amortization of nuclear fuel.

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 amounts of 1984 and 1983 tax credits reflect the 1983 federal tax law change from a qualified property investment credit to a payroll-based tax credit.

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

	(In Thousands)
1984	$ 596
1983	$ 256
1982	$1,263
1981	$1,374
1980	$1,187

3) Certain 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:

	1984	1983	1982	1981	1980
Effective income-tax rate as reported	44.4%	47.9%	51.3%	52.8%	49.9%
Allowance for funds used during construction, which does not constitute current taxable income	5.5	3.2	1.9	0.6	0.1
State income taxes and state additional depreciation, net	(3.5)	(4.7)	(5.1)	(4.7)	(4.1)
Reversals of various plant-related timing differences for which deferred taxes had not been provided	(2.0)	(2.0)	(2.0)	(2.3)	(2.7)
Investment tax credits restored	2.6	2.4	2.6	2.3	2.5
Other differences, net	(1.0)	(0.8)	(2.7)	(2.7)	0.3
Statutory federal-income-tax rate	46.0%	46.0%	46.0%	46.0%	46.0%

As of Dec. 31, 1984, $19,000,000 of deferred taxes have not been provided on cumulative income tax timing differences of $41,368,000; these amounts are recoverable in rates under current regulatory policies.

NOTE 2. 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, 1984:

	Ownership Interest	Plant in Service	Accumulated Provision For Depreciation	Construction Work in Progress
			(In Thousands)	
Coal:				
Columbia Energy Center	46.2%	$151,745	$60,971	$ 236
Edgewater Unit 4	68.2%	$ 36,193	$19,514	$ 2,079
Edgewater Unit 5	75.0%	$ 8,251	$ 6,313	$212,179
Nuclear:				
Kewaunee Nuclear Plant	41.0%	$107,388	$65,828	$ 1,849

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 1985, including expenditures for the above facilities under construction, are estimated to be $89,800,000, and substantial commitments have been incurred in connection with such expenditures.

NOTE 3. 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 (DR Plan) and an Employee Stock Ownership Plan (ESOP). Annual issues were:

	Number of Shares	Proceeds
	(In Thousands)	
1984	479	$12,614
1983	474	$11,989
1982	448	$ 9,780
1981	350	$ 6,078
1980	276	$ 4,556

The Oct. 9, 1984, retail rate order requires that no new shares of stock be issued under the Company's DR Plan effective Jan. 1, 1985. Accordingly, the Company has switched to an open-market-purchase DR Plan for 1985.

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, 1984.

d. **Bonds:**

On Aug. 15, 1984, the Company issued $8,500,000 of variable rate First Mortgage Bonds, 1984 Series A, to evidence its repayment obligation in connection with the issuance of a like amount of Pollution Control Revenue Bonds by the City of Sheboygan, Wisconsin. The average interest rate for 1984 was 6.38 percent and the Dec. 31, 1984, rate was 6.5 percent.

Under a bond provision, the bondholder can elect to tender the bonds for repurchase by the issuer at any time prior to the variable rate becoming fixed. As a result of this provision and in the event the bonds cannot be remarketed the Company would be required to purchase the principal amount of such bonds tendered plus accrued interest. The variable rate can become fixed at the option of the Company.

The sinking fund requirements and maturities on first-mortgage bond issues outstanding as of Dec. 31, 1984, are:

	1985	1986	1987	1988	1989
			(In Thousands)		
Bond sinking fund requirements not satisfied as of Dec. 31, 1984	$ —	$ —	$9,000	$9,000	$9,000
Bonds maturing	$ —	$ —	$ —	$ —	$7,803

NOTE 4. 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 5. 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:

	1984	1983
	(In Thousands)	
As of end of year—		
Average interest rate on outstanding short-term borrowings	10.19%	9.89%
Unused lines of credit	$65,200	$65,200
Commercial paper outstanding	$27,600	$ 5,000
Notes payable to financial institution	$ 3,500	$ 6,000
For the year ended—		
Maximum month-end amount of short-term borrowings	$32,100	$11,000
Average amount of short-term borrowings (based on daily outstanding balances)	$16,350	$ 2,909
Average interest rate on short-term borrowings	10.71%	9.32%

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

Payables include 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, 1984 and 1983, such net amounts were $5.4 million and $9.6 million, respectively.

NOTE 6. SEGMENT INFORMATION:

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

	Year Ended December 31,				
	1984	1983	1982	1981	1980
	(In Thousands)				
OPERATION INFORMATION:					
Customer sales —					
Electric	$424,212	$405,637	$370,074	$335,593	$297,707
Gas	146,134	144,627	137,508	114,240	100,762
Water	3,655	3,368	3,223	3,030	2,501
Interdepartmental sales —					
Electric	792	829	789	667	564
Gas	675	1,036	880	982	2,612
Water	8	5	3	4	3
Total operating revenues	$575,476	$555,502	$512,477	$454,516	$404,149
Operating profit —					
Electric	$112,131	$116,264	$113,068	$106,225	$ 85,916
Gas	9,373	8,984	9,942	4,679	6,684
Water	1,230	1,116	1,061	954	692
Income taxes, current and deferred (i)	(46,767)	(51,551)	(49,400)	(43,715)	(34,132)
Other income and deductions, net	5,848	3,105	921	1,544	118
Interest expense, net	(23,483)	(23,331)	(28,237)	(28,960)	(24,094)
Net income per consolidated statements of income	$ 58,332	$ 54,587	$ 47,355	$ 40,727	$ 35,184
INVESTMENT INFORMATION:					
Identifiable assets at Dec. 31 (ii) —					
Electric	$802,074	$757,608	$720,180	$682,679	$630,408
Gas	99,273	100,372	90,777	86,922	81,777
Water	11,013	10,617	10,208	9,764	9,356
Assets not allocated (iii)	12,742	12,570	12,781	6,257	7,963
Total assets	$925,102	$881,167	$833,946	$785,622	$729,504
OTHER INFORMATION:					
Construction and nuclear fuel expenditures —					
Electric	$ 96,759	$ 92,402	$ 95,141	$ 87,060	$ 78,584
Gas	8,024	6,604	8,069	8,248	6,900
Water	734	811	825	759	796
Total construction and nuclear fuel expenditures	$105,517	$ 99,817	$104,035	$ 96,067	$ 86,280
Provision for straight-line depreciation —					
Electric	$ 37,141	$ 32,433	$ 31,718	$ 27,313	$ 25,733
Gas	4,687	4,419	4,160	3,836	3,560
Water	319	292	267	219	209
Total provision for straight-line depreciation	$ 42,147	$ 37,144	$ 36,145	$ 31,368	$ 29,502

(i) See Note 1j 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 7. 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.

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)				
1984:					
March 31	$173,308	$23,232	$18,449	$17,227	$1.34
June 30	$131,670	$14,820	$ 9,569	$ 8,363	$0.65
September 30	$124,890	$19,425	$13,892	$12,716	$0.97
December 31	$145,608	$18,489	$16,422	$15,246	$1.16
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

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" and Statement No. 82 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.

Current cost amounts reflect the changes in specific prices of plant from the date the plant was acquired to the present.

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 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 and as amended by Statement 82, income taxes were not adjusted.

Fuel inventories, the cost of fuel used in generation (exception 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 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 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, 1984

(In Thousands of Average 1984 Dollars)

	1984 Current Cost
Net income as reported in the primary consolidated statement of income	$58,332
Increase in provision for depreciation	(65,803)
Net income (loss) (excluding adjustment to net recoverable cost)	(7,471)
Adjustment to net recoverable cost	73,889
Reduction of purchasing power loss through debt financing	14,639
Increases in specific prices of utility plant held during the year	22,047
Less effect on net plant of increase in the general price level	(59,993)
Net income adjusted for the effects of changing prices	$43,111

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

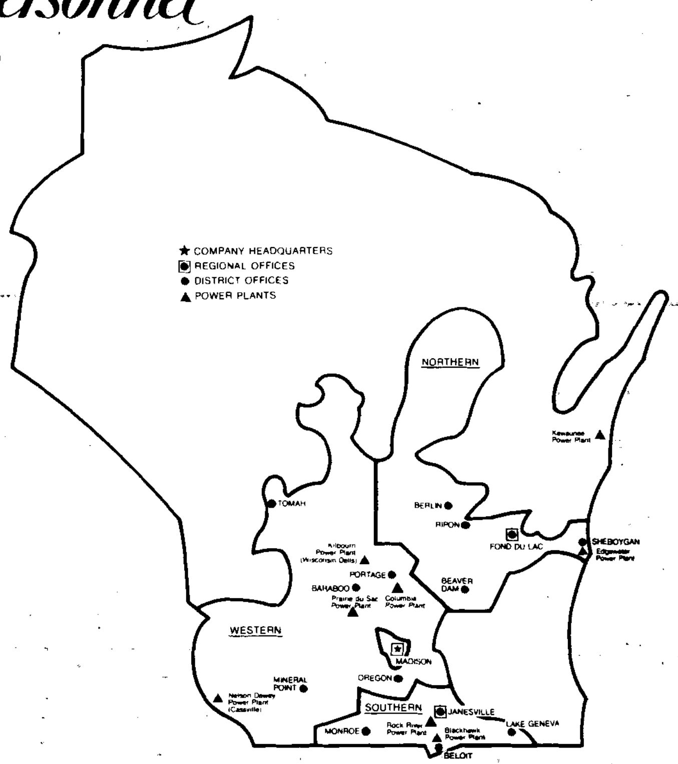
(In Thousands of Average 1967 Dollars)

	Years Ended December 31,				
	1984	1983	1982	1981	1980
Operating revenues	$184,922	$186,098	$177,266	$166,856	$163,756
Net assets at year-end at net recoverable cost	$130,211	$124,984	$119,495	$115,257	$118,981
General information					
Cash dividends declared per common share	$ .81	$ .79	$ .76	$ .75	$ .76
Market price per common share at year-end	$9.40	$9.37	$8.21	$6.84	$6.53
Average consumer price index	311.2	298.5	289.1	272.4	246.8
Current cost information					
Net income (loss) (excluding adjustment to net recoverable cost)	$(2,401)	$ (1,196)	$ 1,584	$ (1,320)	$ 73
Loss per common share (after dividends on preferred stock and excluding adjustment to net recoverable cost)	$ (.30)	$ (.23)	$ (.01)	$ (.28)	$ (.18)
General price level increases in excess of (less than) specific price increases	$ 12,193	$ 3,815	$ 5,314	$ (11,047)	$ 25,456

Five-Year Comparative Data

	Year Ended December 31,					Four-Year Change	
	1984	1983	1982	1981	1980	Amount	Percent
CONSOLIDATED ELECTRIC STATISTICS							
Customers served (end of period):							
Residential and rural	**277,521**	274,253	270,924	269,218	266,344	11,177	4.2
Industrial	**534**	511	495	494	491	43	8.8
Commercial	**35,905**	35,019	34,450	33,765	33,112	2,793	8.4
Wholesale	**37**	42	41	41	41	(4)	(9.8)
Class A	**6**	6	6	6	6	—	—
Other	**892**	893	915	912	913	(21)	(2.3)
Total	**314,895**	310,724	306,831	304,436	300,907	13,988	4.6
Sales—kilowatt-hours (in thousands):							
Residential and rural	**2,222,626**	2,232,331	2,153,905	2,089,738	2,115,735	106,891	5.1
Industrial	**2,337,477**	2,134,768	1,932,986	2,037,912	1,974,380	363,097	18.4
Commercial	**1,273,430**	1,232,932	1,171,030	1,146,005	1,147,810	125,620	10.9
Wholesale	**1,465,144**	1,379,151	1,288,842	1,258,888	1,242,395	222,749	17.9
Class A	**1,235,939**	691,796	365,871	530,415	905,625	330,314	36.5
Other	**54,874**	58,759	57,241	58,500	60,368	(5,494)	(9.1)
Total	**8,589,490**	7,729,737	6,969,875	7,121,458	7,446,313	1,143,177	15.4
Electric operating revenues (in thousands):							
Residential and rural	**$149,734**	$152,075	$143,236	$124,750	$107,151	$ 42,583	39.7
Industrial	**99,996**	94,587	86,122	80,989	67,516	32,480	48.1
Commercial	**80,588**	80,566	75,856	66,223	55,460	25,128	45.3
Wholesale	**54,831**	51,893	47,061	40,053	35,686	19,145	53.6
Class A	**33,299**	19,398	11,543	17,799	25,900	7,399	28.6
Other	**6,556**	7,947	7,045	6,446	6,558	(2)	—
Total	**$425,004**	$406,466	$370,863	$336,260	$298,271	$126,733	42.5
System capacity—at time of system peak (Kw's):							
Company plants (including jointly owned)	**1,621,100**	1,637,200	1,631,000	1,622,900	1,648,400	(27,300)	(1.7)
Firm purchased power	**162,700**	184,700	157,700	25,700	40,700	122,000	299.8
Total	**1,783,800**	1,821,900	1,788,700	1,648,600	1,689,100	94,700	5.6
System peak demand	**1,427,000**	1,403,000	1,252,000	1,262,000	1,259,000	168,000	13.3
Reserve margin at time of peak	**356,800**	418,900	536,700	386,600	430,100	(73,300)	(17.0)
CONSOLIDATED GAS STATISTICS:							
Customers served (end of period):							
Residential	**95,159**	93,498	92,289	91,337	89,620	5,539	6.2
Commercial firm	**11,167**	10,812	10,655	10,430	10,013	1,154	11.5
Industrial firm	**372**	384	382	383	377	(5)	(1.3)
Interruptible	**139**	144	143	140	131	8	6.1
Total	**106,837**	104,838	103,469	102,290	100,141	6,696	6.7
Sales—therms (in thousands):							
Residential	**101,846**	101,427	106,587	100,556	111,408	(9,562)	(8.6)
Commercial firm	**59,783**	58,284	63,025	57,158	61,710	(1,927)	(3.1)
Industrial firm	**26,510**	25,757	23,641	24,794	24,775	1,735	7.0
Interruptible	**72,449**	64,425	65,293	73,253	75,700	(3,251)	(4.3)
Interdepartmental sales	**1,329**	2,252	1,378	1,913	7,452	(6,123)	(82.2)
Total	**261,917**	252,145	259,924	257,674	281,045	(19,128)	(6.8)
Gas operating revenues (in thousands):							
Residential	**$ 66,763**	$ 66,359	$ 61,660	$ 48,545	$ 42,973	$ 23,790	55.4
Commercial firm	**34,566**	34,072	32,576	26,115	22,786	11,780	51.7
Industrial firm	**13,969**	14,577	12,278	10,798	9,146	4,823	52.7
Interruptible	**30,463**	28,998	28,174	27,043	23,975	6,488	27.1
Interdepartmental sales and other	**1,048**	1,657	3,700	2,721	4,494	(3,446)	(76.7)
Total	**$146,809**	$145,663	$138,388	$115,222	$103,374	$ 43,435	42.0
Maximum daily sendout—therms (in thousands)	**2,043**	2,077	2,031	2,030	1,941	102	5.3

Company Profile and Personnel



Wisconsin Power and Light Company serves 39 counties; 622 cities, villages and towns; and nearly 326,000 electric, gas and water customers in a 16,000-square-mile area in south-central Wisconsin. The Company employs more than 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 71 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 is scheduled to begin commercial 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 nearly 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 — 2.4 percent of WP&L's system capacity. Additional peaking units and small hydro facilities bring the Company's system capacity to more than 1,660 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 107,000 customers in 181 cities, villages and towns. The Company also provides water service to nearly 16,000 customers in Beloit and Ripon, Wis., and South Beloit, Ill.

Seven subsidiaries also are part of Wisconsin Power and Light Company. Through the acquisition of subsidiaries, WP&L is implementing its diversification strategy in three major areas — environmental services, telecommunications and energy services.

The Company acquired its first subsidiary in 1926 — South Beloit Water, Gas & Electric Company, a public utility principally serving Winnebago County, Ill. In 1976 WP&L added NUFUS Resources, Inc., a limited partner in Colorado and Utah mining operations, to provide uranium fuel supplies for the Kewaunee Nuclear Plant, and Wisconsin Power and Light Nuclear Fuel, Inc., which holds title to the Company's share of the initial fuel core for the Kewaunee plant.

In 1982 WP&L acquired a majority interest in Windworks, Inc., a manufacturer of wind generators and power conditioning equipment. The Mukwonago, Wis.-based subsidiary changed its name to Omnion Power Engineering Corporation in 1984 to reflect its emphasis on designing and engineering power conditioning equipment.

The Company acquired Residuals Management Technology (RMT), Inc. in 1983. Based in Madison, Wis., RMT is a consulting firm specializing in solid- and hazardous-waste management, groundwater monitoring, plant and process engineering, industrial hygiene and environmental laboratory services.

Also in 1983, WP&L formed a subsidiary called Wisconsin Mobile Telephone, Inc. to serve metropolitan areas with cellular telephone, a new, advanced mobile telephone service that is based on cellular radio technology.

WP&L's newest subsidiary is ENSERV, Inc., formed in 1984 as an "umbrella" under which the Company plans to expand its energy-services business.

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 55 percent of the common and 80 percent of the preferred shareowners are Wisconsin residents.

The average common-stock holding is 321 shares, a figure that includes both individual and institutional shareowners. Holdings by individual investors represent about 56 percent of the total.

OFFICERS

(As of December 31, 1984)

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

Erroll B. Davis, Jr.
Executive Vice President

William L. Keepers
Executive Vice President

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

Charles G. Kerndt
Vice President - Electric Operations and Engineering

Edward F. Killeen
Vice President - Administration

Thomas L. Consigny
Assistant Vice President - Public Affairs

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

George A. Geff
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

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. Fabie
Director of Safety and Real Estate

George E. Gibert
Director of Gas Supply and Engineering

Daniel A. Gemez-Ibanez
Director of Strategic Business Planning

Richard M. Gregory
Director of Purchases and Stores

William J. Holewinski
Director of Generating Station Engineering

Merlin E. Horn
Director of Environmental Affairs

Theodore J. Iltis
Director of Advanced Technology and Nuclear Affairs

James E. Johnson
Director of Natural Gas

Glen R. Kielley
Director of Personnel

LuAnn G. Killeen
Director of Gas Marketing and Customer Service

Paul F. Koeppe
Director of Electric Marketing and Customer Service

John W. Laub
Director of Information and Administrative Services

Donald R. Piepenburg
Director of Corporate Communications

William C. Register
Director of System Operations and Procurement

David W. Thompson
Director of Generating Station Operations

Charlotte O. Woods
Director of Internal Audits

REGIONAL MANAGERS

Suzette M. Mullooly
Southern Region (Janesville)

Dale G. Moody
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

Jules A. Nicolet
Sheboygan

W. Keith Penniston
Berlin

Larry L. Studesville
Beloit

Michael J. Wish
Tomah

Kim K. Zuhlke
Beaver Dam

GENERATING STATION MANAGERS

Carl R. Diehls
Columbia (Portage)

Norman E. Boys
Edgewater (Sheboygan)

William A. Frederick
Nelson Dewey (Cassville)

Thomas M. Schroeder
Blackhawk and Rock River (Beloit)

SUBSIDIARIES

RESIDUALS MANAGEMENT TECHNOLOGY, INC.

1406 E. Washington Ave.
Suite 124
Madison, WI 53703
608-255-2134

E. Brooks Becker
President

Thomas P. Kunes
Executive Vice President

John J. Reinhardt
Senior Vice President - Operations

OMNION POWER ENGINEERING CORP.

Route 3, Box 44A
Mukwonago, WI 53149
414-363-4088

Hans Meyer
President and Treasurer

Edward M. Gleason
Secretary

Pamela D. Meyer
Assistant Treasurer and Assistant Secretary

MANAGEMENT CHANGES

Erroll B. Davis, Jr. and **William L. Keepers** were elected Executive Vice Presidents in April. Davis had been Vice President-Finance and Public Affairs, and Keepers was Vice President-Administration and System Planning.

In April the Company announced a reorganization of the functions under the direction of Davis and Keepers. A key element of the reorganization was the separation of WP&L's natural-gas and electric businesses to improve their effectiveness and to provide a greater emphasis on their marketing aspects. The following are other major organizational changes:

Edward F. Killeen was named Vice President-Administration. He previously served as Vice President-Employee Relations.

James E. Johnson was named Director of Natural Gas. He had been Western Regional Manager.

George E. Gibert was named Director of Gas Supply and Engineering. He previously served as Director of Gas Operations and Real Estate.

LuAnn G. Killeen was named Director of Gas Marketing and Customer Service. She had been Manager of Information Services, Information and Administrative Services.

Paul F. Koeppe was named Director of Electric Marketing and Customer Service. He previously served as Supervisor of Energy Market Analysis, Strategic Business Planning.

William C. Register was named Director of System Operations and Procurement. He had been Director of System Operations and Planning.

John G. Fabie was named Director of Safety and Real Estate. He previously served as Director of Safety.

Dale G. Moody was named Western Regional Manager. He had been Director of Consumer Services.

Suzette M. Mullooly, formerly District Manager at Beaver Dam, was named Southern Regional Manager. She succeeded **Donald P. Goiffon**, who retired in August.

Kim K. Zuhlke was named District Manager at Beaver Dam. He previously served as Western Regional Customer Service Administrator.

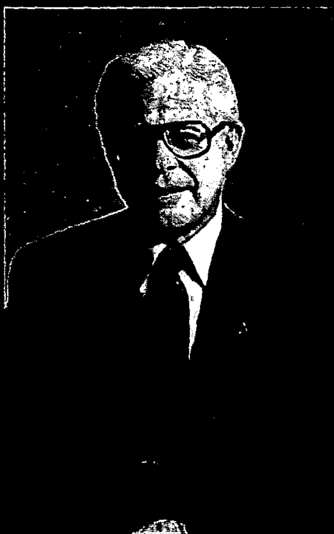
George L. Richardson, Director of Generating Station Engineering and Construction, retired in June. **William J. Holewinski** was named Director of Generating Station Engineering. He had been Generating Station Construction Supervisor.

Henry R. Hosterman was named Manager, Edgewater 5 Startup, in June. He previously served as Generating Station Manager at Edgewater. **Norman E. Boys** was named to succeed Hosterman. Boys had been Assistant Generating Station Manager at Columbia.

Board of Directors

Erroll B. Davis, Jr.

Henry C. Prange



James R. Underkofler

Dr. Bernard S. Adams

L. David Carley

Rockne G. Flowers

Eugene O. Gehl

William L. Keepers

Milton E. Neshek

Henry F. Scheig

Shirley B. Thompson

Carol T. Toussaint

Gerard E. Veneman

Information for Shareowners

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 sale prices for common stock as reported by the New York Stock Exchange-Composite Transactions.

WPL Common Stock Prices

1984	High	Low	1983	High	Low
1st quarter	29½	25⅞	1st quarter	26⅞	24
2nd quarter	28	25⅝	2nd quarter	26½	23
3rd quarter	29⅛	25¾	3rd quarter	27⅜	23⅛
4th quarter	30⅞	28⅛	4th quarter	29⅛	27

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 day 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 fall on the last business day of the month preceding the payment dates.

Cash dividends per share paid during 1984 were 62 cents for the first two quarters and 64 cents for the last two quarters, for a total of $2.52 per share for the year.

Preferred stock dividends paid per share for each quarter during 1984 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.

STOCK TRANSFER AGENTS AND REGISTRARS

Transfer Agents	Registrars
For Common and Preferred Stock: Illinois Stock Transfer Company 223 W. Jackson Blvd. Chicago, IL 60606	Continental Illinois National Bank & Trust Company of Chicago 231 South LaSalle Street Chicago, IL 60693
For Common Stock Only: Morgan Guaranty Trust Company 30 W. Broadway New York, NY 10015	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.

ANNUAL MEETING

Shareowners are cordially invited to attend the corporate Annual Meeting at 10 a.m. local time, Wednesday, April 17, 1985, at the Dane County Coliseum, 1881 Expo Mall, Madison, WI. Proxy materials will be mailed to shareowners in early March.

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 calls	**1-800-362-5490**
Outside Wisconsin	**1-800-356-5343**

DIVIDEND REINVESTMENT PLAN

WP&L offers to its shareowners and employees the opportunity to purchase shares of its common stock through the investment of common and preferred dividends and optional cash payments. Investment dates normally occur on the 15th of each month. Optional cash payments of up to $3,000 per month may be made to purchase common stock under the Plan. The price per share of shares purchased under the Plan is the weighted average price (including brokerage commissions) at which the shares are acquired for participants.

WP&L's original-issue Plan was amended effective Jan. 1, 1985, in response to an order issued by the Wisconsin Public Service Commission. Because of the change, the Plan no longer is a qualified public utility dividend reinvestment plan; dividends reinvested under the amended Plan after Jan. 1, 1985, do not qualify for deferral under the Economic Recovery Tax Act of 1981 provisions.

Plan descriptions are available upon request from Shareowner Services.

DUPLICATE ACCOUNTS AND MAILING

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, to send 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 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

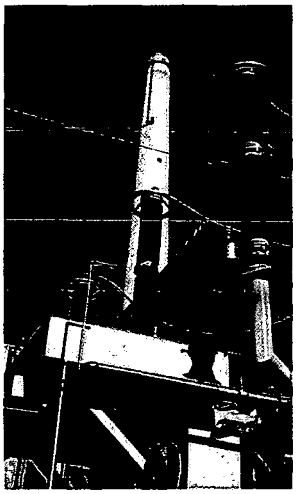
Toll-free investor-relations numbers are:

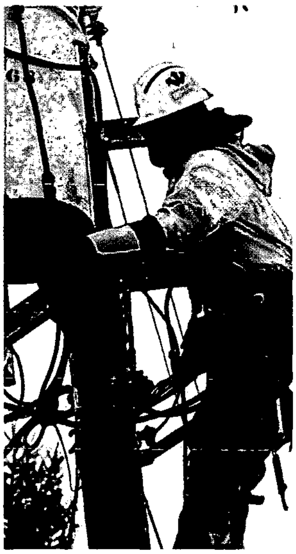
In Wisconsin	1-800-362-5311
Outside Wisconsin	1-800-622-2258

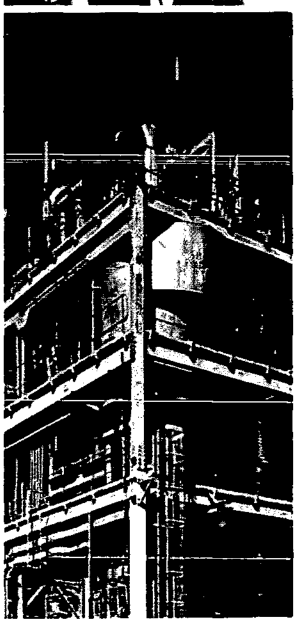
SUMMARY OF 1985 DATES OF INTEREST TO SHAREOWNERS

Common Dividend Payment Dates	15th of February, May, August and November
Common Dividend Record Dates	January 31, April 30, July 31 and October 31
Preferred Dividend Payment Dates	March 15, June 15, September 14 and December 14
Preferred Dividend Record Dates	February 28, May 31, August 30 and November 29
Annual Meeting Date	April 17
Dividend Reinvestment and Stock Purchase Plan Investment Dates	Normally on the 15th of each month

Year in Review







EDGEWATER 5 — With the start-up process nearly completed as the Annual Report went to press, Wisconsin Power and Light's new $306-million Unit 5 at the Edgewater power plant in Sheboygan was set to begin commercial operation March 1. Construction of the 380-megawatt state-of-the-art generating unit began in 1980. In June the unit was officially named the Edgewater 5-George Richardson Generating Unit. Richardson retired in 1984 as WP&L's Director of Generating Station Engineering and Construction. Edgewater 5 is the first WP&L generating unit ever to be named in honor of a Company employee.

LABOR CONTRACT — WP&L and Local 965 of the International Brotherhood of Electrical Workers reached agreement on a new three-year labor contract in June, marking the union's first three-year agreement with the Company since 1967.

DIVERSIFICATION — Residuals Management Technology (RMT), Inc., a WP&L subsidiary acquired in 1983, expanded its operations in 1984. In June the consulting firm announced the addition of two divisions — EDI Technology Companies, Greenville, S.C., and AER*X Division, Washington, D.C. The new divisions enable RMT to enter new geographic and industrial markets and offer its clients full-service environmental and facility-design engineering consulting services. At right is a complex industrial process facility representing some of the projects designed by the EDI Technology Division.

Record peak — High temperatures in August resulted in record electricity use by WP&L customers. Electricity use peaked on the WP&L system at 1,427 megawatts August 29, breaking 1983's record peak of 1,403 megawatts set on August 19.

Rate cases — In October the Wisconsin Public Service Commission approved a final order in WP&L's retail rate case, filed in December 1983. The commission ordered the Company to decrease rates overall by $12.3 million, effective October 12. The Company filed a new rate case in December for a $39-million increase to take effect in July 1985.

Nuclear — The Kewaunee Nuclear Power Plant marked its 10th anniversary of commercial operation in 1984. The Company maintains a 41-percent ownership in the nuclear plant, which is operated by Wisconsin Public Service Corp. of Green Bay, Wis. Kewaunee has been recognized consistently for its excellence in safety, operating performance and reliability. The plant's availability during its first 10 years of operation has been 83.4 percent and its cumulative capacity factor has been 78.7 percent — placing Kewaunee among the top five of the nation's 80 commercial nuclear power plants.

Omnion Power Engineering — WP&L's Windworks, Inc. subsidiary announced a corporate name change in October that reflects a new direction for the 7-year-old firm. The company has discontinued the manufacture of wind machines and, under the new name of Omnion Power Engineering Corp., will concentrate its efforts on the marketing and production of power conditioning equipment.

Electronic funds transfer — WP&L is the first utility in Wisconsin to develop a system for the electronic payment of customers' bills. The Company is planning to offer its new AutoPay Plan to all customers in 1985 following a successful test of the plan in the Monroe District in 1984. The plan is a convenient free service that allows a customer to authorize a bank, credit union or savings and loan association to automatically deduct the amount of the WP&L bill from his or her account each month.

Economic development — In November the Company launched a new phase of its economic-development program — a marketing campaign with the theme, "Wisconsin's heartland . . . when you're ready to trade up." The objective of the campaign is to recruit industries from throughout the nation to expand in WP&L's service territory. Service-area business development continued in 1984 with 22 new industries locating in WP&L's service territory and 64 expanding their operations here. These new and expanded businesses created 1,645 additional jobs.

Editor: Mary Lynn Jartz, Wisconsin Power and Light Company
Photographer: Douglas Wollin, Wisconsin Power and Light Company
Designer: Paul Bruhn, Montzingo & Carman Advertising

Wisconsin Power & Light Company

Wisconsin's heartland . . . on the grow

1984 Annual Report

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

CC-3-85-80M