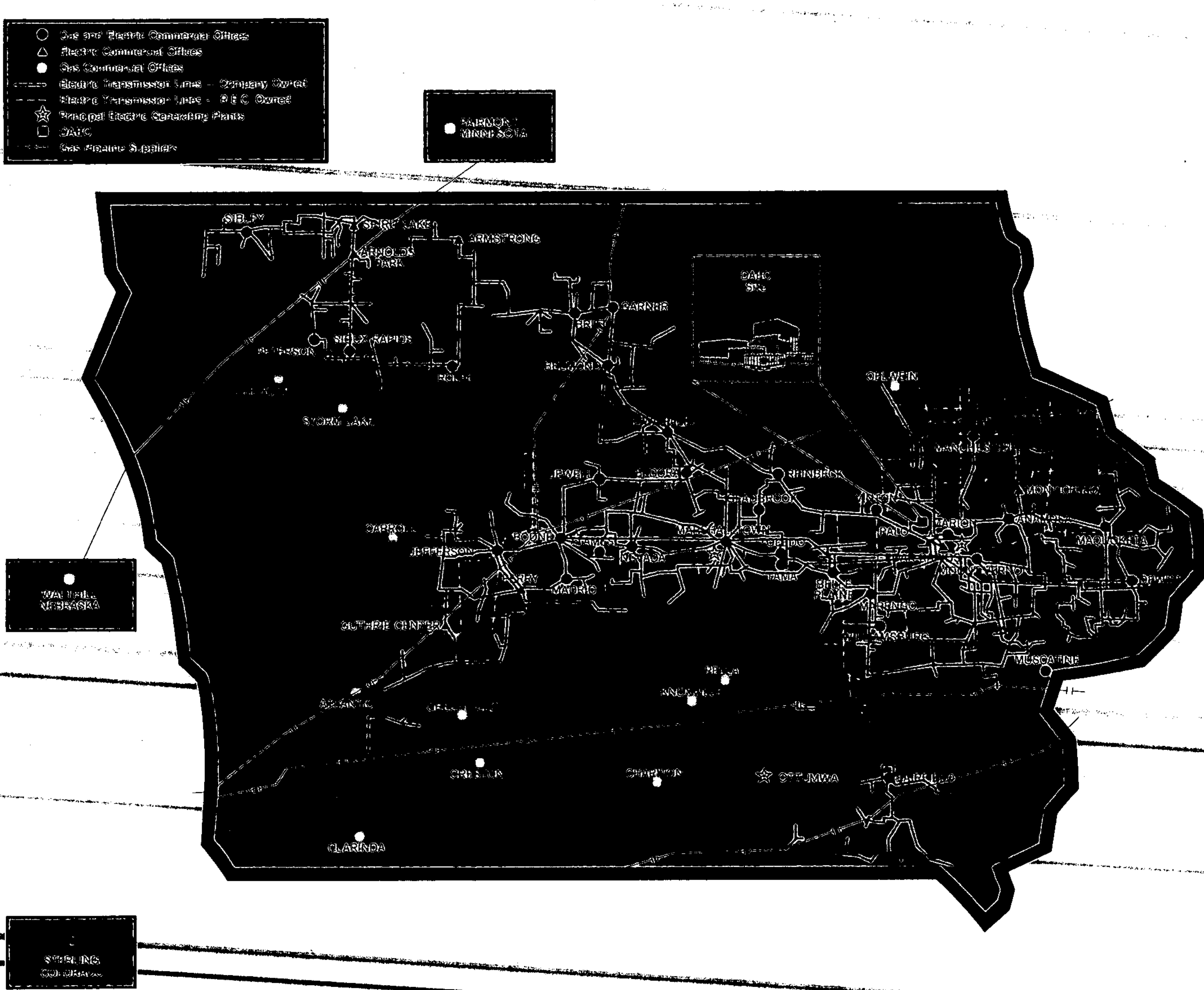
Iowa Electric Light and Power Company

1983 Annual Report

Annual Meeting

The Annual Meeting of the shareholders will be held at 2:00 p.m., Central Daylight Time, on Tuesday, May 15, 1984, at the ie: Tower, 6th Floor, 200 First Street S.E. in Cedar Rapids, Iowa. A proxy statement with respect to this meeting will be mailed on or about April 16, 1984. All shareholders are cordially invited to attend. However, those who are unable to attend in person are urged to sign and return a proxy.

Service Map



Annual Report

This report is published to provide general information concerning the Company and not in connection with any sale, offer for sale, or solicitation of any offer to buy, any securities.

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About the Company

ie: IN ITS SECOND CENTURY OF SERVICE

Iowa Electric Light and Power Company, a major investor-owned utility, has provided Iowans rail, electrical, natural gas and steam energy services since 1882. An Iowa corporation with corporate offices in Cedar Rapids, the Company supplies electric service to more that 204,000 residential, commercial, industrial and rural customers in 55 counties, including 272 incorporated cities and 118 unincorporated communities. Natural gas is distributed in 124 cities in Iowa; Fairmont, Minnesota; Sterling, Colorado; and five small communities in eastern Nebraska. The Company also delivers steam or hot water for heating and industrial purposes in Cedar Rapids.

Beginning as the Cedar Rapids Electric Light and Power Company, through a series of mergers, acquisitions and name changes, today's Iowa Electric employs more than 1,600 workers and operates four coal-fired power stations, a nuclear plant, and other small supplemental generating facilities.

During its first 100 years, Iowa Electric pioneered many advanced concepts in utility operations, rate structures, generation and transmission systems. It was one of the first American utilities to adopt alternating current, which later became the industry-wide standard, and to sell electricity by meter. It was one of the first to install high-voltage transmission lines. The Company gained national recognition for its formulas to achieve equitable rates by allocating costs accurately. With rural electrification in the 1940s, Iowa Electric was one of the first investor-owned utilities to establish agreements with rural electric cooperatives to build generation and transmission facilities. The same innovative spirit was behind the Company's decision in the late 1960s to adopt nuclear power for a major share of its generating needs.

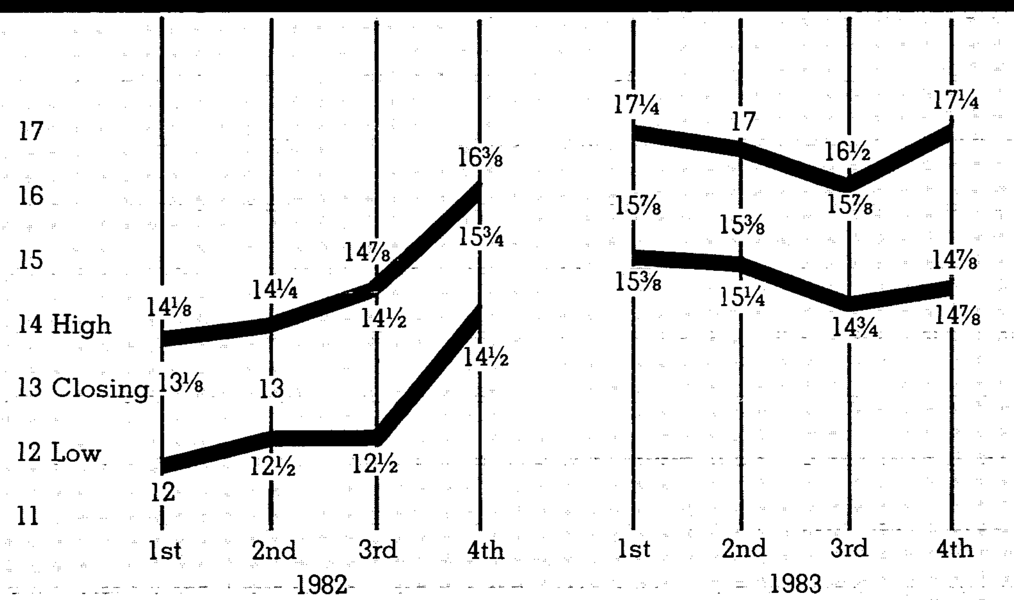
Inseparably linked with the development of rural and industrial Iowa, Iowa Electric is aware of the need to expand its services beyond those traditionally offered by utility companies. This recognition will form the basis of new ventures as Iowa Electric begins its 103rd year of service.

1983 Highlights

	1983	1982	Increase (Decrease)
Operating revenues (000's)	$444,713	$402,847	$ 41,866
Net income (000's)	$ 27,898	$ 27,036*	$ 862
Net income available for common stock (000's)	$ 23,289	$ 22,247*	$ 1,042
Earnings per average common share	$ 2.14	$ 2.15*	$ (0.01)
Dividends declared per common share	$ 1.795	$ 1.735	$ 0.06
Construction expenditures (000's)	$ 47,874	$ 41,880	$ 5,994
Sales of electricity to customers (Kwh) (000's)	4,219,286	4,099,889	119,397
Sales of gas to customers (Dekatherms) (000's)	34,112	36,377**	(2,265)
Number of stockholders	34,889	34,994	(105)
Number of full-time employees	1,618	1,635	(17)

*Restated for effect of replacement power settlement — see Note 2 of the Notes to Financial Statements.
**(Mcf) (000's)

Quarterly High, Low and Closing Prices of Common Stock (dollars)



Common Stock

Quarterly common stock dividends of $.445 and $.43 were paid by the Company during 1983 and 1982, respectively. The Company's common stock is traded on the New York Stock Exchange. The accompanying chart shows the range of trading prices for the last two years.

REGULATORY DOCKET FILE COPY

Lee Liu

Dear Stockholder:

By virtually every measurement, 1983 was a successful year for Iowa Electric. Both sales and net income registered gains over 1982, leaving us in sound financial condition as we ended the year. But to your Company's management, these short-term successes are less important than the long-term transition that Iowa Electric must make in the years ahead as we enter the new economic environment that awaits most electric and gas utilities in the near future. Preparing for that new environment is our greatest challenge, and it received our greatest emphasis throughout 1983.

1983's Record

Sales of electric power increased by 2.9 percent, a healthy sign since our service territory was struggling to recover from the effects of an economic recession. On August 18 our electric power demand hit a new all-time peak of 985 megawatts. The Duane Arnold Energy Center, the state's only nuclear power plant and the heart of our strategy of diversifying fuel types, continued its track record as one of the nation's most efficient nuclear plants and as one of the state's least expensive sources of electric power.

Sales of natural gas decreased, following a trend of decline caused by an increase in consumer conservation efforts, and the use of substitute fuels by industrial customers.

Net income for 1983 increased 3 percent over 1982 totaling $27.9 million or $2.14 per share on revenues of $444.7 million. In 1982 net income was $27.0 million or $2.15 per share on revenues of $402.8 million. The one cent decrease in income per share resulted from an increase in the average number of shares of common stock outstanding, from 10.3 million to 10.9 million.

As we look beneath the surface of these statistics, we recognize that they largely represent short-term fluctuations. Much of the reason for our increase in electric sales was the harsh summer and bitter-cold December we experienced last year, coming on the heels of unusually mild summer weather in 1982. And our improved net income largely resulted from an interim rate increase of $43.6 million allowed subject to refund by the Iowa State Commerce Commission in July 1983.

We are convinced the demand for electric energy will continue to increase in the years ahead. The use of electricity was and will continue to be closely related to the economic vitality and growth of our nation. But the increase will clearly be much less than the 7 percent growth rate experienced in earlier decades. Our forecasts indicate less than a 3 percent per year increase in electric peak load demand in future years, and there will be no need for additional large power plants until the early 1990s.

We are further encouraged by the positive measures taken by our customers in both conservation and load management, in many cases in partnership with the Company.

Strategy for the transition

As the changes continue to unfold in the decade of the 80s, we see significant transformation taking place in the energy industry. We must be in control of our destiny and we must alter our traditional "build and grow" strategy to a new one which focuses on quality of performance, flexibility and innovation. Furthermore, the new strategy must recognize the delicate balance between the interests of stockholders, customers and employees. In 1983, your management has devoted a substantial amount of time and energy in developing a new strategy which we believe will transform this company into a competitive and financially strong multi-service Company in the energy field. The newly developed strategy has been placed in action in the following areas:

Control and containment of costs

We are determined to be one of the most cost conscious and efficiently operated utilities in the country, through continuing efforts in cost control and containment.

The computerized Annual Operating Plan and Report System (AOPARS) was completed in 1983 and is now in use. The traditional annual planning cycle is now giving way to a real-time, continual, issues oriented process based on up-to-date operating data and business intelligence.

Our managers are now able to resolve problems before they blossom into crises. In addition, this system will enhance our day-to-day control of budgets and expenditures, and help us identify potential areas for new cost savings.

Despite increasing demands from state and federal regulatory agencies that require an ever-increasing staff commitment, we are stabilizing our overall staff through work reprioritization and responsibility consolidation. Over the past few years we have reduced our operating workforce by nearly 13 percent and this effort will be accelerated by the introduction of an early retirement plan which is being offered to our employees in 1984.

We have also been successful in containing payroll and health benefit costs. In 1983 our union employees agreed on a new contract which will freeze wages and health care costs for one year. A similar freeze has been placed in effect for non-bargaining employees, as well.

Most importantly, we are determined to delay commitments to major new capital expenditures until they are absolutely necessary. We have postponed construction of the Guthrie County Project, a 650-megawatt coal plant, until sometime after 1990, and we have set aside plans for major new transmission lines. By promoting conservation and load management programs, coupled with incentive rates, we hope to continue increasing annual sales of electric power without adding significantly to peak loads, which require additional generating capacity.

Innovative discount rates

We are painfully aware of the rising energy costs and are committed to minimize future rate increases. New discount prices are offered to our customers to save money and also to increase our competitiveness in the marketplace.

Time-of-day meters, installed for 2,000 of our customers in 1983, will reward these customers with instant savings of as much as 15 percent. We plan to continue our promotion aggressively with the target of 10,000 meters by 1985. Migration of energy usage from on-peak to off-peak will not only provide instant savings to the customers, it will also help us to delay the need for future power plants.

Innovative seasonal prices will also be offered to our customers to improve our competitiveness in the market place. As a summer peaking company, we find it makes sense for us to provide competitive winter rates to attract more heating loads.

Diversification

Despite our optimism in future growth potential in the utility business it is evident this potential will be dwarfed by ever increasing government regulations. To maintain our financial vitality this company must reach out into new business areas not generally associated with the regulated utility business. In 1983 a new subsidiary, Industrial Energy Application, Inc., was founded with the purpose of pursuing potential new business opportunities. In 1984 much management attention will be focused on the development of a long term diversification plan including co-generation and alternate energy technology.

New corporate culture

We are confident that our new strategy will carry us securely through the 1980s and beyond, largely because of the support and involvement by the entire Iowa Electric family. We are placing special emphasis on involving our employees more directly in our transitional strategy. In 1983, one of my priorities was to meet with Company employees throughout the system to exchange views on our values and direction. These meetings were successful and have brought the Company and its people much closer together.

Iowa Electric employees at all levels are sharing in cost control and reorientation. Our workforce is taking on consolidated responsibilities to make our operation more efficient. We are also offering a new incentive to employees to give them a chance to help shape our program and to share in its success. A new Employee Suggestion Program began operation in early 1984 to encourage hourly and non-supervisory employees to give us their best thinking on ways to improve our productivity, efficiency and savings. Suggestions that turn into savings for the Company will earn cash awards. Similarly, we are developing a bonus incentive program for exceptional performance among salaried employees.

To increase consumer involvement in our business we have boldly initiated a new Consumer Advisory Panel, made up of 12 consumers from throughout our service area, who have begun meeting regularly to examine the circumstances the Company is facing, to review our programs and plans and to advise us of their ideas and concerns. One of the primary goals of this new panel is to find ways to improve communications with all of our customers and to give us the customers' perspective on energy-related issues.

Tradition of planning

Iowa Electric has a strong tradition of planning strategically for the future and of working in partnership with its communities, employees and customers for the best interests of all parties. We believe the dynamic, long-term strategy and innovation that we are developing today will similarly benefit the Company, its shareholders and employees, its customers and the community for decades into the future.

The optimism and confidence we feel about the success of our new strategy stems in large part from the support and cooperation we are receiving from our employees and customers. They made 1983 the success that it was, and we are confident that they will help make the long-term future successful. We are eagerly looking forward to these new challenges, and to working in partnership with the entire Iowa Electric family in meeting them.

Lee Liu
Lee Liu
Chairman of the Board
and President
March 15, 1984

"Most of the 41 years I have spent with the Company have been in the areas related to billing and customer service."

Elaine Armstrong
Commercial Office Supervisor

1983 in Review:

For Iowa Electric Light and Power Company, 1983 brought encouraging financial results and progress on some regulatory fronts that give us reason to be optimistic about the year ahead. Throughout the year we saw sustained evidence of a definite upturn in the economy. America is rebounding and our service area is beginning to reflect these more positive developments.

Our belt-tightening programs will continue to ensure that we have fully incorporated recent energy trends toward conservation, improved efficiency, and slower rates of growth.

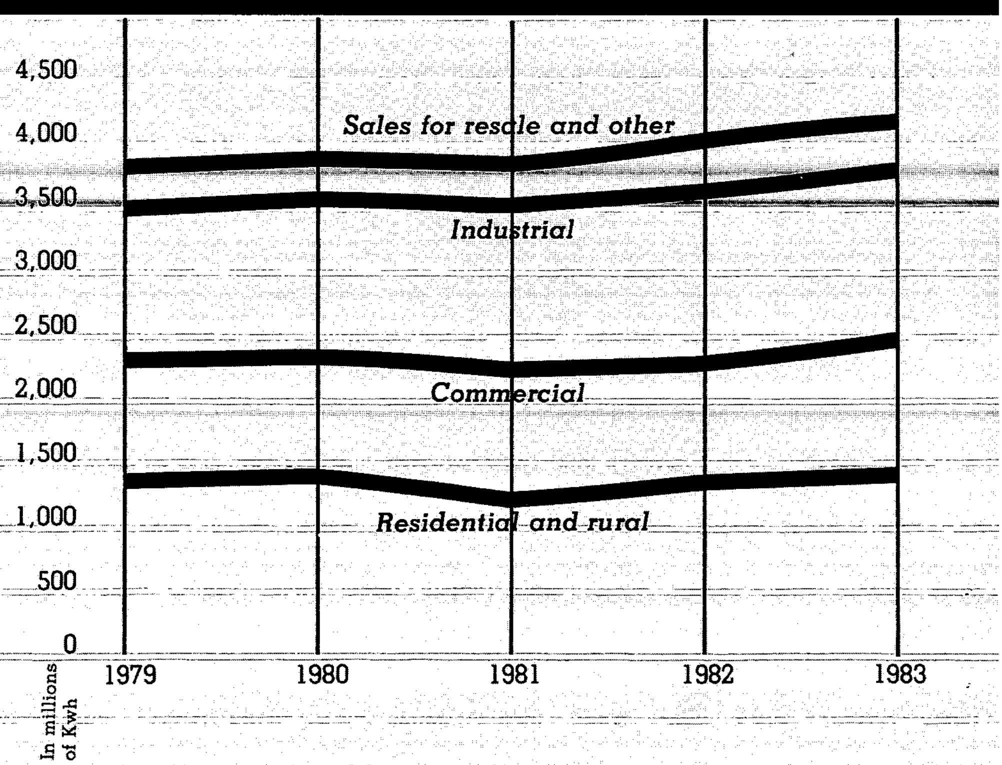
Our customers and our employees head our "worry list" as we begin Company operations in 1984. We are confident that the outreach programs instituted in 1983 to address their fears and frustrations — like the Consumer Advisory Panel and the Chairman's Employee Roundtables — will begin to pay dividends in the near future.

The Iowa State Legislature enacted legislation during the year designed to reduce consumer energy costs. It establishes a consumer advocate office and increases the operations oversight responsibilities of the Iowa State Commerce Commission (ISCC). It also places a cap on the amount of reserve generating capacity allowed in a company's base rates, and provides a method for financially penalizing a utility for excessive generating capacity. Iowa Electric will spend additional manhours meeting the new regulatory requirements imposed by the legislation, and plans to continue its go-slow policy on new plant construction.

At Iowa Electric we believe that surplus capacity is not an excess but a valuable asset that improves Iowa's chances of attracting new industries. Our efforts to bring in new industry have been fruitful in the past and we intend to redouble our promotional efforts in the coming months. In 1982, for example, Iowa Electric captured 17 new industries out of 60 announced in the state and 36 of 96 expansions of the state's existing industrial base. In 1983, 26 of 56 industries new to the State of Iowa became our customers. 25 of the state's business expansions happened in our service territory. As economic clouds continue to lift and we work even more closely with our business colleagues and community leaders, we hope to improve on those statistics — and provide more job opportunities for our neighbors — in 1984.

Electric Sales

Electric sales increased 3% from 1982, to 4,219,286,000 kilowatt-hours. Residential sales increased 7% while rural sales decreased 4%. Commercial sales increased 3%. Industrial sales showed no change while sales for resale and other increased 3%. The 5-year historical average growth rate is 1.8%.



"Because of our Company name, Iowa Electric, many people don't know or forget that we are also a supplier of natural gas."

Scott Woods
Gas Mechanic Welder

Financial Highlights

Management decisions to cut construction expenditures and manpower and to curtail operating expenses where possible, coupled with increased electric sales and rate increases, resulted in a growth in net income for the 9th consecutive year.

In keeping with the policy of the Board of Directors to increase dividends as earnings permit, the dividends declared on Iowa Electric common stock were increased. A quarterly dividend of 46 cents per share was made payable January 1, 1984, an increase of 3.4 percent from the previous level. This 1½ cent gain reflects an indicated annual rate of $1.84 per share compared with $1.78 paid in 1983.

In 1983, construction expenditures were financed almost entirely (94 percent) with funds generated internally.

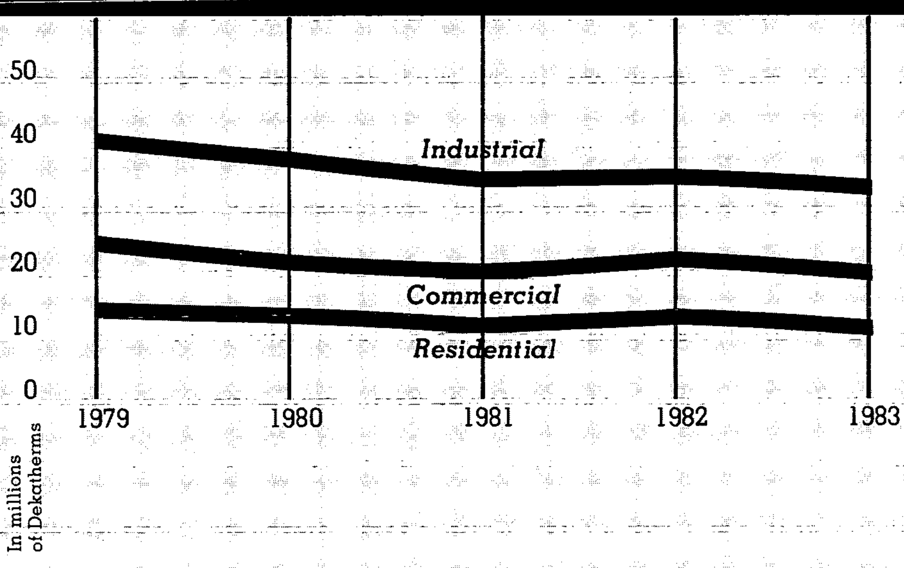
Approximately one half of the $48 million construction program was necessary to comply with regulatory requirements at Iowa Electric's nuclear generating plant. These projects included adding steel supports to prevent earthquake damage to the plant, installing a computerized system to aid in monitoring vital plant systems, and strengthening fire protection measures.

The Company sold one million new shares of common stock late in the year and announced plans to offer $35 million in First Mortgage Bonds during 1984. Funds from the sale of the issues are used to repay short-term debt and for other corporate purposes. Iowa Electric had commercial paper totaling $15.4 million outstanding on December 31, 1983.

The capitalization structure was again strengthened during 1983. At year end the capitalization ratios were 43 percent common stock equity, 11 percent preferred and preference stock, and 46 percent long-term debt.

Standard & Poors raised the rating on our commercial paper in August to A-1. S&P said the rating action reflects "prospects for improvements in cash flow, pretax interest coverage, and earned returns following recent favorable rate treatment by the ISCC." According to the S&P analysts, "moderate construction expenditures and healthy internal cash generation in nearby years will alleviate financing needs and limit future rate relief requirements."

Moody's also raised the rating on our commercial paper to P-1.



Gas Sales

Gas sales in 1983 totaled 34,112,000 Dekatherms, a 6% decrease from 1982. Residential and commercial sales decreased 9%. Industrial firm sales decreased 8% while industrial interruptible sales increased 4%.

"Our excellent operating record for the past 10 years demonstrates we are highly skilled in nuclear operations."

Phil Ward
Director-Nuclear Generation

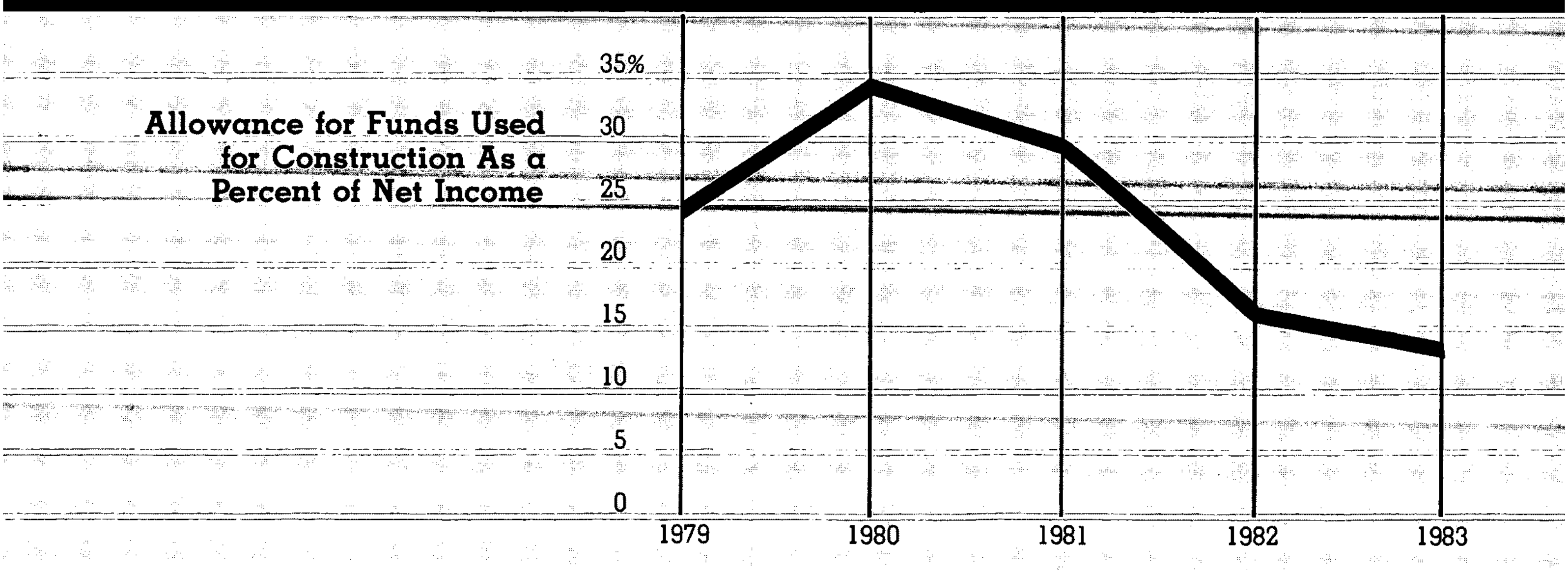
Plans for Future Corporate Gains

Examining Opportunities for Business Diversification

Electric energy and natural gas have been the staples of our company for more than a century. As these energy sources have matured, the merits of expanding our marketing base with other energy resources becomes increasingly attractive. With these opportunities in mind, Iowa Electric has begun a strategic review of its alternatives — including diversification.

On the energy production side of the business, we are exploring some alternatives including the feasibility of converting selected power plants into co-generation plants that will provide electricity *and* processed steam to feed industrial parks. Preliminary discussions are also underway with some of our industrial customers regarding joint ventures in new energy production facilities and energy equipment leasing.

1984 could prove to be a turning point for Iowa Electric as our first fact-finding studies are completed. The Company is determined to change — in a positive way — without jeopardizing the utility backbone of the Company. The spirit of innovation and love of the challenge, which has guided much of our past, will serve us well during this repositioning.



"Utility companies offer a wide range of job opportunities for women, and that includes Iowa Electric."

Cheryl Smejkal
Storekeeper

1983 Operations

Iowa Electric expects its growth to continue at the slower pace which events in recent years have dictated. In 1983, the Company recorded only a modest increase in the number of new customers.

For the second year in a row, however, peak demand for electricity reached a record high. The 1982 record of 920,000 kilowatts was broken on August 18 when demand rose to 985,000 kilowatts, following a period of sweltering heat and humidity. Iowa Electric met this record peak demand on its system with 609,000 kilowatts of the required electricity coming from generating facilities owned by the Company, supplemented with 376,000 kilowatts of purchased capacity. The purchased power enabled the Company to provide its customers with uninterrupted, reliable service and meet its reserve obligations of 148,000 kilowatts at the same time.

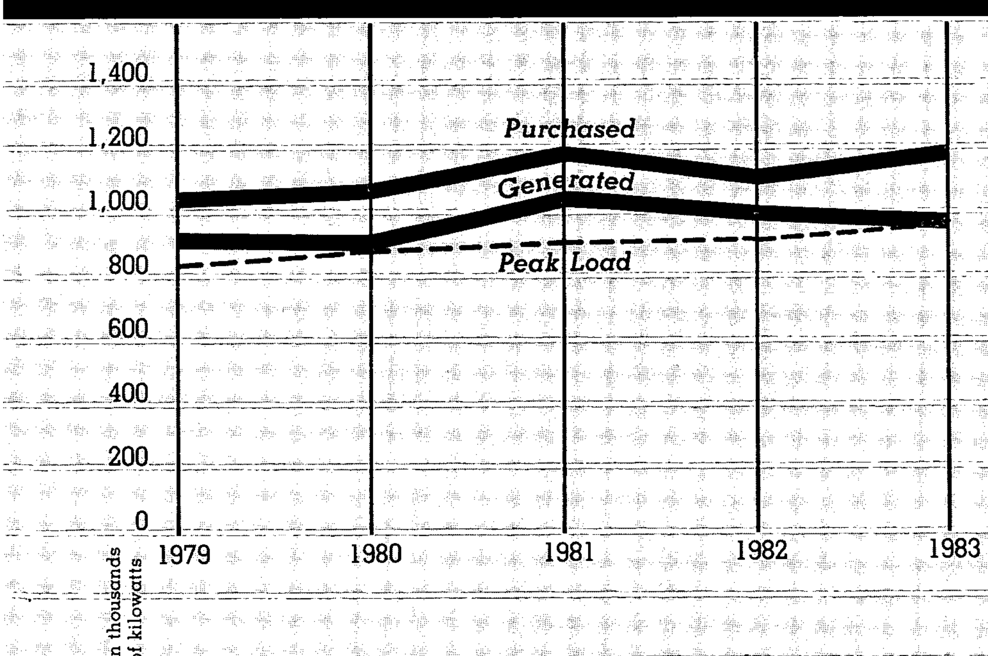
During the heat wave, Iowa Electric issued its first "peak alert" in compliance with ISCC rules. Such announcements are now required when temperatures are expected to reach 96 degrees or higher several days in succession. Customers are asked to set air conditioner thermostats no lower than 78 degrees and to switch as much electrical use as possible to non-peak hours.

Electric capability at the time of the 1983 peak totaled 1,200,300 kilowatts, consisting of 999,050 kilowatts of our own generation plus 201,250 kilowatts of power purchased under contract. This includes the first installment of 100,000 kilowatts under our new ten-year contract with the City of Muscatine for power from its coal-fired generating station.

Fossil generation provided approximately 35 percent of Iowa Electric's electric power requirements in 1983 while our nuclear plant, which was shut down for refueling and maintenance from mid-February into early May, provided 35.1 percent. The remaining 29.9 percent was provided through capacity purchases and from various companies participating in the Mid-Continent Area Power Pool (MAPP).

Iowa Electric's total generating and purchased capacity exceeded its load requirements in 1983 by approximately 21.8 percent. The reserve in 1982 was 20.6 percent. The MAPP reserve requirement (15%) accounts for the majority of this amount.

Our forecasts for 1984 and 1985 indicate a continuing trend toward reduction in surplus capacity. We predict an 18% reserve margin in 1984 and a 14% reserve margin in 1985. With all of the uncertainties inherent in



Electric Capability and Peak Load

The Company's 1983 peak load of 985,456 kilowatts occurred on August 18. Its additional reserve obligation was 147,818 kilowatts. Available generating capability at that time was 999,050 kilowatts, supplemented by 201,250 kilowatts of purchased capability.

"As an employee, stockholder and customer, I join the hundreds of other employees who view the Company from these three perspectives."

Chris Hampsher
Manager-Staff Accounting

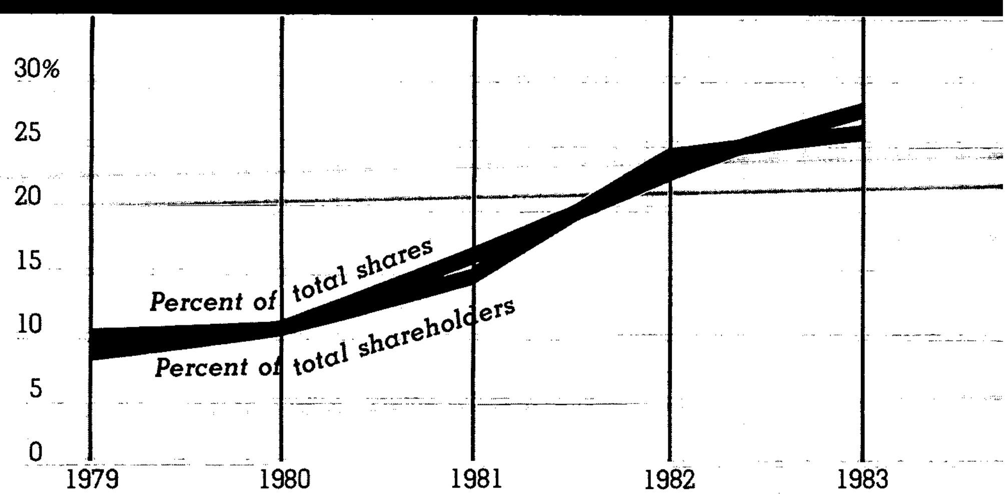
capacity planning and the long lead times built into the process, we are proud of our stewardship and are placing additional management emphasis on fine-tuning our forecasting techniques.

Five electric utilities, including Iowa Electric, have formed a partnership to operate a common control system for dispatching electricity. The partnership, known as ENEREX will coordinate the operation of the bulk power facilities of each of the five companies to ensure maximum use of the most efficient and least costly generating units.

ENEREX operations should result in measurable consumer savings. In addition, pooling power in this manner will reduce the need to build additional generating facilities in the state. The new partnership will integrate Iowa Electric's service territory with that of the other four companies, thus allowing Iowa Electric to benefit from load growth anywhere on the system.

Iowa-Illinois Gas and Electric Company, Iowa Power and Light Company, Iowa Public Service Company, and Iowa Southern Utilities Company are the other ENEREX partners.

Participation in Dividend Reinvestment and Stock Purchase Plan



"I have the responsibility of helping our customers in any way I can by working with them on a one to one basis."

Harriet Cassell
Consumer Records Representative

Rate Actions and Cost Containment Programs

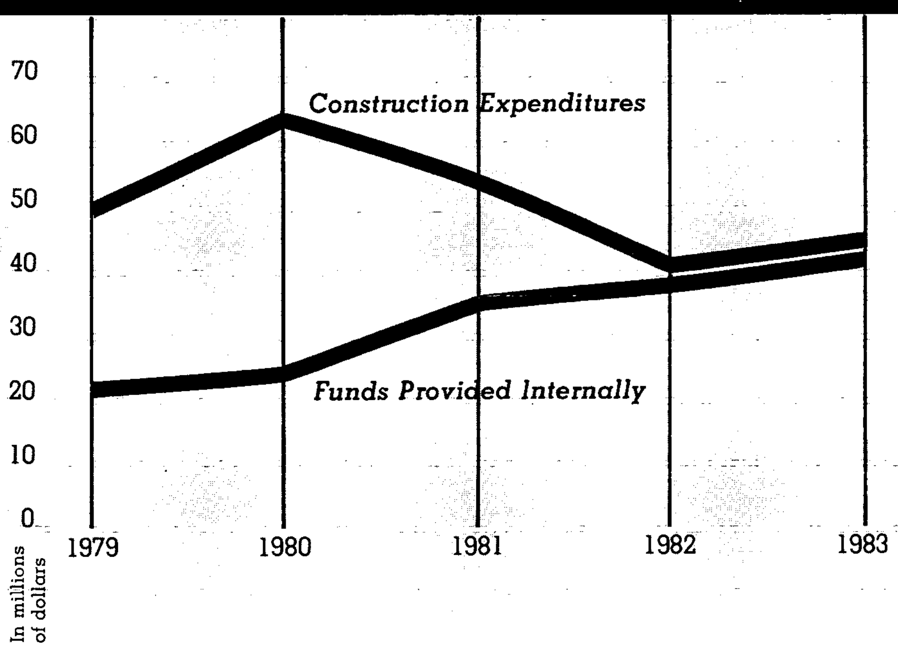
Rate Increases in 1983 and Recent Regulatory Actions

Iowa Electric filed applications for electric rate increases with the Iowa State Commerce Commission (ISCC) and with the Federal Energy Regulatory Commission (FERC) during the early months of 1983. On July 14, the ISCC granted on an interim basis $43.6 million of $44.2 million requested in rate increases to retail customers. The FERC allowed the entire $5.9 million increase to wholesale customers to be placed into effect July 1, subject to refund.

In February, 1984, the ISCC tentatively approved most of our retail rate increase request. While the Company awaits a final ISCC order, the decision grants a 14.71% rate of return on equity and an overall return of nearly 11%. With the exception of issues regarding the rate treatment of deferred income taxes, Iowa Electric expects that nearly all of the requested $44.2 million rate increase will be approved. The ISCC has also tentatively approved Iowa Electric's proposed changes in rates to consolidate numerous rate categories, to base rates on the cost of service to each class, and to adopt significant summer/non-summer and time-of-day rate differentials. A final decision is expected in March, 1984.

In December, 1983, a settlement agreement was reached between Iowa Electric and its wholesale customers. This agreement, subject to final FERC approval, would phase in $5.2 million of the initially requested $5.9 million over 3 years beginning January 1, 1984, with no significant refunds for the rates in effect during 1983. The rates will be based on significant summer/non-summer and time-of-day rate differentials to encourage off-peak usage to wholesale customers. A final decision on this case is also expected in March, 1984.

The primary reasons for these rate increases are to recover two major expense items. First, to recover the costs associated with the purchase of power from a new generating plant owned by the City of Muscatine. Under a renegotiated contract, Iowa Electric agreed to purchase 100 megawatts of power — at an estimated cost of $29 million the first year — beginning May 1, 1983. The ten-year contract will taper the amount of power purchased in year five to 90 megawatts and then to 70 megawatts in year nine. The second reason is increased operating expenses. These include operating and



Construction Expenditures (Exclusive of Allowance for Equity Funds) and Funds Provided Internally

"Electronic data processing is now being used extensively at Iowa Electric to render bills, record receipts, and hundreds of other tasks."

Anne Burns
Senior Systems Analyst

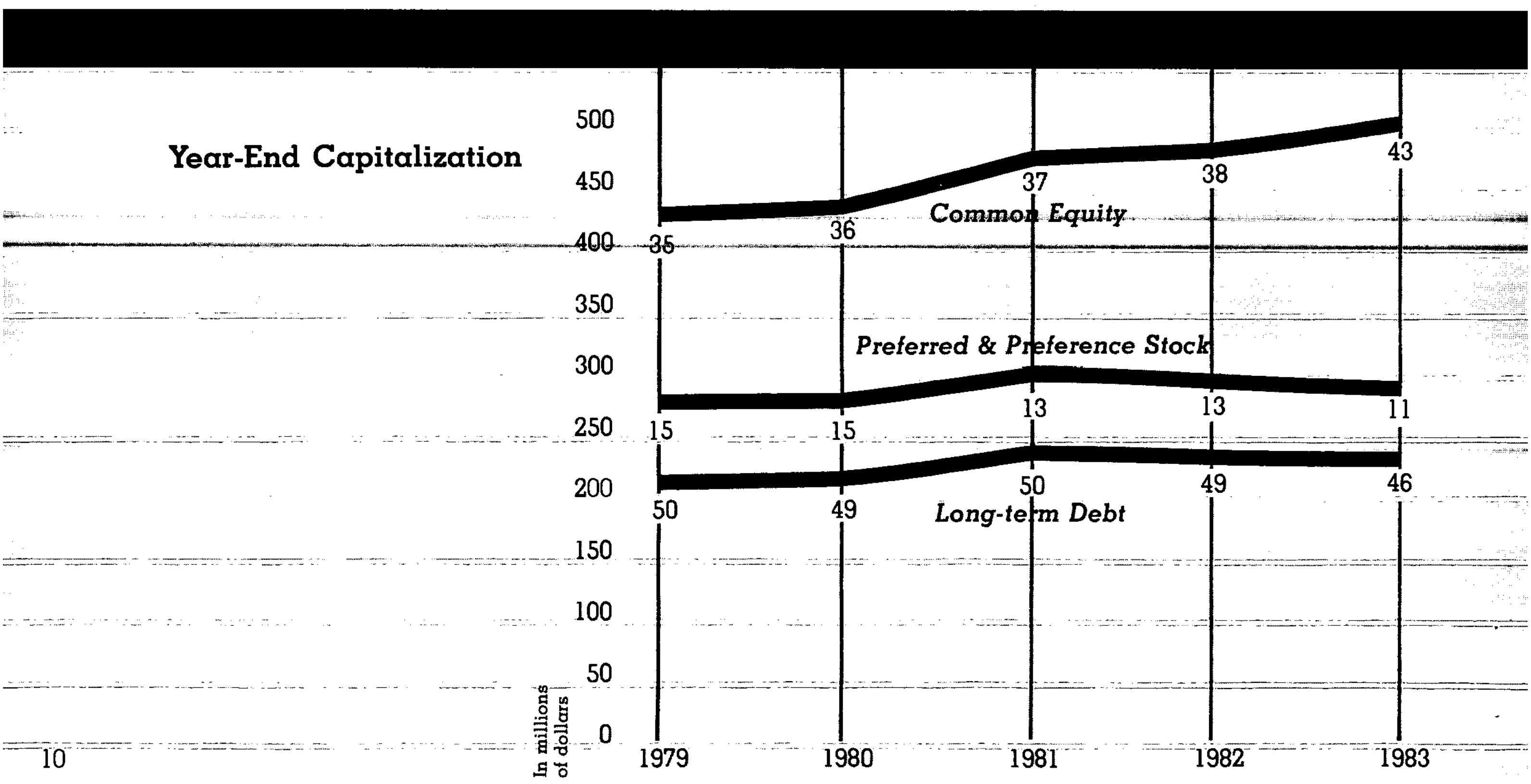
maintenance expenses incurred during the refueling outage at the Duane Arnold Energy Center, modest increases in other operation and maintenance expenses, and higher capital costs.

Customer Relief: Our First Priority

Iowa Electric is deeply sympathetic to the concerns of its ratepayers who have witnessed a sharp rise in energy costs over the decade. The Company believes that it has always treated its rate increases with prudence and has not abused its privileges. In view of our responsibility to find remedies, Iowa Electric has adopted a rate stabilization strategy as its first priority.

The ultimate success of our strategy rests with the ingenuity and productivity of our employees, the cooperation and involvement of our customers, the continued support of our shareholders and the actions of government officials. These are some of the steps that we have taken:

- **Construction curtailment.** Completion of the Guthrie County Project, a 650 Mw coal plant, has been postponed from its originally scheduled starting date, and new cuts have been made in transmission and other construction activities. With these curtailments, Iowa Electric's capabilities will more closely match our latest load growth projections. Improvements and changes required by regulation at the Duane Arnold Energy Center, estimated at $116 million, will be implemented over a five-year period. Our unique program plan, an industry first, was approved by the Nuclear Regulatory Commission in 1983 and will permit us to levelize our construction workload and capital resources at considerable cost savings.
- **Operations and maintenance streamlining.** Several old diesel and coal generating stations have been retired, and staffing throughout our system has been reduced, largely through attrition.
- **New planning and budgeting tools.** An electronic system for accounting, construction management and operational planning (AOPARS) has been installed which will give management more timely and accurate information on which to base its operating decisions. The system, which will be fully operational in 1984, is designed to compliment our Cost Containment Program by which we hope to hold 1984 operating and maintenance expenses to 1983 levels.
- **Rate design.** Iowa Electric has



"Since Iowa Electric added all day Saturday to the Time-of-Day Rate Plan, customer interest in our discount electric rate has really grown."

John Cunningham
Electric Meter Mechanic

developed a new rate design to stimulate "off-peak" usage of electricity — that is, increasing demand when economical excess capacity is available, such as at night. Time-of-day rates and off-peak marketing in the commercial and residential sectors will provide price incentives to encourage customers to shift their use of electricity to times when the power can be generated more economically. The time-of-day plan will help customers save money and will enable us to delay the need for additional power plants in the future.

- **Early retirement program.** This program implemented early in 1984, will reduce the number of employees, with minimal disruption to the workforce, while helping to reduce payroll costs. The plan, called Early Retirement Plus, will allow employees who are 55 years of age with 15 or more years of service, to elect early retirement without financial penalty. As a result of the reduced work force, some realignment of responsibilities will be necessary to continue to provide reliable service.

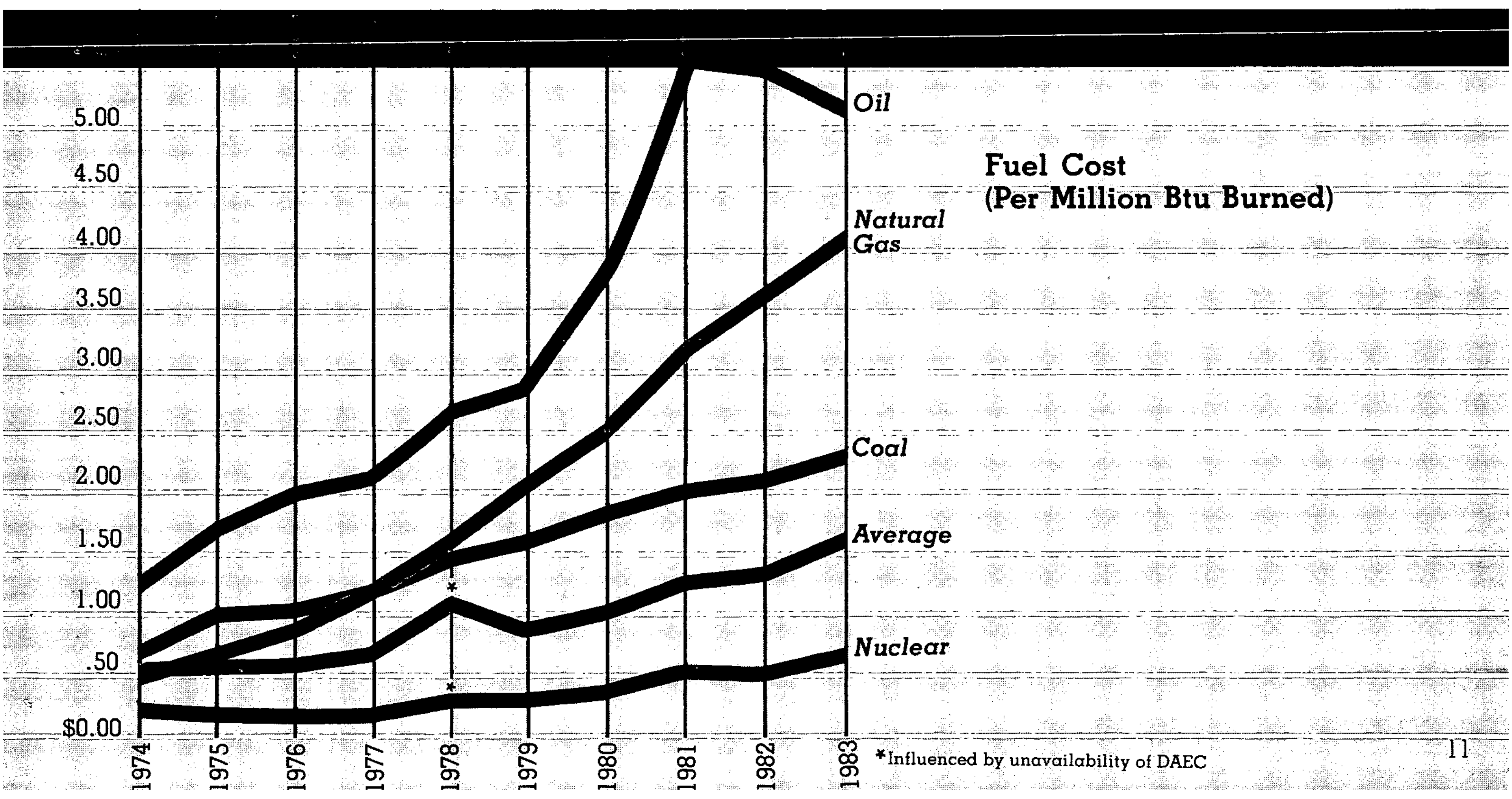
The closing date for those employees who wish to elect this retirement option is June 30, 1984.

Involving Iowa Electric Customers and Employees

Because Iowa Electric's management decisions affect more than its managers we look to the workplace and the marketplace for help in shaping our goals and implementing our programs. In 1983 Iowa Electric took two very positive steps designed to increase the participation of our employees and our customers in the planning and operations of the Company.

Consumer Advisory Panel

Iowa Electric has created a Consumer Advisory Panel composed of 12 customers from across the state who have volunteered to meet regularly to review the external circumstances facing us, and the Company's



"Being selected to help implement our new computerized budgeting system opened a new set of career opportunities for me."

Mary Benfield
Executive Secretary

overall relationship with its customers. To ensure that the panel reflects the needs of all customers, three members were chosen from each of the four major districts in our service area.

The panel provides a forum for Iowa Electric representatives to learn first hand about customer concerns and to discuss with panel members the reasons behind various utility actions.

Employees Speak Out

Because Iowa Electric's employees are deeply involved in the details of our day-to-day operations, their ideas for improving the quality of service represent an underused corporate asset. The employee roundtables with company executives that were scheduled throughout 1983 signaled the beginning of new initiatives to encourage employees to share in the growth and development of Iowa Electric.

One such initiative is the Employee Suggestion Program whereby hourly and non-supervisory employees will receive cash incentives for innovations or recommendations that result in measurable savings to the Company. By personalizing the process, employees will have a greater direct stake than ever before in overall Company performance.

A bonus incentive plan is also being developed to recognize and reward exceptional performance among salaried employees.

Awareness of the needs and ideas of our customers has always been important, but today's environment makes it an essential business ingredient. As partners in progress with our customers and employees we have every reason to believe that Iowa Electric's second century of service will be even more fruitful than its first.

Management Changes

James E. Coquillette announced his resignation from the Board of Directors, effective February 6, 1984. Mr. Coquillette gave 12 years of valuable direction to Company management, serving most recently on the Executive and Audit Committees of the Board. Henry Royer, 52, Chairman of the Board and President of Merchants National Bank of Cedar Rapids was named to succeed Mr. Coquillette.

Marjorie McDonald retired after 30 years of service. For the past 11 years, Ms. McDonald served as Assistant Secretary.

Larry D. Root was elected Vice President — Engineering. He had been Assistant Vice President — Nuclear Generation. William C. Jurgensen, former Manager of Corporate Services was named Assistant Secretary.

Directors and Officers

Board of Directors

Martin L. Andreas (N)
President, ADM Corn Sweeteners Division of Archer Daniels Midland Company (Corn Processing)
Cedar Rapids, Iowa

Henrietta D. Arnold
Civic and Cultural Affairs
Cedar Rapids, Iowa

Walter E. Brown
President
Kiowa Corporation
(Valve and Zinc Die Casting)
Marshalltown, Iowa

William O. Gray (E) (N)
Attorney at Law
Cedar Rapids, Iowa

Lee Liu (E)
Chairman of the Board, President and Chief Executive Officer of the Company

Dr. Leo L. Nussbaum
President Emeritus
Coe College, Cedar Rapids
St. Petersburg, Florida

David Q. Reed
Attorney and Counselor at Law
Kansas City, Missouri

Henry Royer* (A)
Chairman of the Board and President, The Merchants National Bank of Cedar Rapids
Cedar Rapids, Iowa

Richard E. Scherling (A) (E)
Retired Merchant
Cedar Rapids, Iowa

Stevan B. Smith (N)
Retired, Former Vice President and Secretary of the Company
Cedar Rapids, Iowa

Dr. James A. Van Allen (A) (E)
Professor of Physics and Head of the Department of Physics and Astronomy, University of Iowa
Iowa City, Iowa

(E) Member Executive Committee
(A) Member Audit Committee of the Board of Directors
(N) Member Nominating Committee of the Board of Directors
**Effective February 7, 1984*

Directors Emeritus

William C. Crawford
Retired
Cedar Rapids, Iowa

John W. Norris
Retired, Former President and Chairman of the Board
Lennox Industries, Inc.
Marshalltown, Iowa

Officers

Lee Liu
Chairman of the Board, President and Chief Executive Officer

James M. Davidson
Senior Vice President

J.B. Rehnstrom
Senior Vice President – Finance and Secretary

Dr. Samuel J. Tuthill
Senior Vice President – Energy Resources and Utilization – Research and Environment

Larry D. Root
Vice President – Engineering

Horace S. Webb
Vice President – Corporate Affairs

Robert F. LaFontaine
Vice President – Eastern Region

Virgil J. Schmidt
Vice President – Central Region

Robert J. Kucharski
Treasurer and Controller

Thomas J. Pitner
General Counsel

William C. Jurgensen
Assistant Secretary

Transfer Agents

Common, Preferred and Preference Stocks

The First National Bank of Chicago
Chicago, Illinois

The Merchants National Bank of Cedar Rapids
Cedar Rapids, Iowa

Registrars

Common, Preferred and Preference Stocks

The First National Bank of Chicago
Chicago, Illinois

Peoples Bank and Trust Company
Cedar Rapids, Iowa

Trustee

Mortgage and Deed of Trust

The First National Bank of Chicago
Chicago, Illinois

Duane Arnold (1917-1983)

Duane Arnold, Chairman of the Board and Chief Executive Officer, died on April 14, 1983, after a brief illness. Mr. Arnold joined Iowa Electric in 1946 and for 37 years helped shape and guide the organization. In recognition of his many accomplishments, Mr. Arnold was named President in 1961, and Chairman of the Board and Chief Executive Officer in 1969. A dedicated community leader and distinguished veteran of World War II, Mr. Arnold served as director and trustee of more than a dozen banks, hospitals and youth organizations. Iowa's only nuclear-powered generating station, the Duane Arnold Energy Center, is named for him.

A native of Iowa, Mr. Arnold is survived by his wife, Henrietta Dows Arnold, and five children.

General Offices
ie: Tower
200 First Street S.E.
Cedar Rapids, Iowa 52401
319-398-4411

Auditors' Report

To the Board of Directors of
Iowa Electric Light and Power Company:

We have examined the balance sheets and statements of capitalization of Iowa Electric Light and Power Company (an Iowa corporation) as of December 31, 1983 and 1982, and the related statements of income, retained earnings, paid-in surplus and sources of funds used for construction for each of the three years in the period ended December 31, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed more fully in Note 2, the financial statements for 1983 include electric revenues collected subject to refund under an application for a rate increase filed on May 27, 1983 which is pending the regulatory decision of the Iowa State Commerce Commission.

In our opinion, subject to the effects on the 1983 financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainty referred to in the preceding paragraph been known, the financial statements referred to above present fairly the financial position of Iowa Electric Light and Power Company as of December 31, 1983 and 1982, and the results of its operations and sources of funds used for construction for each of the three years in the period ended December 31, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

Chicago, Illinois
February 3, 1984

Statements of Income

	Year Ended December 31		
	1983	1982*	1981*
	(in thousands)		
Revenues (Note 2):			
Electric	$276,194	$246,888	$219,683
Gas	162,226	148,945	119,220
Steam	6,293	7,014	6,687
	444,713	402,847	345,590
Expenses:			
Gas purchased for resale	140,844	125,753	102,921
Fuel for production	63,844	57,468	51,237
Purchased power, net	48,010	34,237	37,375
Operation —			
Change in adjustment clause balances	(4,562)	2,752	(4,384)
Other	67,234	57,794	49,713
Maintenance	24,867	19,546	16,795
Depreciation	27,494	25,790	23,574
Property taxes	12,128	12,196	11,605
Federal and state income taxes	15,882	18,821	13,149
Miscellaneous taxes	2,722	2,487	2,265
	398,463	356,844	304,250
Operating income	46,250	46,003	41,340
Other income and deductions:			
Allowance for equity funds used during construction	1,624	1,731	1,485
Income from subsidiaries	2,122	2,245	2,312
Miscellaneous, net	912	661	332
	4,658	4,637	4,129
Interest:			
Long-term debt	21,539	21,895	18,326
Other	3,784	4,660	8,746
Allowance for debt funds used during construction	(2,313)	(2,951)	(5,698)
	23,010	23,604	21,374
Net income (Note 2)	27,898	27,036	24,095
Preferred and preference dividend requirements	4,609	4,789	4,967
Net income available for common stock (Note 2)	$ 23,289	$ 22,247	$ 19,128
Average number of common shares outstanding	10,901	10,339	9,856
Earnings per average common share (Note 2)	$2.14	$2.15	$1.94

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

**Restated for effect of replacement power settlement – see Note 2 of the Notes to Financial Statements.*

Balance Sheets

ASSETS	December 31 1983	1982
	(in thousands)	
Utility plant, at original cost:		
Electric	$764,915	$729,570
Gas	67,173	64,484
Other	14,902	13,170
	846,990	807,224
Less — Accumulated depreciation	275,500	250,562
	571,490	556,662
Construction work in progress	38,388	33,909
	609,878	590,571
Investments:		
Wholly-owned subsidiaries at underlying book value —		
Cedar Rapids and Iowa City Railway Company	9,381	8,908
Iowa Land and Building Company	4,701	4,807
Other	550	351
	14,632	14,066
Current assets:		
Cash	1,261	1,250
Temporary cash investments	—	1,000
Accounts receivable —		
Customer, less reserve	55,841	37,653
Other	12,978	12,640
Income tax refunds receivable	3,717	323
Production fuel, excluding leased nuclear fuel, at average cost	13,904	19,580
Materials and supplies, at average cost	5,936	6,374
Adjustment clause balances	2,194	—
Prepayments and other	20,478	13,317
	116,309	92,137
Deferred charges	22,166	13,790
	$762,985	$710,564

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

CAPITALIZATION AND LIABILITIES	December 31 1983	1982*
	(in thousands)	
Capitalization:		
Common stock	$ 30,236	$ 26,256
Paid-in surplus	123,649	102,016
Retained earnings	60,840	57,513
Total common equity	214,725	185,785
Preferred stock	18,320	18,320
Redeemable preference stock	39,250	42,344
Long-term debt	233,108	236,965
Total capitalization (see Statements of Capitalization)	505,403	483,414
Current liabilities:		
Commercial paper	15,365	22,115
Long-term debt maturities	800	—
Debt sinking fund requirements	3,133	3,133
Preference stock sinking fund requirements	3,094	2,093
Accounts payable	49,689	35,464
Accrued interest	3,320	3,777
Accrued taxes	13,385	15,030
Adjustment clause balances	—	2,368
Replacement power refund (Note 2)	6,771	5,909
Other	9,015	4,529
	104,572	94,418
Other long-term liabilities and deferred credits:		
Other long-term liabilities	19,513	13,582
Accumulated deferred income taxes	97,285	81,824
Accumulated deferred investment tax credits	36,212	37,326
	153,010	132,732
Commitments and contingencies		
	$762,985	$710,564

**Restated for effect of replacement power settlement – see Note 2 of the Notes to Financial Statements.*

Statements of Capitalization

	December 31 1983	1982*
	(in thousands)	
Common equity:		
Common stock — par value $2.50 per share — authorized 24,000,000 shares; outstanding 12,094,485 and 10,502,595 shares, respectively	$ 30,236	$ 26,256
Paid-in surplus	123,649	102,016
Retained earnings ($24,877,000 restricted as to payment of cash dividends)	60,840	57,513
	214,725	185,785
Cumulative preferred stock — par value $50 per share — authorized 466,406 shares; outstanding 366,406 shares —		
6.10% — 100,000 shares	5,000	5,000
4.80% — 146,406 shares	7,320	7,320
4.30% — 120,000 shares	6,000	6,000
	18,320	18,320
Redeemable cumulative preference stock — par value $100 per share — authorized 700,000 shares; outstanding 423,439 and 444,376 shares, respectively —		
9.50% — 60,939 and 65,626 shares	6,094	6,562
8.92% — 60,000 and 65,000 shares	6,000	6,500
8.65% — 30,000 and 32,500 shares	3,000	3,250
8.55% — 150,000 shares	15,000	15,000
7.96% — 87,500 and 93,750 shares	8,750	9,375
7.44% — 35,000 and 37,500 shares	3,500	3,750
	42,344	44,437
Less — Amount to be redeemed within one year	3,094	2,093
	39,250	42,344
Long-term debt:		
First mortgage bonds —		
Series H, 3⅛%, due 1985	9,000	9,000
Series I, 5⅛%, due 1991	16,000	16,000
Series J, 6¼%, due 1996	15,000	15,000
Series K, 8⅝%, due 1999	20,000	20,000
Series L, 7⅞%, due 2000	15,000	15,000
Series M, 7⅝%, due 2002	30,000	30,000
Series N, 11%, due 1989	13,200	15,300
Series O, 9.80%, due 1991	8,019	9,052
Series P and Q, 6.70%, due 2006	9,200	9,200
Series R, 8¼%, due 2007	25,000	25,000
Series S, 12%, due 2009	25,000	25,000
Series T, 14¾%, due 1991	30,000	30,000
Series U, 9⅞%, due 2000	5,300	5,300
	220,719	223,852
Guarantee of pollution control bonds, 5.64%, $7,600,000 due serially 1984-1994; $10,200,000 due 2003	17,800	17,800
Unamortized debt premium and (discount) — net	(1,478)	(1,554)
	237,041	240,098
Less — Amount due within one year	3,933	3,133
	233,108	236,965
	$505,403	$483,414

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

**Restated for effect of replacement power settlement – see Note 2 of the Notes to Financial Statements.*

Statements of Sources of Funds Used for Construction

	Year Ended December 31 1983	1982*	1981*
	(in thousands)		
Funds provided internally:			
Net income	$ 27,898	$ 27,036	$ 24,095
Non-cash items included in net income —			
Depreciation	27,494	25,790	23,574
Deferred taxes and investment tax credits	14,347	10,768	12,802
Allowance for equity funds used during construction	(1,624)	(1,731)	(1,485)
Total funds provided internally	68,115	61,863	58,986
Less — Cash dividends	24,489	22,747	21,630
Net funds provided internally	43,626	39,116	37,356
Funds from outside financing:			
Net proceeds from issuance of —			
First morgage bonds	—	—	29,640
Common stock	25,530	5,100	16,000
Net change in commercial paper	(6,750)	(13,035)	(6,562)
Sinking fund requirements and reduction in long-term debt	(5,226)	(9,226)	(5,276)
Net funds from outside financing	13,554	(17,161)	33,802
Funds provided (required) from other sources:			
Cash and temporary cash investments	989	132	(447)
Accounts receivable	(21,920)	(5,365)	(17,972)
Materials, supplies and fuel	6,114	9,410	(2,198)
Adjustment clause balances	(4,562)	2,752	(4,383)
Accounts payable	14,225	3,752	6,202
Accrued taxes	(1,645)	2,788	(670)
Other	(4,131)	(4,940)	3,917
Amounts billed to partners for prior years' generation construction expenditures	—	9,665	—
Net funds from other sources	(10,930)	18,194	(15,551)
Allowance for equity funds used during construction	1,624	1,731	1,485
Funds used for construction	$ 47,874	$ 41,880	$ 57,092

Statements of Paid-in Surplus

	Year Ended December 31 1983	1982	1981
	(in thousands)		
Balance at beginning of year	$102,016	$ 97,880	$ 85,123
Add:			
Proceeds from sales of common stock in excess of par value	21,633	4,136	12,757
Balance at end of year	$123,649	$102,016	$ 97,880

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

**Restated for effect of replacement power settlement – see Note 2 of the Notes to Financial Statements.*

Statements of Retained Earnings

	Year Ended December 31 1983	1982	1981
	(in thousands)		
Balance at beginning of year:			
As previously reported	**$ 60,401**	$ 55,751	$ 53,060
Restatement (Note 2)	**(2,888)**	(2,512)	(2,177)
As restated	**57,513**	53,239	50,883
Add:			
Net income (Note 2)	**27,898**	27,036	24,095
	85,411	80,275	74,978
Deduct:			
Cash dividends declared —			
Preferred stock, at stated rates	**914**	914	914
Redeemable preference stock, at stated rates	**3,696**	3,874	4,053
Common stock, at per share rates of $1.795, $1.735 and $1.675, respectively	**19,879**	17,959	16,663
Expenses in connection with sale of capital stock	**82**	15	109
	24,571	22,762	21,739
Balance at end of year ($24,877,000 restricted as to payment of cash dividends)	**$ 60,840**	$ 57,513	$ 53,239

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

Notes to Financial Statements

(1) **Summary of Significant Accounting Policies:**

(a) **Depreciation** —

Depreciation as provided in the accounts is based on straight-line composite rates which in 1983 averaged 3.6% and 3.0% of the cost of depreciable electric and gas property, respectively. The rates for 1982 and 1981 averaged 3.5% for both years for electric and 3.0% and 2.9%, respectively, for gas.

The Company uses a straight-line depreciation rate based on a 28 year life for the Duane Arnold Energy Center (DAEC). Additions to the DAEC are depreciated over the then remaining life of the plant. The expected life of the plant is difficult to estimate and significant uncertainties exist as to the process (and the related cost) by which the plant will eventually be decommissioned at the end of such life. The Company will continue to review the adequacy of its depreciation provision for the plant and will reflect appropriate changes at any time it is determined that the rate must be revised in order to record and recover all of the estimated costs of the plant (including future decommissioning expenditures) over its life.

(b) **Income Taxes** —

Federal income tax expense includes provisions for deferred taxes to reflect the tax effect of the difference between depreciation allowed for tax purposes under accelerated methods permitted by the tax laws and that recorded in the accounts. The tax effects of the Company's adjustment clause balances (see Note 1e) and the deduction for nuclear waste disposal costs (see Note 10) are also deferred. As taxes which were deferred in prior years become payable, the related accumulated deferrals are credited to Operating Income. In accordance with rate making practices, the tax effect of the interest component of the allowance for funds used during construction, certain capitalized overheads and utility plant removal costs is not being deferred. Iowa state income taxes were similarly deferred until June 1, 1981, at which time such deferral ceased pursuant to an order of the Iowa State Commerce Commission. The order also required that Federal accumulated deferred income taxes provided in excess of the current 46% tax rate be amortized to income over a five year period.

At December 31, 1983, the cumulative net amounts of income tax timing differences for which Federal and state deferred income taxes have not been provided as a result of rate-making practices were $41,249,000 and $110,712,000, respectively. The Company believes that the income taxes payable in the future due to the reversal of such timing differences will be recovered through the rate-making process.

Investment tax credits are utilized to offset

Federal income taxes which otherwise would be currently payable. Such credits (other than those relating to the Company's Employees' Stock Ownership Plan) are deferred currently and are credited against Operating Income over the lives of the property which gave rise to the credits. At December 31, 1983, estimated investment tax credits that have been generated but not utilized to offset Federal income taxes are approximately $3,578,000 (including $211,000 relating to the Company's Employees' Stock Ownership Plan). Such credits are available to reduce Federal income taxes payable in future years and expire in 1998 if not utilized.

Federal and state income taxes as set forth in the Statements of Income are comprised of the following:

	Year Ended December 31 1983	1982*	1981*
	(in thousands)		
Federal income taxes:			
Current	$ (137)	$ 1,975	$ (1,350)
Deferred —			
Adjustment clause balances — net	1,473	(177)	1,871
Nuclear waste disposal costs — net	7,619	(411)	(380)
Depreciation and other	9,124	9,007	8,313
Prior years	(2,358)	(2,228)	(1,622)
Investment tax credits —			
Deferred	355	6,016	4,690
Amortization	(1,470)	(1,269)	(967)
Employees' Stock Ownership Plan	(23)	1,637	—
Total Federal income taxes	14,583	14,550	10,555
State income taxes:			
Current	68	3,037	574
Deferred —			
Adjustment clause balances — net	—	—	315
Other	(288)	(68)	664
Prior years	(109)	(102)	(121)
Total state income taxes	(329)	2,867	1,432
Total income taxes	$14,254	$17,417	$11,987
Included in the Statements of Income as:			
Federal and state income taxes	$15,882	$18,821	$13,149
Other income and deductions	(1,628)	(1,404)	(1,162)
	$14,254	$17,417	$11,987

**Restated for the effect of replacement power settlement – see Note 2 of the Notes to Financial Statements.*

The overall effective income tax rates shown below were computed by dividing total income tax expense by the sum of such expense and net income, after reflecting the income taxes associated with the subsidiaries' net income included in Other income and deductions.

	Year Ended December 31 1983	1982*	1981*
Statutory Federal income tax rate	46.0%	46.0%	46.0%
Add (deduct):			
Allowance for funds used during construction	(4.1)	(4.6)	(8.6)
Utility plant removal cost	(1.0)	(1.0)	(1.7)
Amortization of investment tax credits	(3.3)	(2.7)	(2.5)
State income taxes, net of Federal benefits	0.1	3.9	2.6
Other items, net	(0.9)	0.3	1.3
Overall effective income tax rate	36.8%	41.9%	37.1%

**Restated for the effect of replacement power settlement – see Note 2 of the Notes to Financial Statements.*

(c) **Allowance for Funds Used During Construction —**

The allowance for funds used during construction (AFC), which represents the cost during the construction period of funds used for construction purposes, is capitalized as a component of the cost of utility plant. The maximum amount of AFC applicable to debt funds and to other (equity) funds, a non-cash item, is computed in accordance with the formula prescribed by the Federal Energy Regulatory Commission. The aggregate gross rates for 1983, 1982 and 1981 were 11.2%, 12.3% and 14.6%, respectively.

(d) **Revenues —**

The Company records revenue when billed

to its customers based on a monthly meter reading cycle. Electric and gas service provided from the date of the latest meter reading to month-end is unbilled.

(e) **Adjustment Clauses** —

The electric Energy Adjustment Clause is designed to reflect the current costs of fuel (including nuclear fuel and an estimated cost associated with nuclear waste disposal (see Note 10)) and the energy portion of purchased power in billings to customers. The clause is based upon the estimated cost of fuel consumed and the estimated energy cost of purchased power for the current month and the immediately preceding month. A correction factor is included to reflect previous over-or-under collections of revenue resulting from variances between the actual cost of fuel consumed and the amount included in billings to customers. The Company records the change in over-or-under collections by charging or crediting operation expense, and reflects the cumulative effect in the Balance Sheet as a Current asset or Current liability, pending automatic reflection in future billings to customers.

The Company's gas tariffs include clauses designed to recover increases in the cost of gas purchased for resale on a current basis. A new uniform purchased gas adjustment clause (PGA) for Iowa customers was adopted effective September 1, 1982. On August 3, 1983, the Company filed with the Commission an annual report which indicated that during the initial period the Company collected approximately $4.8 million less through the PGA than actual costs paid to pipeline suppliers. That amount has been recorded in the accounts as an asset, and is being collected over the twelve month period ending August 31, 1984. The uncollected balance at December 31, 1983 was $2.9 million.

(2) **Rate Matters:**

The financial statements include the following amounts which were billed subject to refund pending final decisions by the Iowa State Commerce Commission:

	Year Ended December 31 1983	1982	1981
	(in thousands)		
Revenues:			
Electric	**$22,431**	$ 2,667	$ 1,487
Gas	**64**	168	37
	$22,495	$ 2,835	$ 1,524
Net income and Net income available for common stock	**$ 6,419**	$ —	$ —
Earnings per average common share	**$ 0.59**	$ —	$ —

Of the total revenues, $9,360,000, $2,835,000 and $1,524,000, respectively, relate to unresolved issues involving deferred income taxes, and a refund would not affect net income. Should the Company be required to refund such revenue, related deferred income taxes which have been provided would be reversed.

The Iowa State Commerce Commission, in decisions regarding 1981 electric and gas retail rate increases, ruled adversely on certain deferred tax issues. The Company has filed an appeal on the tax issues as well as an electric rate design issue in State District Court together with a request for stay delaying any refund until completion of the appeal. The request for stay was granted. A decision on the appeal is expected during the first quarter of 1984.

On May 27, 1983, the Company applied to the Iowa State Commerce Commission for an electric rate increase to be charged to Iowa retail customers. The amount requested was $44,200,000 on an annual basis. The Commission subsequently allowed the Company to place $43,600,000 into effect on July 14, 1983, subject to refund. Hearings concerning this application have been completed. A decision in this proceeding is expected prior to March 31, 1984.

On January 31, 1983, the Company applied to the Federal Energy Regulatory Commission (FERC) for an electric rate increase to be charged to wholesale customers. The amount requested was $5,900,000 on an annual basis. The FERC subsequently allowed the Company to place the entire increase into effect on July 1, 1983, subject to refund. On January 11, 1984, the Company and its wholesale customers filed a Settlement Agreement with FERC under motion for approval. The proposed settlement would phase in $5,150,000 of the initially requested $5,900,000 rate increase over three years beginning January 1, 1984, with no significant refunds for the rates in effect during 1983. Accordingly, no revenues subject to refund have been reflected in the above table.

The excess of replacement power costs over normal costs ($31,542,000) incurred during an outage (June 1978 to March 1979) at the DAEC was collected from customers, subject to refund, under the Company's Energy Adjustment Clause. In October 1979, the Commission allowed $24,573,000 of the total incurred cost to be collected without being subject to refund with the balance of $6,969,000 of replacement power costs being recovered subject to refund, pending final decisions by the Commission. In 1983, the Company undertook negotiations which led to the signing in January 1984 of a stipulation with the Office of Consumer Advocate which requires the Company to refund $3,838,000 plus interest of $2,933,000 through December 31, 1983 in final settlement of this matter. A Commission Order approving the settlement was received in February. Financial statements for prior years have been restated to reflect the effect of this settlement as follows:

	Increase (Decrease) From Previously Reported Amounts		
	1982	1981	1980 & Prior
	(in thousands)		
Electric revenues	$ —	$ —	$(3,838)
Federal and state income taxes	—	—	(1,961)
Miscellaneous other income and deductions (decrease in Federal and state income taxes)	394	352	314
Other interest expense	770	687	614
Net income and Net income available for common stock	(376)	(335)	(2,177)
Earnings per average common share	(.04)	(.03)	(.26)

(3) Leases:

The Company has a nuclear fuel lease covering its 70% undivided interest in the nuclear fuel purchased for the DAEC. Future purchases of fuel may also be added to the fuel lease. The lease provides for annual one-year extensions which the Company presently intends to exercise to a date not later than December 31, 2023. The credit agreement between the lessor and the bank has a termination date of December 31, 1986, but will continue on a year to year basis unless either party provides at least a one year notice of termination. The maximum amount of financing available under the agreement is currently $35,000,000. The Company is responsible for the payment of taxes, maintenance, operating cost, risk of loss and insurance relating to the leased fuel.

Annual nuclear fuel lease expenses include the cost of fuel, based on the quantity of heat produced for the generation of electric energy, plus the lessor's interest costs related to fuel in the reactor and administrative expenses. These expenses (included in fuel for production) for 1983-1981 were $9,815,000, $8,703,000 and $8,732,000, respectively. The estimated annual expenses for fuel currently under the lease will approximate $10,203,000, $9,237,000, $5,598,000, $4,285,000 and $1,621,000 for 1984-1988, respectively.

This lease is accounted for as an operating lease consistent with the treatment for rate-making purposes. If the lease were reflected in the accompanying financial statements as a capital lease, the Balance Sheets would reflect as an Asset and Liability the unamortized cost of nuclear fuel. At December 31, 1983 and 1982, such cost approximated $31,920,000 and $34,756,000, respectively. There would be no change in the amount of expenses reflected in the Statements of Income as a result of capitalizing this lease obligation.

Other operating lease rental expenses, primarily for office space, were $4,593,000, $2,997,000 and $2,667,000 for 1983-1981, respectively. For the years 1984-1988, minimum annual rental commitments will approximate $3,567,000, $3,587,000, $3,268,000, $2,759,000 and $2,908,000, respectively.

(4) Retirement Plan:

The Company and its wholly-owned railway subsidiary have a non-contributory retirement plan for the benefit of their employees. The Company follows the policy of funding all pension costs accrued. Total pension cost requirements paid to the Trustee were $3,678,000, $3,682,000 and $3,461,000 for 1983-1981, respectively. Payments made from the pension fund to retired employees and beneficiaries during 1983 were $1,989,000.

Other information supplied by the actuary concerning the retirement plan is as follows:

	December 31 **1983**	1982
	(in thousands)	
Actuarial present value of accumulated plan benefits:		
Vested	**$39,364**	$39,970
Non-vested	**4,970**	4,746
	$44,334	$44,716
Net assets available for benefits	**$55,366**	$46,713
Assumed rate of return	**6.0%**	5.5%

(5) Changes in Outstanding Shares of Common Stock:

The following table presents information relating to the issuance of the Company's common stock:

	Shares Reserved at December 31, 1983	Shares Issued **1983**	1982	1981
Public offerings		**1,000,000**	—	1,000,000
Dividend Reinvestment and Stock Purchase Plan	433,673	**407,612**	350,662	214,642
Employee Stock Purchase Plan	31,965	**41,511**	40,731	41,428
Employees' Stock Ownership Plan	8,365	**142,767**	412	84,862
	474,003	**1,591,890**	391,805	1,340,932

(6) Preferred and Preference Stock:

The 6.10%, 4.80% and 4.30% Series of Cumulative Preferred Stock are redeemable at the option of the Company upon 30 days' notice at $51.00, $50.25 and $51.00 per share, respectively, plus accrued dividends.

The Cumulative Preference Stock is redeemable at the prices shown below at the option of the Company upon 30 days' notice. However, no redemption may be made as a part of a refunding operation prior to the restricted date shown below, with respect to the 9.50% issue, in anticipation of the incurrence of any debt or the issuance of any equity security, and, with respect to the 8.55% issue, by the application of certain monies having a cost to the Company of less than 8.55% per annum.

		Redemption Prices		
Series	Restricted Through	Present	Through	Subsequent
9.50%	July 1, 1986	$107.13	July 1, 1986	$104.75-$102.38
8.92%	—	105.82	July 1, 1986	103.59
8.65%	—	106.09	January 1, 1986	103.93
8.55%	October 1, 1988	106.41	October 1, 1988	104.28- 102.14
7.96%	—	104.98	October 1, 1988	102.99
7.44%	—	104.32	January 1, 1988	102.46

Cumulative Preference Stock aggregating $2,093,700 annually in 1981-1983 was redeemed at par under mandatory sinking fund provisions. Annual sinking fund redemptions of $3,093,700 in 1984-1988 will be required.

(7) Long-term Debt:

The Company's Indenture securing its First Mortgage Bonds constitutes a direct first mortgage lien upon substantially all tangible public utility property of the Company.

Total sinking fund requirements and debt maturities are as follows for the years shown:

		Debt Maturities			
Year	Sinking Fund Requirements*	Debt Issue	Maturity Date	Amount	Total
1984	$4,683,000	Pollution Control	11/1/84	$ 800,000	$ 5,483,000
1985	4,593,000	Series H	1/1/85	9,000,000	
		Pollution Control	11/1/85	800,000	14,393,000
1986	4,593,000	Pollution Control	11/1/86	800,000	5,393,000
1987	4,593,000	Pollution Control	11/1/87	800,000	5,393,000
1988	4,593,000	Pollution Control	11/1/88	800,000	5,393,000

**Includes annual sinking fund requirements of $1,550,000 for 1984 and $1,460,000 for the years 1985-1988 which, by terms of the Indenture under which Series H, I, J, K, L, M, R and S bonds have been issued, may be satisfied by the pledging of additional property. The Company intends to meet the 1984 requirements for these issues by this means.*

The Company's Series P, Q and U bonds secure the obligation of the Company with respect to three series of pollution control revenue bonds issued by three Iowa municipalities.

(8) Commercial Paper:

Commercial paper outstanding at December 31, 1983 amounted to $15,365,000 and was due at various dates in January 1984. The weighted average interest rate of such paper was 10.98%.

Back-up financing arrangements for the commercial paper are available through lines of credit from commercial banks at generally prevailing rates. Such lines aggregated $60,000,000 at December 31, 1983.

(9) Commitments and Contingencies:

The construction program for 1984 anticipates expenditures aggregating approximately $47,000,000 for which the Company has made substantial commitments.

Pursuant to provisions in various nuclear insurance policies, the Company could be assessed retroactive premiums in connection with an accident at a nuclear facility owned by a utility participating in the particular insurance plan. With respect to public liability coverage, the Company could be assessed a maximum of $3,500,000 per accident with a maximum of $7,000,000 per year if losses relating to the accidents exceeded $160,000,000. With respect to excess property damage and replacement power coverages, the Company could be assessed a maximum of $5,000,000 and $3,000,000, respectively, if the insurer's losses relating to an accident exceeded its reserves. No such assessments have been made under these policy provisions.

(10) Nuclear Waste Policy Act of 1982:

Under provisions of the Nuclear Waste Policy Act of 1982, the Federal government's nuclear waste disposal program is being partially funded by requiring companies to pay a quarterly charge of 1.0 mill per kilowatt-hour (effective April 7, 1983) for electricity generated by their nuclear power plants. This 1.0 mill is being collected from customers through the energy adjustment clause.

In addition, a one time fee is payable for spent nuclear fuel used to generate electricity prior to April 7,

1983. The amount of the one time fee will approximate $16,550,000. Such amount has been recorded as a long-term liability. The amount not recovered at December 31, 1983 of $11,626,000 is included in deferred charges. The Company is currently recovering this deferred charge at the rate of 0.5 mill per kilowatt-hour of nuclear generation through the energy adjustment clause. Although this fee, without interest, may be paid earlier, payment with accumulated interest is not required until shipment of the spent fuel is made, which is not expected to be before 1998. Consistent with the Company's intent to pay the fee in June 1985, no interest has been accrued.

(11) Long-term Power Purchase Contract:

The Company entered into a contract with the City of Muscatine, Iowa for the purchase of power commencing with the completion of construction of a new 150 Mw fossil-fueled generating unit. Construction began in November 1979 and the plant was considered operational on May 1, 1983.

The contract, which was amended by a Supplement, provides for capacity purchases of 100 Mw in the first four years, 90 Mw in the next four years and 70 Mw in the final two years. The cost of such capacity purchases, along with the Company's proportionate share of operating and maintenance costs, will approximate $29,300,000 in the initial twelve month period.

All capacity purchases and fuel costs have been reflected in purchased power expense in the Statement of Income since July 1983 at which time increased rates were placed into effect as a part of the Company's January and May 1983 rate increase applications. (See Note 2 for a discussion of rate matters.) For the period May 1, 1983 through the dates the increased rates were placed into effect, all capacity purchase costs (approximately $6.1 million) were deferred. The unamortized deferred costs at December 31, 1983 ($4.9 million) are being charged against monthly income. The charge is an amount determined by the greater of (1) the actual kilowatt-hour sales in excess of the sales included in the rate case test period (1982), or (2) a minimum amortization (based on contract life) when actual sales are less than test period sales.

Prepayments and other includes deposits in the amount of $3,979,000 and $1,653,000 at December 31, 1983 and 1982, respectively, with the City of Muscatine to provide funds to partially finance the coal inventory at the plant. The deposit will be returned at the expiration of the contract.

(12) Jointly-owned Electric Utility Plant:

Under joint ownership agreements with other Iowa utilities, the Company has undivided ownership interests in two electric generating stations and related transmission facilities. Each of the respective owners was responsible for the issuance of its own securities to finance its portion of the construction costs. Kilowatt-hour generation and operating expenses are divided on the same basis as ownership with each owner reflecting its respective costs in its Statements of Income. Information relative to the Company's ownership interest in these facilities at December 31, 1983 is as follows:

	DAEC	Ottumwa Unit 1
	(in thousands)	
Utility plant in service	$291,213	$ 61,748
Accumulated depreciation	$ 75,070	$ 5,126
Construction work in progress	$ 17,476	$ 134
Plant capacity — Mw	500	675
Company's share	70%	15%
In-service date	1974	1981

The Company also plans to have a 250Mw undivided ownership interest in a generating station to be located in Guthrie County, Iowa. The ultimate size of the station and the in-service date have not yet been finalized. As of December 31, 1983, the Company's investment in this project was $11,713,000, of which $4,141,000 was AFC, net of reimbursed finance charges.

(13) Coal Prepayments:

Prepayments and other include $7,050,000 and $3,671,000 at December 31, 1983 and 1982, respectively, related to payments to coal suppliers in advance of when such suppliers deliver coal. If the coal should not be delivered because of contract renegotiation or termination, the Company believes any remaining prepayments will be recovered from the suppliers or in future revenues.

(14) **Segments of Business:**

The Company is engaged primarily in the generation, transmission, distribution and sale of electric energy and in the purchase, distribution and sale of natural gas. Certain financial information relating to these segments of the Company's business is presented below:

	Year Ended December 31		
	1983	1982	1981
		(in thousands)	
Operating results:			
Revenues —			
Electric	$276,194	$246,888	$219,683
Gas	162,914	149,583	119,615
Operating income before income taxes —			
Electric	$ 53,016	$ 54,830	$ 51,560
Gas	8,951	8,882	2,948
Other information:			
Depreciation —			
Electric	$ 25,577	$ 23,948	$ 21,826
Gas	1,792	1,717	1,619
Construction expenditures —			
Electric	$ 44,372	$ 37,868	$ 53,835
Gas	3,388	3,974	3,216
Assets —			
Identifiable assets* —			
Electric	$621,974	$574,777	$572,195
Gas	53,575	45,591	43,628
	675,549	620,368	615,823
Other corporate assets	87,436	90,196	80,169
Total assets	$762,985	$710,564	$695,992

Includes net utility plant, production fuel, materials and supplies, and other identifiable assets.

(15) **Significant Subsidiary:**

The investments in the Company's wholly-owned subsidiaries are stated at their underlying book value, and the net income from such subsidiaries is included in Other income and deductions in the Statements of Income. Certain financial information for the Cedar Rapids and Iowa City Railway Company (CRANDIC) is summarized below:

	Year Ended December 31		
	1983	1982	1981
		(in thousands)	
Operating revenues	$ 7,641	$ 7,518	$ 8,259
Operating income	$ 1,427	$ 1,163	$ 1,558
Net income	$ 1,973	$ 2,159	$ 2,233
Total assets	$14,387	$13,676	$13,076
Total liabilities	$ 5,006	$ 4,768	$ 4,828

The common stock of CRANDIC is pledged under the Indenture for the first mortgage bonds.

Supplementary Financial Information

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

Results of Operations

Net income has shown continued improvement during the past three years. The following discussion analyzes the various factors affecting net income (The Notes to Financial Statements should be read in conjunction with this discussion).

Electric revenues increased due to the following factors:

	Electric Revenues Increase (Decrease) from Prior Year		
	1983	1982	1981
		(in millions)	
Rate increases	$20.9	$10.8	$21.0
Rate refunds	—	—	(1.1)
Recovery of fuel costs through energy adjustment clause	1.6	10.1	(4.8)
Kwh sales and other	6.8	6.3	(2.9)
	$29.3	$27.2	$12.2

As indicated in the preceding table, the increases in total electric revenues for the years 1983 and 1981 resulted primarily from rate increases. Although there were no new increases in base rates during 1982, the increases which were placed into effect in 1981 continued to benefit 1982 revenues. For a discussion of current rate matters, refer to Note (2) of the Notes to Financial Statements.

The increase in revenues for 1982 attributable to the recovery of fuel costs through the Company's Energy Adjustment Clause (EAC) is due primarily to higher fuel costs because of greater utilization of higher cost fossil generation and an over-collection of revenues. The 1981 period reflects a refund made through the EAC for revenues over-collected in 1980.

Sales of electricity (in Kwh) increased by 3% for 1983 and 1982. A 0.5% decrease was experienced in 1981. The 5 year historical compound growth rate is 1.8%.

Gas revenues increased due to the following factors:

	Gas Revenues Increase (Decrease) from Prior Year		
	1983	1982	1981
	(in millions)		
Rate increases	**$ 1.6**	$ 3.5	$ 4.7
Recovery of gas costs through purchased gas adjustment clauses	**20.7**	22.8	21.8
Sales and other	**(9.0)**	3.4	(6.9)
	$13.3	$29.7	$19.6

The increased cost of gas purchased for resale from pipeline suppliers, which is recovered through purchased gas adjustment (PGA) clauses, was the primary reason for the increased gas revenues. Overall gas sales (in therms) decreased 6% for 1983. Sales to customer classes with higher unit prices decreased even more; 9% for both residential and commercial customers. Sales to firm industrial customers decreased 8% while sales to interruptible industrial customers increased 4%. Overall gas sales increased 1% in 1982 and decreased 6% in 1981.

Increases in the cost of gas purchased for resale result primarily from higher commodity rates charged by pipeline suppliers. Decreased volumes of gas purchased during 1983 and 1981 partially offset the increases in the cost of gas purchased for resale during those years.

The increase in fuel for production for 1983 was primarily related to higher fuel costs. For the years 1982 and 1981, the increases were attributable to the greater utilization of higher-cost fossil generation and, to a lesser extent, higher fossil fuel prices charged by suppliers.

The increase in purchased power costs for 1983 resulted from higher demand (primarily attributable to the capacity purchases discussed in Note 11 of the Notes to Financial Statements) and energy charges, partially offset by an increase in energy sales. The decrease in such costs for 1982 is attributable to lower energy and demand charges as well as higher energy sales. The increase for 1981 was primarily due to higher demand charges.

Changes in the adjustment clause balances result from recording the effects of the over-or-under collection of revenues through the Company's EAC and, beginning in 1983, PGA clauses as described in Note 1(e) of the Notes to Financial Statements.

Other operation and maintenance expenses increased during the past three years primarily due to expenses incurred at the DAEC and labor costs. Most of the increase in the DAEC related expenses for 1983 was associated with refueling outage activities from February 11 through May 8. There was no refueling outage during 1982. Also contributing to the increases in expenses at the DAEC for all three years were expenses incurred to comply with additional regulatory requirements.

The increases in depreciation relate to additional plant in service including, for 1982 and 1981, that associated with the commencement of commercial operations of the Ottumwa Generating Station in May 1981.

Changes in current income taxes for the three years are primarily related to changes in taxable income. See Note 1(b) of the Notes to Financial Statements for a detailed discussion of income tax matters.

The decrease in interest expense for 1983 and 1982 is primarily related to lower interest rates. For the year 1981, the increase in interest expense is due to higher interest rates and additional outstanding debt.

The decrease in the allowance for funds used during construction for the three years reflects the lower level of construction work in progress since the Ottumwa Generating Station was placed into commercial operation. Also contributing to the decreases in 1983 and 1982 were the effects of lower AFC rates.

Despite an increase in net income, earnings per average common share (EPS) decreased for 1983 from the prior year because of the dilutive effect of the issuance of additional common stock. Such dilution partially offset the increases in the restated EPS for the years 1982 and 1981.

Liquidity and Capital Resources

The percentages of internally provided funds used for construction were 94%, 97% and 67% for the years 1983-1981, respectively. Construction expenditures for 1984 will approximate $47,000,000, with approximately 97% of the funds expected to be internally generated. The levels of construction are expected to remain relatively stable until beyond the mid-1980's. It is estimated that the percentage of internally generated funds will be approximately 65% for the four year period 1985-1988. The Company's minimum objective in the future will be to provide at least 40% of its construction funds from internal sources. That estimate is dependent in part upon levels of kilowatt-hour sales, the course of construction plans and the ability of the Company to obtain timely and adequate rate increases.

On November 15, 1983, the Company filed a shelf registration statement with the Securities and Exchange Commission for $35,000,000 of first mortgage bonds. The Company expects to complete the sale during the first half of 1984 if market conditions are favorable. The proceeds will be used to repay short-term debt, finance construction expenditures and for other corporate purposes.

As of December 31, 1983, the Company had authority from the Federal Energy Regulatory Commission to issue up to $85,000,000 of short-term notes, of which a maximum of $75,000,000 can be in the form of commercial paper. Lines of credit aggregating $60,000,000 were available at that date.

The Company's capitalization ratios at the end of each of the last three years were as follows:

	December 31		
	1983	1982	1981
Long-term debt	**46%**	49%	50%
Preferred and preference stock	**11**	13	13
Common stock equity	**43**	38	37
	100%	100%	100%

These ratios are consistent with the Company's long-term capital structure objectives.

The indenture pursuant to which the Company's First Mortgage Bonds are issued contains covenants restricting the amount of additional bonds which may be issued thereunder. The Articles of Incorporation of the Company limit the aggregate amount of additional shares of Cumulative Preference Stock and Cumulative Preferred Stock which may be issued. At December 31, 1983, the most restrictive limitations would have permitted the Company to issue $98,000,000 of First Mortgage Bonds, $54,300,000 (543,000 shares) of Preference Stock and no additional Preferred Stock.

Selected Quarterly Financial Data

The following unaudited quarterly data, in the opinion of the Company, includes all adjustments, consisting only of normal recurring accruals, necessary for the fair presentation of such amounts.

	Quarter Ended			
	March 31	June 30	September 30	December 31
	(in thousands, except per share amounts)			
1983				
As reported —				
Revenues	$117,762	$ 92,744	$110,893	$123,313
Operating income	10,916	8,033	17,513	9,789
Net income	6,114	3,498	13,105	5,496
Net income available for common stock	4,947	2,331	11,961	4,364
Earnings per average common share	0.47	0.21	1.11	0.38
Restated —				
Revenues	$117,762	$ 92,744	$110,893	
Operating income	10,916	8,033	17,513	
Net income	6,009	3,393	13,000	
Net income available for common stock	4,842	2,226	11,856	
Earnings per average common share	0.46	0.20	1.10	
1982				
As reported —				
Revenues	$126,534	$ 81,751	$ 88,265	$106,298
Operating income	16,208	9,195	10,310	10,290
Net income	11,534	4,372	5,585	5,920
Net income available for common stock	10,323	3,160	4,396	4,744
Earnings per average common share	1.01	0.31	0.42	0.45
Restated —				
Revenues	$126,534	$ 81,751	$ 88,265	$106,298
Operating revenues	16,208	9,195	10,310	10,290
Net income	11,440	4,278	5,491	5,827
Net income available for common stock	10,229	3,066	4,302	4,650
Earnings per average common share	1.00	0.30	0.41	0.44

Restated for the effect of replacement power settlement – see Note 2 of the Notes to Financial Statements.

The above amounts are affected by seasonal weather conditions and the timing of rate increases. The decrease in earnings for the quarter ended March 31, 1983 from the comparable 1982 quarter was a result of increases in DAEC related expenses associated with refueling outage activities.

Impact of Inflation

The Company's financial statements are prepared in accordance with generally accepted accounting principles and accordingly reflect historical costs in dollars of varying purchasing power. The following unaudited data, prepared in accordance with Financial Accounting Standards Board (FASB) Statement No. 33, estimates the impact on the Company of general inflation (constant dollars) and changes in specific prices (current cost). This information should be viewed as an estimate of the impact of inflation rather than as a precise measurement.

Constant dollar amounts represent historical costs stated in terms of dollars of equal purchasing power, as measured by the Consumer Price Index for all Urban Consumers. Current cost amounts reflect the changes in specific prices of utility plant from the date the plant was acquired to the present. The current cost of utility plant was determined by indexing the existing utility plant using the Handy-Whitman Index of Public Utility Construction Costs. Current costs differ from constant dollars to the extent that specific prices have changed more or less rapidly than the general rate of inflation. Current cost information does not represent the replacement cost of existing productive facilities because the utility plant is not expected to be replaced precisely in kind.

In accordance with FASB No. 33, operating revenues and all expenses other than depreciation are deemed to be stated in terms of average current year prices and, accordingly, no adjustment for the effects of inflation is necessary. The constant dollar and current cost depreciation provisions were determined by applying the Company's composite depreciation rate to the adjusted average utility plant in service during the year.

Income tax expense was not adjusted because only historical costs are deductible for income tax purposes.

During periods of inflation, holders of monetary assets suffer a loss of general purchasing power while holders of monetary liabilities experience a gain. Due primarily to the substantial amount of debt and preferred stock which has been used to finance utility plant, the Company has experienced a gain from the decline in purchasing power of net monetary liabilities.

Under the rate-making principles prescribed by the regulatory commissions to which the Company is subject, only the historical cost of plant is recoverable in revenues as depreciation. As a result, the Company has experienced a loss equivalent to the current year's impact of inflation on utility plant.

In addition, the regulatory process imposes a substantial time lag between the time when operating and capital costs are incurred and when they are recovered. During periods of inflation, this lag, coupled with rates based on historical costs and inadequate rates of return allowed on common equity, produce revenues which do not recover the cost, in terms of purchasing power, of the productive facilities used to provide services to current customers. While the gain from the use of debt and preferred stock financing reduces the effect of this loss on common shareholders' equity, the common shareholders still experience a net erosion in their investment due to inflation.

STATEMENT OF INCOME ADJUSTED FOR CHANGING PRICES
YEAR ENDED DECEMBER 31, 1983
(in average 1983 dollars)

	Constant Dollars	Current Cost
	(in thousands)	
Net income available for common stock, as reported	$23,289	$23,289
Erosion of common shareholders' equity because of changing prices:		
Cost in excess of the original cost of productive facilities not recoverable in rates as depreciation —		
Reportable as an additional provision for depreciation	32,807	35,652
Reportable as an adjustment to net recoverable cost	(10,441)	(13,088)
	22,366	22,564
Excess of increase in the general level of prices ($46,897) over specific price changes ($47,095)*	—	(198)
Total amount not specifically recoverable in rates	22,366	22,366
Offsetting effect of debt and preferred stock financing	(14,946)	(14,946)
Net erosion of common shareholders' equity	7,420	7,420
Net income available for common stock, as adjusted**	$15,869	$15,869

*At December 31, 1983, the current cost of utility plant, net of accumulated depreciation, was $1,304,544,000 while the historical (recoverable) cost was $609,878,000.

**Adjusted net income (loss) available for common stock would be $(9,518,000) on a constant dollar basis and $(12,363,000) on a current cost basis if only the amount reportable as an additional provision for depreciation was deducted from the reported amount of such income.

FIVE-YEAR COMPARISON OF SELECTED SUPPLEMENTARY FINANCIAL DATA ADJUSTED FOR EFFECTS OF CHANGING PRICES

(in average 1983 dollars, except "as reported" amounts)

	Year Ended December 31				
	1983	1982*	1981*	1980*	1979*
	(in thousands)				
Revenues:					
As reported	**$444,713**	$402,847	$345,590	$311,013	$288,523
As adjusted	**444,713**	415,806	378,576	376,038	396,022
Net income (loss) available for common stock:					
As reported	**$ 23,289**	$ 22,247	$ 19,128	$ 16,223	$ 14,821
As adjusted for the net erosion of common shareholders' equity	**15,869**	16,151	5,332	(2,446)	(3,976)
Earnings (loss) per average common share:					
As reported	**$2.14**	$2.15	$1.94	$1.89	$1.98
As adjusted for the net erosion of common shareholders' equity	**1.46**	1.56	.54	(.28)	(.53)
Common shareholders' investment (net assets), at year-end:					
As reported	**$214,725**	$185,785	$176,396	$157,931	$151,746
As adjusted	**211,117**	189,597	186,986	182,379	196,960
Excess of increase in the general level of prices over specific price changes	**$ (198)**	$ 11,154	$ (24,990)	$ 73,113	$ 14,732
Gain from decline in purchasing power of net amounts owed	**$ 14,946**	$ 16,105	$ 37,892	$ 53,075	$ 60,333
Dividends declared per common share:					
As reported	**$1.795**	$1.735	$1.675	$1.615	$1.525
As adjusted	**1.795**	1.79	1.83	1.95	2.09
Market price per common share, at year-end:					
As reported	**$14.875**	$15.75	$12.125	$11.625	$13.00
As adjusted	**14.63**	16.07	12.85	13.42	16.87
Average consumer price index	**298.4**	289.1	272.4	246.8	217.4

**Restated for the effect of replacement power settlement – see Note 2 of the Notes to Financial Statements.*

Selected Financial Data

	1983	1982	1981	1980	1979	1978
	(in thousands, except per share amounts and ratios)					
Income statement data:						
Operating revenue	**$444,713**	$402,847	$345,590	$311,013	$288,523	$242,729
Operating income	**46,250**	46,003	41,340	31,559	32,806	31,463
Net income	**27,898**	27,036	24,095	21,347	20,067	19,035
Net income available for common stock	**23,289**	22,247	19,128	16,223	14,821	14,818
Common stock data:						
Average number of shares outstanding	**10,901**	10,339	9,856	8,602	7,478	7,260
Earnings per average common share	**$ 2.14**	$ 2.15	$ 1.94	$ 1.89	$ 1.98	$ 2.04
Dividends declared per common share	**1.795**	1.735	1.675	1.615	1.525	1.50
Market price per common share at year-end	**14.875**	15.75	12.125	11.625	13.00	14.375
Book value per common share at year-end	**17.75**	17.69	17.45	18.01	17.94	18.12
Capitalization:						
Common equity	**$214,725**	$185,785	$176,396	$157,931	$151,746	$132,497
Preferred and preference stock	**57,570**	60,664	62,758	64,851	66,945	63,070
Long-term debt	**233,108**	236,965	240,021	217,240	215,060	193,694
	$505,403	$483,414	$479,175	$440,022	$433,751	$389,261
Capitalization ratios:						
Common equity	**43%**	38%	37%	36%	35%	34%
Preferred and preference stock	**11**	13	13	15	15	16
Long-term debt	**46**	49	50	49	50	50
	100%	100%	100%	100%	100%	100%
Balance sheet data:						
Utility plant in service —						
Electric	**$764,915**	$729,570	$692,003	$601,341	$566,310	$534,089
Gas	**67,173**	64,484	61,180	58,284	54,856	52,905
Other	**14,902**	13,170	12,325	11,604	11,100	10,781
	$846,990	$807,224	$765,508	$671,229	$632,266	$597,775
Accumulated depreciation	**$275,500**	$250,562	$226,979	$206,299	$186,897	$168,052
Ratio of accumulated depreciation to utility plant in service	**33%**	31%	30%	31%	30%	28%
Total assets	**$762,985**	$710,564	$695,992	$639,908	$597,460	$579,127
Other selected financial data:						
Construction expenditures, including AFC	**$ 47,874**	$ 41,880	$ 57,092	$ 68,146	$ 51,938	$ 59,526
Percent of construction expenditures financed internally from operations	**94%**	97%	67%	38%	45%	76%
AFC as a percent of net income	**14%**	17%	30%	35%	25%	16%
Times interest earned before income taxes	**2.74**	2.67	2.33	2.47	2.52	3.05
Number of preferred and preference shareholders	**3,121**	3,251	3,336	3,291	3,490	3,554
Number of common shareholders	**31,768**	31,743	31,546	30,085	29,578	28,372

1982-1979 have been restated for the effect of replacement power settlement – see Note 2 of the Notes to Financial Statements.

Electric Operating Comparison

	1983	1982	1981	1980	1979	1978	Five Year Compound Rate of Growth
Operating revenue* (000's):							
Residential	$ **92,229**	$ 79,721	$ 71,214	$ 68,467	$ 62,544	$ 55,055	
Rural	**16,106**	15,304	13,433	12,692	12,457	10,644	
Commercial	**83,019**	73,932	66,778	61,482	57,495	48,049	
Industrial	**66,332**	63,520	54,865	49,425	47,006	38,229	
Street lighting and public authorities	**4,150**	3,770	3,556	3,267	3,051	2,603	
Total from ultimate consumers	**261,836**	236,247	209,846	195,333	182,553	154,580	
Sales for resale	**13,447**	9,931	9,236	9,010	8,022	7,310	
Other	**911**	710	601	530	490	419	
	$ **276,194**	$ 246,888	$ 219,683	$ 204,873	$ 191,065	$ 162,309	
Energy sales (000's Kwh):							
Residential	**1,272,030**	1,186,263	1,161,253	1,215,332	1,183,697	1,200,980	1.2%
Rural	**212,775**	221,803	211,394	214,848	227,694	221,489	(0.8)
Commercial	**1,066,847**	1,031,782	1,017,005	1,023,906	1,018,414	976,971	1.8
Industrial	**1,290,168**	1,292,404	1,216,450	1,171,121	1,144,953	1,118,872	2.9
Street lighting and public authorities	**55,030**	52,664	54,279	52,891	50,579	48,856	2.4
Total to ultimate consumers	**3,896,850**	3,784,916	3,660,381	3,678,098	3,625,337	3,567,168	1.8
Sales for resale	**322,436**	314,973	308,429	311,011	291,926	294,291	1.8
	4,219,286	4,099,889	3,968,810	3,989,109	3,917,263	3,861,459	1.8%
Sources of electric energy (000's Kwh):							
Generated —							
Fossil, primarily coal	**1,608,895**	1,602,903	1,438,669	1,346,577	1,304,312	1,765,484	
Nuclear	**1,615,878**	1,588,391	1,542,730	1,949,212	2,022,441	846,133	
Hydro	**6,309**	6,706	5,198	4,709	5,035	4,579	
	3,231,082	3,198,000	2,986,597	3,300,498	3,331,788	2,616,196	
Purchased and net interchange	**1,377,310**	1,248,647	1,334,437	1,085,793	950,215	1,585,597	
	4,608,392	4,446,647	4,321,034	4,386,291	4,282,003	4,201,793	
Operating statistics:							
Heat rate (Btu per Kwh generated)	**11,591**	11,610	11,519	11,532	11,216	12,392	
Net capability at time of peak load (Kw) —							
Net generating capability —							
Steam stations —							
Nuclear**	**350,000**	350,000	350,000	350,000	350,000	350,000	
Fossil	**491,250**	499,750	498,500	395,500	395,500	412,000	
Peaking turbines and other	**157,800**	157,800	180,500	180,600	181,650	182,600	
	999,050	1,007,550	1,029,000	926,100	927,150	944,600	
Purchase capability	**201,250**	102,504	177,202	149,001	141,098	143,252	
	1,200,300	1,110,054	1,206,202	1,075,101	1,068,248	1,087,852	
Net peak load (Kw) — 60 minutes integrated	**985,456**	920,111	914,100	900,032	847,310	822,601	3.7%
Number of customers at year-end	**204,460**	204,290	203,997	203,023	200,977	197,878	0.7%
Residential and rural service:							
Average number of customers	**174,002**	173,890	173,882	172,827	170,606	167,664	
Average annual Kwh sales per customer	**8,533**	8,097	7,894	8,275	8,273	8,484	
Revenue per Kwh sold*	**7.30¢**	6.75¢	6.17¢	5.67¢	5.31¢	4.62¢	
Average annual revenue per customer*	**$622.60**	$546.46	$486.81	$469.60	$439.62	$391.85	

**1980 and 1979 have been restated for the effect of replacement power settlement – see Note 2 of the Notes to Financial Statements.*

***Represents Company's 70% undivided interest in Duane Arnold Energy Center which is operated by the Company.*

Gas Operating Comparison

	1983	1982	1981	1980	1979	1978	Five Year Compound Rate of Growth
Operating revenue (000's):							
Residential	**$ 71,202**	$ 65,219	$ 47,536	$ 39,948	$ 39,007	$ 32,885	
Commercial — firm	**28,123**	25,985	18,630	15,929	16,014	13,567	
— interruptible	**12,041**	11,520	8,633	7,406	6,517	5,589	
Industrial — firm	**19,815**	19,250	21,430	17,569	14,791	11,905	
— interruptible	**29,999**	26,743	22,808	18,631	15,647	11,665	
Total from ultimate consumers	**161,180**	148,717	119,037	99,483	91,976	75,611	
Other	**1,046**	228	183	156	151	127	
	$162,226	$148,945	$119,220	$ 99,639	$ 92,127	$ 75,738	
Energy sales (000's Dekatherms):							
Residential	**13,015**	14,320	12,936	14,039	15,832	15,888	(3.9)%
Commercial — firm	**5,374**	5,984	5,350	5,983	6,989	7,130	(5.5)
— interruptible	**2,840**	3,065	2,861	3,136	3,300	3,389	(3.5)
Industrial — firm	**5,186**	5,630	7,179	7,060	7,336	7,513	(7.1)
— interruptible	**7,697**	7,378	7,664	8,235	8,181	7,380	0.8
	34,112	36,377	35,990	38,453	41,638	41,300	(3.8)%
Operating statistics:							
Gas purchased for resale (000's Dekatherms)	**34,894**	35,925	35,924	38,870	41,523	41,293	
Cost of gas purchased for resale (000's)	**$140,844**	$125,753	$102,921	$ 87,788	$ 77,352	$ 60,911	
Cost per Dekatherm of gas purchased for resale	**$4.04**	$3.50	$2.86	$2.26	$1.86	$1.48	
Sendout capability at time of peak demand (Dekatherms)	**261,221**	273,942	269,683	268,328	265,682	264,045	
Peak daily sendout (Dekatherms)	**272,727**	269,455	252,442	235,189	233,253	223,841	4.0%
Number of customers at year-end	**132,587**	131,638	131,285	130,055	126,912	124,169	1.3%
Residential service:							
Average number of customers	**113,603**	112,926	112,221	110,086	107,381	105,101	
Average annual Dekatherm sales per customer	**115**	127	115	128	147	151	
Revenue per Dekatherm sold	**$5.47**	$4.55	$3.67	$2.85	$2.46	$2.07	
Average annual revenue per customer	**$626.77**	$577.54	$423.59	$362.88	$363.26	$312.89	

Units for the years 1982-1978 are reported in 000's Mcf.

1983 Form 10-K Available on Request

The Company files annually with the Securities and Exchange Commission an Annual Report Form 10-K. This required report contains certain other information not made a part of this Report. The Company will be happy to send you a copy of our 1983 Form 10-K without charge upon request to:

IOWA ELECTRIC LIGHT AND POWER COMPANY
P.O. Box 351
Cedar Rapids, Iowa 52406
Attention: Mr. J.B. Rehnstrom
Senior Vice President-Finance and Secretary

The statements in this report are furnished solely for your information, and the facts and figures presented, while accepted by the management as reliable in the operations of the property, are not, however, guaranteed by us against inaccuracy or omission of material fact and are not furnished by us nor to be used by you in any way which implies liability on our part or on the part of our officers and directors in connection with your dealings in the securities of this Company. The purpose of this paragraph is to protect you and this Company against any liability that may occur under any State or Federal Securities Act.

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