A BALANCE
OF
STRENGTHS

IES INDUSTRIES INC.

1991 ANNUAL REPORT

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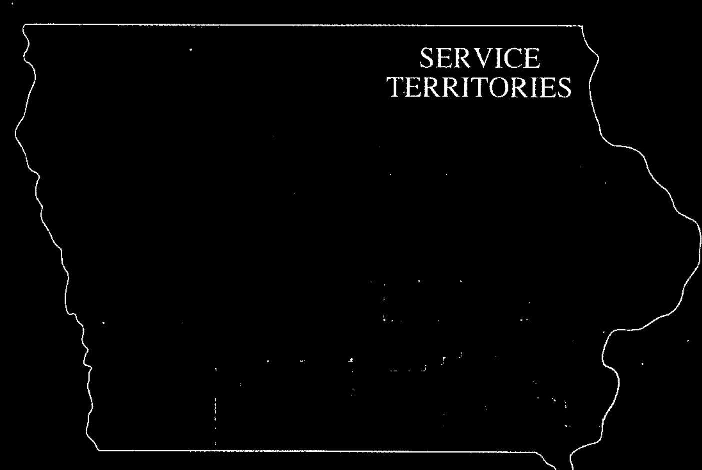
A BALANCE OF STRENGTHS

IES INDUSTRIES INC.

- **Iowa Electric Light and Power Company**
- **Iowa Southern Utilities Company**
- **IES Diversified Inc.**
  - **IES Transportation Inc.**
    - Cedar Rapids and Iowa City Railway Co. (CRANDIC)
    - IEI Barge Services Inc.
    - IEI Container Services Inc.
    - Cornhusker Railcar Services Inc.
  - **IES Investments Inc.**
    - Iowa Land & Building Company
    - Southern Iowa Manufacturing Company (SIMCO)
    - SIDCO, Inc.
    - Long Lines, Ltd.
  - **IES Energy Inc.**
    - Whiting Petroleum Corporation
    - Industrial Energy Applications Inc. (IEA)
    - MicroFuel Corporation
  - **Terra Comfort Corporation**



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COMPANY PROFILE

IES Industries was created in July, 1991, by the merger of IE Industries Inc. and Iowa Southern Inc. These two holding companies, with widely known strengths in energy businesses and clear successes in diversified investments, are dedicated to providing value for IES Industries shareholders.

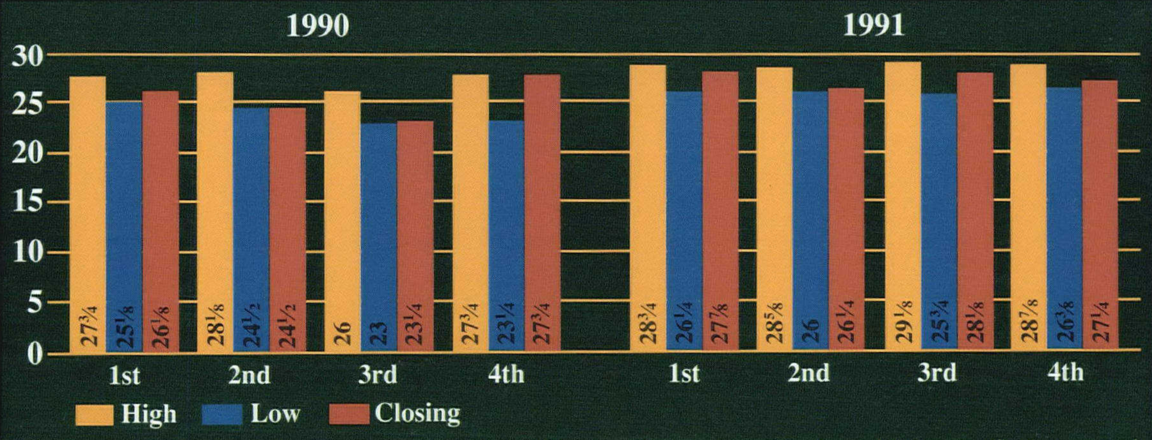
Balance can sometimes achieve what resources alone cannot. IES Industries delivers consistent shareholder value by balancing its strong utility businesses with intelligent diversified investments.

FINANCIAL HIGHLIGHTS

	1991	1990	Increase (Decrease)	Percent Increase (Decrease)
Operating revenues (000's)	**$ 661,538**	$ 624,214	37,324	6
Operating income (000's)	**$ 103,357**	$ 98,043	5,314	5
Gain on sale of Telecom★USA stock (000's)	**$ —**	$ 66,234	(66,234)	N/A
Net income (000's)	**$ 44,657**	$ 80,330	(35,673)	(44)
Earnings per average common share	**$ 1.85**	$ 3.37	(1.52)	(45)
Dividends declared per common share	**$ 2.03**	$ 1.82	.21	12
Construction expenditures (000's)	**$ 119,821**	$ 103,154	16,667	16
Funds provided internally (000's)*	**$ 54,107**	$ 48,929	5,178	11
Sales of electricity to customers (Kwh) (000's)	**7,244,209**	6,880,136	363,773	5
Total gas sales, including transported volumes (dekatherms) (000's)	**44,696**	40,873	3,823	9
Number of common shareholders	**32,507**	34,739	(2,282)	(7)
Number of full-time employees	**2,462**	2,363	99	4

** Excludes the effects of gain on sale of Telecom★USA stock*

QUARTERLY HIGH, LOW, AND CLOSING PRICES OF COMMON STOCK (DOLLARS)



The chart above sets forth, for the calendar quarters indicated, the reported high and low sales prices of IES Common Stock as reported on the NYSE Composite Tape based on published financial sources. On July 1, 1991, Iowa Southern Inc. merged with and into IE Industries Inc. In connection with the merger, IE Industries Inc. changed its corporate name to IES Industries Inc. Stock prices before July 1, 1991 are for IE Industries Inc. common stock.

MESSAGE TO SHAREHOLDERS

On February 28, 1991, the Boards of Directors of Iowa Southern, Inc. and IE Industries Inc. voted to merge and to create a new company, IES Industries Inc. On May 21, 1991, you, the shareholders, overwhelmingly approved this consolidation proposal, reaffirming our corporate direction – continued growth in our utility business and expansion in diversified enterprises.

The decision to merge was fundamentally driven by our shared desire to combine our strengths, thus creating a larger and stronger company better suited for survival in an increasingly competitive environment. Our ultimate purpose is to enhance the long-term value of our shareholder's investments.

Combining strengths and focusing objectives

The merger is now completed, and we are moving forward with the integration process to capture the synergistic savings.

The Transition Management Team, consisting of senior management from both companies, has identified a number of areas for consolidation. Joint dispatch of the combined generation capacity, now in implementation, will produce savings in both fuel and operating expenses. Furthermore, we expect other savings by combining contract negotiations with vendors and suppliers, and by consolidating insurance programs, shareholder services, corporate finance and other administrative functions.

Integrated planning and consolidated generation capacity will provide more opportunities to minimize or delay costly capital improvements. We are projecting robust sales growth for both utility companies in the early 1990s. However, we foresee no need to invest in costly base-load power plants for the next several years. In fact, we have identified 100 megawatts of base-load capacity which can be marketed to other utilities without straining our ability to meet the projected energy demand.

The success in a merger transaction depends on effective implementation of post-merger integration. We have made substantial progress in the last eight months, and we are committed to continue with the integration effort until all merger objectives are fully achieved.

Sncess in electric utility expansion

Another major development in the utility sector has been our definitive agreement with Union Electric Company of St. Louis, Missouri, to acquire its Iowa service territory in a four-county area in southeast Iowa. This area has a concentrated industrial base, and it will increase Iowa Electric's kilowatt hour sales by almost 25 percent. It will be a quality addition to our utility business once the transaction is completed.

Continuing a sound diversification strategy

Our diversification strategy achieved great success in the telecommunication sector, with significant gain from the sale of Telecom★USA in 1990. In 1991, we focused our effort on nurturing continuing growth and maximizing returns in the transportation and energy-related business units. Although we are satisfied with the progress made, we also believe that additional growth and higher earnings can be achieved in the future.

In November, 1991, we successfully negotiated a definitive agreement to acquire Whiting Petroleum Corporation of Denver, Colorado, as a wholly-owned subsidiary. On February 18, 1992, Whiting shareholders approved the plan and the transaction was completed. Whiting Petroleum Corporation was a public company with quality holdings in petroleum and natural gas properties. This company has had very consistent growth and successful financial performance in the past. We welcome them as a member of our corporate family.

Comments on financial results

The 1991 financial results directly reflect many of the events we have previously discussed. The shortfalls in earnings were affected by the one-time expenses associated with the mergers and acquisition. They were also affected adversely by the regulatory disallowance of $3.9 million of cost which had been incurred to clean up former manufactured gas plant sites. We believe the expenses involved in merger and acquisition are wise investments, for they will enable us to build a strong foundation for continuing growth, to strengthen our position in the competitive market, and ultimately to enhance our shareholder value over the long term.

In 1991, despite the economic recession, we experienced significant growth in sales in both industrial and commercial sectors. The cost containment measures also met our planned objectives. These are the basic strengths in our financial performance which, we believe, will continue to substantially improve results in 1992.

New company and renewed commitments

This annual report marks the beginning of a new company, IES Industries. We now have assets approaching $1.5 billion and revenues exceeding $650 million. While continuing to be proactive in future growth opportunities, we will channel our major effort in building this new company into an efficient and thriving organization. We will also retain our long-standing corporate commitments to strong ethical standards, quality customer service, active community involvement and a positive work place for our nearly 2500 employees.

We are gratified by the effort and contribution of each man and woman in our work force. Their dedication to their jobs in 1991 produced greatly improved performance at the Duane Arnold Energy Center. Their relentless effort and unprecedented team work expedited the restoration of customer service in both utility service areas after two major, devastating winter storms. Their spirit and action were exemplary for all of us.

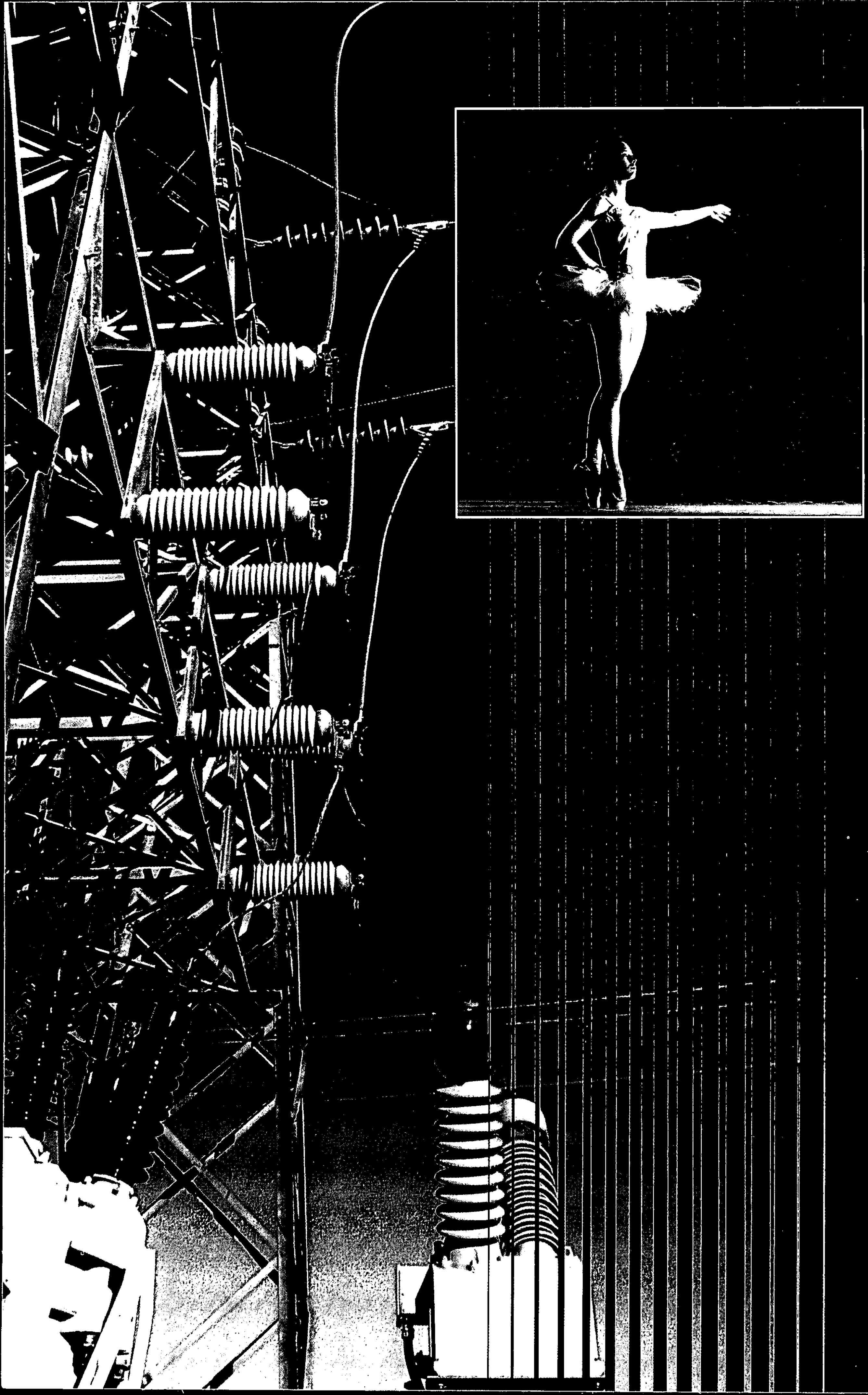
The following pages provide additional details of our operations in the past year and our plans for the future. With your continuing support, we are confident that we will be able to meet the commitments of this company and to increase the value of your investment.

Sincerely,

C.R.S. Anderson
Chairman of the Board

Lee Liu
President and Chief Executive Officer

On February 1, 1992, C.R.S. Anderson retired as Chairman and Chief Executive Officer of Iowa Southern Utilities, after completing 35 years of service. At the February 4, 1992, meeting of the Board of Directors, Lee Liu was elected to fill the vacancy. Also, J.B. Rehnstrom, Senior Vice President, Special Projects and Corporate Secretary, took retirement effective April 1, 1992, after completing 32 years with Iowa Electric Light and Power Company. IES Industries Inc. is grateful for their dedicated service and numerous contributions.



A perfect balance appears still and quiet, but all the while it is moving and changing, energizing the environment for action. Industries stands solid as an environmentally aware corporate citizen, yet moves energetically to fulfill its mandat profitability.

The year 1991 was a year of action. We announced and completed a merger, made significant strides and increased investment in our core utility business, diversified on a major opportunity and positioned ourselves for growth into the next century. For the planned benefit of our shareholders, customers and employees, it was a year of strategic positioning for the future.

On July 1, IES Industries Inc. was created by the merger of IE Industries Inc. and Iowa Southern Inc. The potential synergies of combining these two successful utility holding companies are significant. We began working together immediately to identify benefits that add value to our IES shareholders' investment. Combined total assets now amount to approximately $1.5 billion, with annual revenues in excess of $650 million. This represents an even stronger base on which to further increase shareholder value.

Diversity and growth to enhance our core business

To balance the objectives of strong core utility businesses and growth in diversified businesses, IES Industries has been organized into six major companies.

The principal utility subsidiaries, Iowa Electric Light and Power Company and Iowa Southern Utilities Company, will continue to operate as separate utilities serving 305,000 electric and 164,000 natural gas customers.

Organizationally, IES Diversified Inc. holds the transportation, energy and investment subsidiaries as well as Terra Comfort, our independent power producer. IES Transportation Inc. includes the Cedar Rapids and Iowa City Railway Company (CRANDIC), IEI Container Services, and IEI Barge Services. IES Energy Inc. holds the unregulated energy-production companies, including investments in Industrial Energy Applications (IEA), MicroFuel Corporation and Whiting Petroleum Corporation. IES Investments Inc. has equity interests in several diversified businesses and Iowa Land and Building Company.

Financial performance and contributing factors

IES Industries reported 1991 earnings of $1.85 per share. That compares with earnings of $3.37 per share in 1990. Net income for 1991 was $44.7 million, compared with net income of $80.3 million for 1990.

Earnings for 1991 were affected by one-time expenses associated with the mergers. Those expenses were $3.7 million after taxes. 1990 earnings also included an after-tax gain of $39.3 million resulting from the sale of IE Industries' holdings of Telecom★USA. The effect of these items and certain other one-time items was to reduce 1991 earnings by 26 cents per share and to contribute $1.38 per share to 1990 earnings.

Both utility companies reported increased electric and natural gas sales in 1991. Iowa Electric reported a 3.8 percent increase in kilowatt hour sales and a 1.2 percent increase in gas volumes sold and transported for the year, compared with 1990. Iowa Southern reported an 8.2 percent increase in kilowatt hour sales and a 3.3 percent increase in natural gas volumes. These increased electric sales in particular reflect the relative strength of our service territories, with much of the increase coming from industrial customers.

Both utilities have current electric rate cases. Iowa Electric is collecting an interim rate increase of $15.6 million, pending final resolution of its $18.9 million overall increase request. The Iowa Office of Consumer Advocate is seeking a $10.1 million reduction in Iowa Southern electric rates. Both cases are expected to be decided by the Iowa Utilities Board in the summer of 1992.

Hard at work building tomorrow's markets

1991 rewarded our continuing efforts in economic development. Our work in concert with local communities, chambers of commerce and the Iowa Department of Economic Development helped retain and expand businesses and bring new industries into many of our communities.

PMX Industries, a subsidiary of Poongsan Metals Corporation of Seoul, South Korea, opened an energy-intensive facility in Cedar Rapids to convert scrap metals into high quality copper and brass products. Genencor International, Inc., a joint venture of Eastman Kodak and Cultor Ltd. of Finland, celebrated the grand opening of its Cedar Rapids biotechnology plant producing industrial enzymes, and then announced plans for immediate expansion. Existing businesses, such as Penford Products, General Mills and Quaker Oats, continued their significant plant reinvestments and expansions.

The community of Eddyville welcomed a new Cargill ethanol plant. Also in Eddyville, construction began on a large amino acid plant of Ajinomoto, a Japanese company. In Creston, the Mederer Corporation of West Germany started a candy production facility.

These, among many other industrial expansions, helped to maintain the economic vitality of the communities we serve. We are pleased to have played a role in most of this growth.

The future of power is tied to intelligent, well-balanced development

We strive to enhance the economic development programs of the local communities we serve. Many Iowa communities support the growth of existing business and the effort to create meaningful jobs. We focus resources on making these local efforts more effective. To that end, we took a leadership role along with several Iowa investor-owned utilities in sponsoring economic development workshops for local community leaders statewide. We provide advice and counsel to help improve local development initiatives and to encourage the right kind of economic growth – from businesses compatible with Iowa resources, which make value-added products, enhance Iowa's financial well-being and protect the local environment.

At a time when many regions of the country are concerned with general recession and foreign competition, we continue to accept these competitive challenges, marketing the comparative advantages of Iowa's natural resources, highly-skilled workforce, central location and business climate.

A proactive approach to environmental issues

At IES Industries, we have long held a concern for the environment. We have tried to work responsibly to protect natural resources and actively participate in initiatives such as the Global Warming Center at The University of Iowa and the new Iowa Energy Center at Iowa State University. Getting involved and staying sensitive to environmental concerns enables us to take responsible, informed and often leading positions and actions on these issues.

In 1991, partly in response to Iowa legislation and partly as a continuation of existing utility initiatives, our utilities announced aggressive energy efficiency and demand-side management programs. These expanded programs will provide even more financial incentives to customers to efficiently use electricity and natural gas for the joint benefit of customers and shareholders. These programs should further reduce the need for additional generating capacity which will reduce our immediate need for capital to finance such expansions.

Gathering community support for nature's needs

Our utility companies support tree planting efforts to enhance energy efficiency, promote community involvement and improve the environment in Iowa's cities and towns. Iowa Southern's tree-planting program, Taking Root, has 17 participating communities. Iowa Electric is in the second year of its IE Branching Out program. A total of 63 communities have participated in the program.

Iowa Electric's program in tree planting was the first program of its kind initiated by a utility. That leadership was recognized in 1991 by the National Arbor Day Foundation and by Global ReLeaf with national awards for corporate leadership in environmental programs.

A natural strategic move to grow the energy business

In March, 1992, Iowa Electric signed a definitive agreement with Union Electric Company of St. Louis, Missouri, to purchase its electric service territory in Iowa. This four-county area in southeast Iowa has a concentrated industrial base, accounting for approximately $50 million in annual revenues from about 17,000 customers. Electric sales in the area, of 1.2 billion kilowatt hours, would represent a 25% increase in Iowa Electric's sales volumes. The completion of this transaction is subject to approvals of various state and federal regulatory authorities.

This acquisition is an example of the benefits of the merged company, IES Industries. The individual companies might not have had adequate resources for this acquisition.

In the natural gas business, recent price stability and availability makes natural gas a particularly attractive energy source for residential and commercial customers. Both utility companies are aggressively expanding the natural gas business, with an expected three-year expansion in sales of more than 10 percent.

IES Diversified Inc. and its role in our progress

Through IES Diversified Inc. we seek opportunities which have the potential for higher returns than our regulated utility businesses can achieve. To assure the highest expected returns on these investments at acceptable risk, we focus diversification efforts on businesses we understand. Past successes and challenges in transportation, telecommunications and other diversified businesses provide a strong base as we evaluate other investments and strategically expand existing subsidiaries. We are also committed to making investments that will have a positive impact on the economy of Iowa and, where possible, lead to benefits for our utility businesses.

During 1991, IES Investments Inc. managed non-energy investment activity in Long Lines Ltd., Iowa Land and Building and other subsidiary interests. To a great extent it was a year of making acquisitions, consolidating and positioning this business for the future.

In November, 1991, IES and Whiting Petroleum Corporation of Denver, Colorado, announced a definitive Agreement and Plan of Merger by which Whiting would become a wholly-owned subsidiary of IES in a tax-free reorganization. Whiting shareholders approved the plan and the merger was completed on February 18, 1992. Whiting Petroleum is an oil and gas company which has reserves in several states. This is a significant expansion of IES Energy Inc. into

When you are balanced your muscles are relaxed, yet ready to respond in an instant. IES Industries pursues a panoramic vision of growth and strength, yet stays focused and alert to the needs of its utility customers.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There is a moment, an ant in time, when the athlete is poised and still, in between motions, with strengths and talents gathered up and set to ieve. IES Industries has gathered its resources to meet the needs of a diverse customer base and satisfy the expectations of value- nted shareholders.

energy-related businesses and provides strategic positioning for IES to grow within the natural gas industry.

In 1991, MicroFuel Corporation, in a joint venture with the Tennessee Valley Authority (TVA), was awarded a $3.5 million Clean Coal Technology grant from the U.S. Department of Energy. IES Energy Inc. is the primary investor in MicroFuel. The project will test new technology that could reduce emissions from coal-burning power plants. MicroFuel will design, build and test a special coal micronizing facility at TVA's Shawnee Station in Paducah, Kentucky. In addition, MicroFuel has launched a national marketing effort for its micronizing process.

Transportation – an engine for progress

Again in 1991, our transportation businesses, now a part of IES Transportation Inc., performed well. We see significant potential for growth in IEI Container Services and IEI Barge Services. In 1992, we will complete a new headquarters building in Cedar Rapids for these and other transportation subsidiaries.

The Cedar Rapids and Iowa City Railway Company (CRANDIC) reported a highly profitable year, even with some impacts of the recession. IEI Container Services is completing a major expansion that will make it a "one-stop" rail car wash, repair and painting facility. The $2.5 million addition will house state-of-the-art painting, sandblasting and lining operations. Container Services has also generated additional switching revenues for the railroad. Facility upgrades are complete at IEI Barge Services and that business has entered into a long-term coal transportation contract with a Wisconsin utility. Thus, our transportation business is poised for profitable growth.

Consistent, balanced theme

The IES strategy to seize opportunities while remaining focused on our strengths will deliver results. We are poised for the future and ready to take advantage of the right opportunities. With an ultimate goal of increasing shareholder value while taking acceptable risks, we continue to position IES for expansion into markets where we can bring value and where there is opportunity. From the merger of the holding companies into IES, to merging withWhiting Petroleum, to expanding utility service territory, to growing the natural gas business, to enhancing our transportation businesses, we are positioning this company for solid growth in the '90s. It is all a result of having a clear strategic plan and having the resources to act on opportunities. This, we believe, will be the basis for continued success.

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

Effective July 1, 1991, Iowa Southern Inc. (Iowa Southern) was merged with and into IE Industries Inc. (IEI) and IEI's name was changed to IES Industries Inc. (IES). See Note 1(a) of the Notes to Consolidated Financial Statements for a discussion of this merger.

The following discussion analyzes significant changes in the components of net income and financial condition from the prior periods for IES and its consolidated subsidiaries (the Company).

Results of Operations

The Company's net income decreased $35.7 million during 1991 and increased $26.8 million during 1990. Net income and earnings per average common share were increased (decreased) as a result of the following net of tax transactions which significantly affect the comparability of the three years 1991-1989 (in millions except per share amounts).

	1991	1990	1989
Net income:			
Gain on sale of Telecom★USA stock	$ —	$ 39.3	$ —
Write-down of a cogeneration project	(0.3)	(1.0)	—
Regulatory disallowances, Iowa Electric	(2.3)	(0.7)	—
Establishment of various reserves	—	(3.1)	3.0
Contribution to a charitable foundation	—	(1.5)	—
Merger expenses	(3.7)	—	—
Effect on net income	$ (6.3)	$ 33.0	$ 3.0
Earnings per average common share	$ (0.26)	$ 1.38	$ 0.13

The 1991 merger expenses represent costs incurred in connection with the two mergers discussed in Notes 1(a) and 1(b) of the Notes to Consolidated Financial Statements. During 1991, a $2.3 million after-tax write-off for the regulatory disallowance of previously deferred former manufactured gas plant (FMGP) clean-up costs was recorded (See Note 3(a) of the Notes to Consolidated Financial Statements). See Note 5 of the Notes to Consolidated Financial Statements for a discussion of the 1990 gain on sale of Telecom★USA (Telecom) stock. See Note 12 of the Notes to Consolidated Financial Statements for a discussion of the establishment of valuation reserves related to certain investments. During 1990, a $0.7 million after-tax write-off for the regulatory disallowance of coal contract termination costs was recorded. Net income for 1989 increased $3.0 million because of an estimated liability to pipeline suppliers (originally recorded in 1988) which was reversed in 1989 when the issue was favorably resolved.

The Company's major subsidiaries are Iowa Electric Light and Power Company (Iowa Electric) and Iowa Southern Utilities Company (ISU), collectively referred to as "the Utilities". Accordingly, in addition to the above items, the Company's results of operations and liquidity and capital resources are principally affected by the Utilities. The Utilities' contribution to the Company's net income increased (decreased) from comparable prior periods as follows:

	Iowa Electric	ISU
	(in millions)	
1991	$ 2.7	$ (0.9)
1990	$ (7.8)	$ 0.5

The Company's operating income increased $5.3 million during 1991 and decreased $8.5 million during 1990 as compared to prior years. Reasons for the changes in the results of operations are explained in the following discussion:

Electric Revenues

Electric revenues and Kwh sales increased during 1991 and 1990 as compared with the prior year as follows:

	1991	1990
	($ in millions)	
Revenues:		
Iowa Electric	$ 8.8	$19.6
ISU	10.5	5.1
Total	$19.3	$24.7
Kwh sales (excluding off-system sales):		
Iowa Electric	3.8%	0.8%
ISU	8.2%	8.1%

The Kwh sales increases are primarily due to improved economic conditions in ISU's service territory and variations in weather.

The Utilities' electric tariffs include energy adjustment clauses (EAC) which are designed to currently recover the costs of fuel and the energy portion of purchased power billings to customers. See Note 2(i) of the Notes to Consolidated Financial Statements for discussion of the EAC.

Iowa Electric

The primary reasons for the electric revenue increases during both 1991 and 1990 were the Kwh sales increase in 1991 and an electric rate increase that became effective in March, 1990.

A South Korean firm has located a brass, copper and stainless steel mill in Cedar Rapids. This mill began initial operations in 1991 and is anticipated to be operating at full capacity within five years, at which time it is expected to be Iowa Electric's largest customer.

In 1989, Iowa Electric's largest customer commenced self-generation which caused sales (in Kwh) to this customer to decrease in 1990, but remain stable in 1991. The loss of non-fuel revenue for this customer has been mitigated since the sales reduction for this customer has been reflected in Iowa Electric's most recent electric rate case. No other electric customers have pursued self-generation to date. Iowa Electric does not anticipate other customers will act in a similar fashion because its competitive prices for industrial service make self-generation for customers uneconomic under normal circumstances.

ISU

The primary reason for the electric revenue increases during both 1991 and 1990 were the Kwh sales increases. Partially offsetting such sales increases was an annual rate reduction of $3.7 million related to the 1990 retail electric rate settlement. See Note 3(b) of the Notes to Consolidated Financial Statements for a discussion of ISU's 1990 and potential 1991 electric rate decreases.

Gas Revenues

Gas revenues and sales in therms (including transport volumes) increased (decreased) as compared with the prior year as follows:

	1991	1990
	($ in millions)	
Gas revenues:		
Iowa Electric	$ 4.9	$(4.6)
ISU	0.9	(4.0)
Industrial Energy Applications, Inc. (IEA)	8.4	5.8
	$14.2	$(2.8)
Sales:		
Iowa Electric	1.2%	(10.6)%
ISU	3.5%	(3.3)%

Iowa Electric

The 1991 increase in gas revenues resulted primarily from the effects of a 1990 rate increase and the sales increase. Gas revenues decreased during 1990 primarily because of the lower sales volumes, largely due to the mild weather in the winter months of 1990, partially offset by a gas rate increase. Lower gas costs recovered through the PGA (See Note 2(i) of the Notes to Consolidated Financial Statements for a discussion of the Utilities' PGA clauses) also affected gas revenues for both 1991 and 1990.

ISU

The changes in gas revenues for both years were primarily due to the changes in sales volumes and lower gas costs recovered through the PGA. A 1990 gas rate increase also affected gas revenues for both periods.

IEA

The increase in gas revenues for both years was the result of increased gas brokerage activities.

Other Revenues

Other revenues increased $3.8 million and $2.5 million during 1991 and 1990, respectively. Revenues from IES' consolidated subsidiaries, other than the Utilities, increased $2.4 million and $3.0 million in 1991 and 1990, respectively, primarily due to increased operating activities. The remainder of the changes in other revenues is the result of changes in Iowa Electric's steam revenues.

Operating Expenses

Gas purchased for resale increased $8.3 million and $2.4 million during 1991 and 1990, respectively. The 1991 increase relates to the cost of gas purchased for IEA's gas brokerage activities. The 1990 increase is primarily because of IEA's increased brokerage activities offset by a reduction in the amount of gas purchased by the Utilities. The 1990 increase was also affected by a $5.0 million reversal at Iowa Electric in 1989 of an estimated liability to pipeline suppliers which was originally recorded in 1988.

Fuel for production increased $6.4 million and $0.8 million during 1991 and 1990, respectively. The 1991 increase is primarily due to increases in generation at the Utilities partially offset by a change in generation mix at Iowa Electric as nuclear generation at the Duane Arnold Energy Center (DAEC), with lower fuel costs, increased. During 1990, fossil-fueled generation increased and was substantially offset by decreased nuclear generation. This change in the generation mix, resulting in part from a 1990 refueling outage at the DAEC, caused higher fuel for production costs in 1990 which were substantially offset by decreased amortization of Iowa Electric's coal contract termination costs.

Purchased power decreased $11.0 million during 1991 and increased $6.1 million during 1990. The changes for both years are primarily because of purchases made by Iowa Electric during the 1990 refueling outage at the DAEC. There was no refueling outage in 1991. Also contributing to the 1991 decrease was a reduction in capacity payments under Iowa Electric's contract with the City of Muscatine related to a reduction in capacity from 90 Mw to 70 Mw.

Other operating expenses increased $17.2 million and $11.8 million during 1991 and 1990, respectively. The 1991 increase is primarily because of $7.2 million of increased expenses for FMGP costs (including the regulatory disallowance discussed earlier), higher labor and benefits costs for the Utilities and increased fees to the Nuclear Regulatory Commission. The 1990 increase is primarily because of costs associated with the 1990 refueling outage at the DAEC and increased labor costs for the Utilities. Also contributing to both years increases were increased expenses from IES' subsidiaries other than the Utilities.

Maintenance expenses increased $1.1 million and $5.3 million during 1991 and 1990, respectively. The 1991 increase is primarily because of increased maintenance activities at ISU primarily related to generation facilities. The 1990 increase relates to increased maintenance activities at Iowa Electric during the 1990 DAEC refueling outage.

Depreciation and amortization expense increased during both years primarily because of increases in utility plant in service. The amount of the annual decommissioning provision included in Iowa Electric's depreciation expense, which equals the amount collected through rates, was $2.2 million for 1989-1990 and increased to $5.5 million effective in January, 1991.

Taxes other than income taxes increased $2.7 million and $3.3 million during 1991 and 1990, respectively. Increased property taxes, resulting from higher assessed values, and increased payroll taxes caused the increases.

Gain on Sale of Telecom★USA Stock

See Note 5 of the Notes to Consolidated Financial Statements for a discussion of the gain on the sale of Telecom stock.

Interest Expense and Other

Interest expense increased during both 1991 and 1990 primarily because of increases in the average amount of debt outstanding during those years. The average interest rate remained relatively constant during both years.

Miscellaneous, net changed by $4.3 million in 1991 and $5.7 million in 1990. Contributing to the changes for both years were increases in income from temporary cash investments and the effects of the write-down of a cogeneration project, the establishment of various reserves, a 1990 contribution to a charitable foundation and the 1991 merger expenses referred to earlier.

Federal and state income taxes decreased $25.0 million during 1991 and increased $25.4 million during 1990 primarily because of the increased taxable income during 1990 associated with the gain on the sale of Telecom common stock.

Liquidity and Capital Resources

The Company's capital requirements are primarily attributable to the Utilities' construction programs, the Company's debt maturities and sinking fund requirements and IES's diversification activities. Cash and temporary cash investments decreased $39.3 million during 1991 and increased $33.1 million during 1990. Both years were affected by the proceeds from the 1990 sale of Telecom stock ($69.6 million net of current taxes). In 1991, internally generated cash (after dividends) was $54.1 million and the net proceeds from external financing activities were $46.2 million. These funds were primarily used for construction expenditures and working capital needs.

It is anticipated that the Company's future capital requirements will be met by both internally generated cash and external financing. The level of internally generated cash is partially dependent upon economic conditions, legislative activities, environmental matters and timely rate relief for the Utilities. See Note 3 of the Notes to Consolidated Financial Statements for a discussion of the Utilities' rate cases. Access to the long-term and short-term capital and credit markets is necessary for obtaining funds externally.

The Utilities' liquidity and capital resources will be affected by environmental issues, including the ultimate disposition of the FMGP issue and the Clean Air Act as discussed in Note 13 of the Notes to Consolidated Financial Statements. Consistent with rate making principles, management believes that the costs incurred for these environmental matters will not have a material adverse effect on the financial position or results of operations of the Company.

On January 6, 1992, Iowa Electric was served with a Complaint and Compliance Order by the Environmental Protection Agency (EPA). The Complaint alleges that Iowa Electric violated certain provisions of the Resource Conservation and Recovery Act (RCRA), as amended, and certain provisions of RCRA regulations at the DAEC. The EPA proposes the assessment of civil penalties of $452,700, for which Iowa Electric recorded its 70% share in 1991. Iowa Electric has answered the Complaint, commenced settlement negotiations with the EPA, and has remedied most of the technical and administrative deficiencies identified in the Complaint. The Complaint alleges administrative deficiencies. There are no allegations of any harm to personnel or to the environment.

The IUB has adopted rules which require the Utilities to spend 2% of electric and 1.5% of gas gross retail operating revenues for energy efficiency programs. Energy efficiency costs in excess of the amount in the most recent electric and gas rate cases are being deferred by the Utilities. At December 31, 1991, the Utilities had $2.0 million of such costs deferred. Ultimate recovery of these costs is anticipated under current rate making principles.

Construction Program

The Company's construction program anticipates expenditures of $130 million for 1992, of which approximately $83 million represents expenditures at Iowa Electric and approximately $34 million represents expenditures at ISU. Of this $117 million of Utility expenditures, 43% represents expenditures for electric transmission and distribution facilities and 33% represents electric generation expenditures, primarily for the DAEC. Substantial commitments have been made in connection with such expenditures.

The Company's levels of construction are projected to be $140 million in 1993, $114 million in 1994, $110 million in 1995 and $146 million in 1996. It is estimated that approximately 65% of construction expenditures will be provided by internally generated cash for the five year period 1992-1996.

The construction program will be modified as necessary for changing economic conditions, legislative and regulatory proceedings, environmental matters and other relevant factors. Additional funds for construction, as well as other capital requirements, are expected to be obtained through external financing including sales of IES common stock through the Company's various stock plans.

Long-Term Finaucing

Other than the Utilities' periodic sinking fund requirements which may be met by pledging additional property, the following debt will mature prior to December 31, 1996:

Issue:	(in millions)
IES debentures	$ 45
Iowa Electric debt	116
ISU debt	7
Other subsidiaries' debt	12
	$ 180

The Company anticipates refinancing substantially all of the above maturities.

During May, 1991, Iowa Electric issued, through a public offering, $60 million of Series Y, 8-5/8% First Mortgage Bonds due 2001. The proceeds were used to retire short-term debt. During July, 1991, ISU issued $21 million of 9-1/8% First Mortgage Bonds due 2001 through a private placement. The proceeds were used in August, 1991 to retire $20 million of 11% Notes originally due in December, 1995.

On October 31, 1991, Iowa Electric issued $7.7 million of Series 1991 Pollution Control Bonds. These bonds have variable interest rates with $2.4 million maturing in 2003 and $5.3 million maturing in 2010. The proceeds were used to refund $2.4 million of Iowa Electric's Pollution Control Bonds and to retire $5.3 million of the Series U First Mortgage Bonds.

The Indentures pursuant to which the Utilities issue First Mortgage Bonds contain covenants which restrict the amount of additional bonds which may be issued. At December 31, 1991, such restrictions would have allowed Iowa Electric to issue $130 million and ISU $76 million of additional First Mortgage Bonds. Iowa Electric has received authority from the Federal Energy Regulatory Commission (FERC) to issue $100 million of First Mortgage Bonds. During March, 1992, Iowa Electric issued $50 million of Series Z, 7.6% First Mortgage Bonds due 1999 through a public offering. The proceeds were used to retire short-term debt and for other corporate purposes.

In March 1992, the Company, through its diversified subsidiaries, entered into a $50 million variable rate credit facility. Initially, certain non-utility debt will be repaid with borrowings under this facility and additional borrowings will be made as needed. The credit facility can be increased to $95 million in 1993 when the IES Series 1986 debentures mature.

The Articles of Incorporation of Iowa Electric and ISU authorize and limit the aggregate amount of additional shares of Cumulative Preferred Stock, Redeemable Cumulative Preference Stock and

Redeemable Preferred Stock which may be issued. At December 31, 1991, Iowa Electric could have issued an additional 690,000 shares of Redeemable Cumulative Preference Stock, but no additional shares of Cumulative Preferred Stock, and ISU could have issued an additional 183,000 shares of Redeemable Preferred Stock.

In addition, IES has 5,000,000 shares of Cumulative Preferred Stock, no par value, authorized for issuance, none of which was issued and outstanding as of December 31, 1991.

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

	1991	1990
Long-term debt	47%	44%
Preferred and preference stock	3	3
Common equity	50	53
	100%	100%

Short-Term Financing

For interim financing, Iowa Electric is authorized by the Federal Energy Regulatory Commission (FERC) to issue up to $110 million of short-term notes, of which a maximum of $65 million can be in the form of commercial paper. ISU is currently authorized by the FERC to issue up to $25 million of short-term notes. This availability of short-term financing provides the Utilities flexibility in the issuance of long-term securities. At December 31, 1991, Iowa Electric had $40.9 million of commercial paper outstanding. ISU had no short-term debt outstanding at December 31, 1991.

Iowa Electric has an agreement with a financial institution to sell up to $50 million of its utility accounts receivable, of which $35 million was sold at December 31, 1991.

At December 31, 1991, the Company had $76.3 million in lines of credit outstanding (IES-$11.5 million, Iowa Electric-$59.8 million and ISU-$5 million). Iowa Electric was using $40.9 million of its lines of credit to support commercial paper and $7.7 million to support pollution control obligations. No other lines were being used at December 31, 1991. Commitment fees are paid to maintain these lines and there are no conditions which restrict the unused lines of credit.

Effects of Inflation

Under the rate making principles prescribed by the regulatory commissions to which the Utilities are subject, only the historical cost of plant is recoverable in revenues as depreciation. As a result, the Utilities have experienced economic losses 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 inflation gain related to debt and preferred stock financing reduces the effect of this loss, the common shareholders still experience a net erosion in their investment due to inflation. Since 1985, the annual inflation rate, as defined by the Consumer Price Index, has ranged from 2% to 6%.

Selected Consolidated Quarterly Financial Data (unaudited)

The following unaudited consolidated quarterly data, in the opinion of the Company, includes all normal and recurring adjustments necessary for the fair presentation of the results of operations and financial position. Refer to Notes 5 and 12 of the Notes to Consolidated Financial Statements for a discussion of the gain on sale of Telecom★USA stock and the valuation of certain assests, respectively.

	Quarter Ended			
	March 31	June 30	September 30	December 31
	(in thousands, except per share amounts)			
1991				
Operating revenues....	$169,351	$146,951	$170,732	$174,504
Operating income	19,858	16,928	44,307	22,264
Net income................	9,259	6,755	19,532	9,111
Earnings per average common share	0.38	0.28	0.81	0.38
1990				
Operating revenues....	$158,785	$135,120	$172,355	$157,954
Operating income	21,052	21,061	39,543	16,387
Gain on sale of Telecom★USA........	—	—	66,234	—
Net income	9,394	10,071	56,658	4,207
Earnings per average common share	0.41	0.42	2.37	0.17

Second quarter 1991 results include a $3.9 million pre-tax charge for deferred clean-up costs for former manufactured gas sites which were not permitted by the IUB to be recovered in Iowa Electric's 1990 gas rate case. (See Note 3(a) of the Notes to Consolidated Financial Statements.) Third quarter 1991 results include $4.9 million of pre-tax expenses related to the merger with Iowa Southern Inc.

Third quarter 1990 results were affected by the $66 million pre-tax gain from the sale of Telecom★USA stock. See Note 5 of the Notes to Consolidated Financial Statements for additional details of the sale. Fourth quarter 1990 results were adversely affected by a $1.5 million pre-tax write-off of coal contract termination costs and $3 million of pre-tax asset write-downs and valuation reserves. (See Note 12 of the Notes to Consolidated Financial Statements.)

The Utilities' results of operation are a significant portion of the consolidated results. The above amounts were affected by seasonal weather conditions and the timing of utility rate changes.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of IES Industries Inc.:

We have audited the accompanying consolidated balance sheets and statements of capitalization of IES Industries Inc. (an Iowa corporation) and subsidiary companies as of December 31, 1991 and 1990, and the related consolidated statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1991. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IES Industries Inc. and subsidiary companies as of December 31, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles.

Arthur Andersen & Co.

Arthur Andersen & Co.

Chicago, Illinois,
January 31, 1992

Management's Responsihility for Financial Statements

The Company's management has prepared and is responsible for the presentation, integrity and objectivity of the consolidated financial statements and related information included in this Annual Report. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis and, in some cases, include estimates that are based upon management's judgment and the best available information, giving due consideration to materiality. Financial information contained elsewhere in this Annual Report is consistent with that in the consolidated financial statements.

The Company maintains a system of internal accounting controls which it believes is adequate to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management authorization and the financial records are reliable for preparing the consolidated financial statements. The system of internal accounting controls is supported by written policies and procedures, by a staff of internal auditors and by the selection and training of qualified personnel. The internal audit staff conducts comprehensive audits of the Company's system of internal accounting controls. Management strives to maintain an adequate system of internal controls, recognizing that the cost of such a system should not exceed the benefits derived. In addition, the independent public accountants (Arthur Andersen & Co.), as part of their independent audit of the Company's consolidated financial statements, are responsible under generally accepted auditing standards to evaluate the internal control structures in order to determine their auditing procedures for the purpose of issuing their Report of Independent Public Accountants. No material internal control weaknesses have been reported to management, nor is management aware of any such weaknesses.

The Board of Directors, through its Audit Commitee comprised entirely of outside directors, meets periodically with management, the internal auditor and Arthur Andersen & Co. to discuss financial reporting matters, internal control and auditing. To ensure their independence, both the internal auditor and Arthur Andersen & Co. have full and free access to the Audit Committee.

Lee Liu
President and Chief Executive Officer

Blake O. Fisher, Jr.
Executive Vice President and Chief Financial Officer

Robert J. Kucharski
Vice President-Administrative Services, Treasurer and Assistant Secretary
(Chief Accounting Officer)

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31 **1991**	1990	1989
	(in thousands, except per share amounts)		
Operating Revenues:			
Electric	**$482,578**	$463,249	$438,533
Gas	**146,237**	132,083	134,930
Other	**32,723**	28,882	26,375
	661,538	624,214	599,838
Operating Expenses:			
Gas purchased for resale	**111,206**	102,942	100,567
Fuel for production	**91,182**	84,757	83,956
Purchased power	**70,245**	81,249	75,188
Other operating expenses	**141,626**	124,469	112,681
Maintenance	**41,265**	40,177	34,829
Depreciation and amortization	**64,088**	56,690	53,457
Taxes other than income taxes	**38,569**	35,887	32,568
	558,181	526,171	493,246
Operating income	**103,357**	98,043	106,592
Gain on sale of Telecom★USA stock (Note 5)	—	66,234	—
Interest expense and other:			
Interest expense	**40,599**	37,519	36,815
Allowance for funds used during construction	**(2,086)**	(3,273)	(2,633)
Preferred and preference dividend requirements of subsidiaries	**2,170**	2,400	2,604
Miscellaneous, net	**(3,700)**	613	(5,050)
	36,983	37,259	31,736
Income before income taxes	**66,374**	127,018	74,856
Federal and state income taxes	**21,717**	46,688	21,291
Net income	**$ 44,657**	$ 80,330	$ 53,565
Average number of common shares outstanding	**24,156**	23,848	23,569
Earnings per average common share	**$ 1.85**	$ 3.37	$ 2.27

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

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31 **1991**	1990	1989
	(in thousands)		
Balance at beginning of year	**$207,339**	$170,300	$158,390
Add:			
Net income	**44,657**	80,330	53,565
Deduct:			
Cash dividends declared on common stock, at per share rates of $2.03, $1.82 and $1.77, respectively	**49,114**	43,291	41,655
Balance at end of year ($18,209,000 restricted as to payment of cash dividends)	**$202,882**	$207,339	$170,300

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

CONSOLIDATED BALANCE SHEETS

Assets	December 31 1991	1990
	(in thousands)	
Property, plant and equipment, at original cost:		
Utility —		
Plant in service —		
Electric	**$1,490,921**	$1,419,045
Gas	**120,598**	102,884
Other	**68,589**	65,957
	1,680,108	1,587,886
Less - Accumulated depreciation	**691,015**	639,211
	989,093	948,675
Leased nuclear fuel, net of amortization	**58,256**	61,853
Construction work in progress	**26,370**	24,895
	1,073,719	1,035,423
Other property, net of accumulated depreciation of $14,713,000 and $12,491,000, respectively	**67,240**	54,053
	1,140,959	1,089,476
Current assets:		
Cash and temporary cash investments	**23,966**	63,269
Deposit with trustee	**500**	16,468
Accounts receivable —		
Customer, less reserve	**19,619**	11,998
Other	**10,695**	9,401
Unbilled revenues	**19,088**	17,083
Income tax refunds receivable	**19,400**	1,655
Production fuel, at average cost	**23,227**	26,230
Materials and supplies, at average cost	**27,150**	23,185
Prepayments and other	**17,212**	14,536
	160,857	183,825
Investments:		
Diversified equity investments	**15,858**	17,860
Nuclear decommissioning trust funds	**14,884**	8,606
Other	**7,491**	7,061
	38,233	33,527
Other assets:		
Regulatory assets (Note 2(c))	**92,085**	70,435
Deferred charges and other	**16,358**	23,539
	108,443	93,974
	$1,448,492	$1,400,802

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

Capitalization and Liabilities	December 31 1991	1990
	(in thousands)	
Capitalization (See Consolidated Statements of Capitalization):		
Common stock (Note 9)	**$ 260,414**	$ 251,793
Retained earnings	**202,882**	207,339
Total common equity	**463,296**	459,132
Preferred and preference stock of subsidiaries	**29,194**	31,869
Long-term debt	**440,119**	379,826
	932,609	870,827
Current liabilities:		
Commercial paper	**40,900**	50,000
Capital lease obligations	**12,950**	14,685
Long-term debt sinking funds and maturities	**6,168**	18,165
Preferred and preference stock sinking funds and maturities	**1,675**	1,675
Accounts payable	**51,278**	48,548
Accrued interest	**7,555**	7,022
Accrued income taxes	**5,516**	15,813
Other accrued taxes	**32,531**	29,411
Adjustment clause balances	**2,905**	2,721
Accumulated refueling outage provision	**13,052**	1,499
Other	**17,260**	21,201
	191,790	210,740
Other long-term liabilities:		
Capital lease obligations	**45,306**	47,168
Environmental liabilities (Note 13(e))	**10,465**	—
Other	**20,898**	16,460
	76,669	63,628
Deferred credits:		
Accumulated deferred income taxes	**197,323**	202,567
Accumulated deferred investment tax credits	**50,101**	53,040
	247,424	255,607
Commitments and contingencies (Note 13)		
	$1,448,492	$1,400,802

CONSOLIDATED STATEMENTS OF CAPITALIZATION

	December 31 1991	1990
	(in thousands)	
Common equity:		
Common stock — no par value — authorized 48,000,000 shares; outstanding 24,298,807 and 23,975,082 shares, respectively (Note 9)	**$260,414**	$251,793
Retained earnings ($18,209,000 restricted as to payment of cash dividends)	**202,882**	207,339
	463,296	459,132
Cumulative preferred stock:		
Iowa Electric Light and Power Company — par value $50 per share — authorized 466,406 shares;		
6.10% - Outstanding 100,000 shares	**5,000**	5,000
4.80% - Outstanding 146,406 shares	**7,320**	7,320
4.30% - Outstanding 120,000 shares	**6,000**	6,000
	18,320	18,320
Redeemable preferred stock:		
Iowa Southern Utilities Company — par value $30 per share — authorized 568,311 and 590,815 shares, respectively —		
8-1/2% - Outstanding 159,981 and 169,984 shares	**4,799**	5,099
8-3/4% - Outstanding 224,997 and 237,498 shares	**6,750**	7,125
	11,549	12,224
Less - Amount to be redeemed within one year	**675**	675
	10,874	11,549
Redeemable cumulative preference stock:		
Iowa Electric Light and Power Company — par value $100 per share — authorized 700,000 shares —		
8.55% - Outstanding 10,000 and 30,000 shares	**1,000**	3,000
Less - Amount to be redeemed within one year	**1,000**	1,000
	—	2,000
Long-term debt:		
IES Industries Inc. —		
Series 1986 debentures, 8-1/8%, due 1993	**45,000**	45,000
Iowa Electric Light and Power Company —		
First mortgage bonds —		
Series I, 5-1/8%, due 1991	**—**	16,000
Series J, 6-1/4%, due 1996	**15,000**	15,000
Series K, 8-5/8%, due 1999	**20,000**	20,000
Series L, 7-7/8%, due 2000	**15,000**	15,000
Series M, 7-5/8%, due 2002	**30,000**	30,000
Series O, 9.80%, due 1991	**—**	790
Series P & Q, 6.70%, due 2006	**9,200**	9,200
Series R, 8-1/4%, due 2007	**25,000**	25,000
Series U, 9-7/8%, due 2000	**—**	5,300
Series W, 9-3/4%, due 1995	**50,000**	50,000
Series X, 9.42%, due 1995	**50,000**	50,000
Series Y, 8-5/8%, due 2001	**60,000**	—
	274,200	236,290

Pollution control obligations —		
5.74%, due serially 1995-2003	**10,200**	12,600
Variable rate (6.25% as of December 31, 1991)		
Due 2003	**2,400**	—
Due 2010	**5,300**	—
Total Iowa Electric Light and Power Company	**292,100**	248,890
Iowa Southern Utilities Company —		
First mortgage bonds —		
4-3/8% series, due 1992	**4,900**	4,900
6-1/8% series, due 1997	**8,000**	8,000
10% series, due 2000	**7,800**	8,000
7-3/8% series, due 2003	**10,000**	10,000
9-1/4% series, due 2005	**10,000**	10,000
8-3/4% series, due 2008	**15,000**	15,000
9-1/8% series, due 2001	**21,000**	—
	76,700	55,900
Pollution control obligations —		
5.30% to 5.75% due serially 1991 to 2003	**4,368**	4,592
5.95% due 2007, secured by First mortgage bonds	**10,000**	10,000
8-1/2% due 2000, secured by First mortgage bonds	**2,400**	2,400
8-3/4% note due 2000	**1,000**	1,000
Notes at 11% due 1995	**—**	20,000
Total Iowa Southern Utilities Company	**94,468**	93,892
Other subsidiaries' debt maturing through 1999	**16,422**	11,488
	447,990	399,270
Unamortized debt premium and (discount), net	**(1,703)**	(1,279)
	446,287	397,991
Less - Amount due within one year	**6,168**	18,165
	440,119	379,826
	$932,609	$870,827

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31		
	1991	1990	1989
		(in thousands)	
Cash flows from operating activities:			
Net income	**$ 44,657**	$ 80,330	$ 53,565
Adjustments to reconcile net income to net cash flows from operating activities —			
Depreciation and amortization	**64,088**	56,690	53,457
Principal payments under capital lease obligations	**15,471**	10,835	11,457
Deferred taxes and investment tax credits	**(14,547)**	(10,577)	(1,073)
Amortization of deferred charges	**6,870**	3,518	6,045
Refueling outage provision	**11,553**	(3,035)	4,534
Allowance for equity funds used during construction	**(820)**	(1,180)	(1,090)
Gain on sale of Telecom★USA stock - net of current taxes	**—**	(32,467)	—
Other	**(2,415)**	1,541	(6,236)
Total	**124,857**	105,655	120,659
Other changes in assets and liabilities —			
Accounts receivable, including unbilled revenues	**(5,920)**	207	(2,519)
Sale of utility accounts receivable	**(5,000)**	5,000	35,000
Accounts payable	**3,697**	(3,056)	(8,393)
Accrued taxes	**(24,922)**	(17,970)	(2,144)
Rate refunds	**(1,689)**	(15,444)	5,141
Other	**925**	(1,742)	(219)
Net cash flows from operating activities	**91,948**	72,650	147,525
Cash flows from financing activities:			
Dividends on common stock	**(49,001)**	(43,291)	(41,655)
Proceeds from issuance of common stock	**8,052**	6,660	6,313
Proceeds from issuance of long-term debt	**95,505**	1,922	2,328
Net change in commercial paper and short-term notes payable	**(9,100)**	31,150	(5,950)
Issuance of long-term note receivable	**—**	(240)	(6,000)
Funds deposited with trustee to retire Series I First Mortgage Bonds	**—**	(16,000)	—
Sinking fund requirements and reductions in long-term debt and preferred and preference stock	**(33,460)**	(5,585)	(4,696)
Principal payments under capital lease obligations	**(14,738)**	(9,460)	(9,386)
Other	**(92)**	(60)	(409)
Net cash flows from financing activities	**(2,834)**	(34,904)	(59,455)
Cash flows from investing activities:			
Utility construction expenditures	**(105,009)**	(95,075)	(79,919)
Construction and acquisition expenditures for other property	**(14,812)**	(8,079)	(7,462)
Nuclear decommissioning trust funds	**(6,278)**	(2,600)	(2,335)
Investments in affiliates	**(397)**	(1,040)	(1,413)
Proceeds from sale of Telecom★USA stock	**—**	103,345	—
Other	**(1,921)**	(1,167)	993
Net cash flows from investing activities	**(128,417)**	(4,616)	(90,136)
Net increase (decrease) in cash and temporary cash investments	**(39,303)**	33,130	(2,066)
Cash and temporary cash investments at beginning of year	**63,269**	30,139	32,205
Cash and temporary cash investments at end of year	**$ 23,966**	$ 63,269	$ 30,139
Supplemental cash flow information:			
Cash paid during the year for —			
Interest	**$ 41,284**	$ 37,610	$ 38,611
Income taxes	**$ 55,720**	$ 40,868	$ 23,701

Capital lease obligations of $11,874,000, $6,010,000 and $11,133,000 were incurred for nuclear fuel during 1991-1989, respectively.
The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

(1) Mergers and Acquisitions:

(a) Merger of IE Industries Inc. and Iowa Southern Inc. -

Effective July 1, 1991, Iowa Southern Inc. (Iowa Southern) was merged with and into IE Industries Inc. (IEI), which was the surviving corporation. IEI's name was changed to "IES Industries Inc." (IES). The merger was accounted for as a pooling of interests, and the financial statements are presented as if the companies were merged as of the earliest period shown.

Revenues (See Note 2(h)) and net income for the six months prior to the merger for IEI and Iowa Southern were as follows:

	IEI	Iowa Southern
	(unaudited, in thousands)	
Operating Revenues	$230,401	$85,901
Net Income	$ 6,067	$ 9,947

(b) Merger with Whiting Petroleum Corporation -

Stockholders of Whiting Petroleum Corporation (WPC) approved a merger with IES at their February 18, 1992 stockholders' meeting. The merger will be accounted for as a pooling of interests. Approximately 854,000 shares of IES's common stock were issued to WPC stockholders.

At December 31, 1991, WPC had $17.5 million of assets. The following summarizes operating revenues, operating income and net income for WPC for the years 1991-1989.

	1991	1990	1989
		(in thousands)	
Operating Revenue	$9,463	$8,431	$4,875
Operating Income	$2,333	$3,233	$1,744
Net Income	$1,927	$3,008	$1,668

(c) Proposed Acquisition of Iowa Service Territory of Union Electric Company -

Iowa Electric Light and Power Company (Iowa Electric) has entered into a definitive purchase agreement to acquire the Iowa distribution system and a portion of the transmission facilities of Union Electric Company (UE) for approximately $60 million in cash. See Note 13(b) for discussion of related purchase power contracts. Electric sales in the UE territory were approximately 1.2 billion Kwh in 1990, with revenues of $50 million from 17,000 customers. The acquisition is subject to the approval by the Boards of Directors of both companies and the approval by various regulatory bodies. If all such conditions are met, the UE acquisition is expected to be completed during 1992.

(2)Summary of Significant Accounting Policies:

(a) Basis of Consolidation -

The consolidated financial statements include the accounts of IES and its consolidated subsidiaries (collectively the Company). All wholly-owned subsidiaries and other significant subsidiaries for which IES owns directly or indirectly more than 50% of the voting stock are included as consolidated subsidiaries. The Company's principal wholly-owned subsidiaries are utility operating companies, Iowa Electric and Iowa Southern Utilities Company (ISU), collectively referred to as "the Utilities". Other investments for which the Company has at least a 20% interest are generally accounted for under the equity method of accounting. These investments are stated at acquisition cost, increased or decreased for the Company's equity in undistributed net income or loss, less any amortization of goodwill. Goodwill represents the excess of the purchase price over the fair value of assets at the time of acquisition. At December 31, 1991, $6.1 million of goodwill, which is being amortized over a 40 year period, remained to be amortized relating to the 1988 acquisition of Long Lines Ltd. The equity in undistributed net income and goodwill amortization of the equity investments are included in "Interest expense and other - Miscellaneous, net" in the Consolidated Statements of Income.

All significant intercompany balances and transactions have been eliminated from the consolidated financial statements, other than energy related transactions between the Utilities and Terra Comfort

Corporation (Terra Comfort), the Cedar Rapids and Iowa City Railway Company (CRANDIC), Sidco, Inc. or Industrial Energy Applications, Inc. (IEA). Such transactions are made at prices which approximate market value and the associated costs are recoverable from the Utilities' customers through the rate making process.

(b) Regulation -

IES is currently exempt from regulation under the Public Utility Holding Company Act of 1935. The Utilities are subject to regulation by the Iowa Utilities Board (IUB) and the Federal Energy Regulatory Commission (FERC).

(c) Regulatory Assets -

The Utilities are subject to the provisions of Statement of Financial Accounting Standards No. 71 "Accounting for the Effects of Certain Types of Regulation" (SFAS 71). Accordingly, regulatory assets have been recorded to reflect the rate recovery over a period of years of certain incurred costs. The regulatory assets represent probable future revenue to the Utilities as these costs are recovered through the rate making process. At December 31, 1991, the regulatory assets balance was comprised of the following items:

	(in millions)
Deferred income taxes	$ 66
Employee pension and benefit costs	11
Environmental liabilities	10
Cancelled plant costs	5
	$ 92

(d) Income Taxes -

The Company follows SFAS 96 "Accounting for Income Taxes", which requires the use of the liability method of accounting for deferred income taxes. SFAS 96 also mandates the establishment of deferred tax liabilities and assets, as appropriate, for all temporary differences between the tax bases of assets and liabilities and the amounts reported in the financial statements. Deferred taxes are recorded using the tax rates expected to be in effect when the temporary differences reverse.

Except as noted below, income tax expense includes provisions for deferred taxes to reflect the tax effects of temporary differences between the time when certain costs are recorded in the accounts and when they are deducted for tax return purposes. As temporary differences reverse, the related accumulated deferred income taxes are reversed to income. Investment tax credits have been deferred and are subsequently credited to income over the average lives of the related property.

Consistent with rate making practices for the Utilities, deferred tax expense is not recorded for certain temporary differences (primarily related to utility property, plant and equipment). Pursuant to SFAS' 96 and 71, the Utilities have recorded deferred tax liabilities and regulatory assets, as discussed in Note 2(c) above.

(e) Depreciation -

The Utilities' provisions for depreciation, except for the Duane Arnold Energy Center (DAEC), are based on straight-line composite rates. The average rates of depreciation for electric and gas properties were as follows:

	1991	1990	1989
Iowa Electric:			
Electric	3.5%	3.5%	3.4%
Gas	3.0%	3.0%	3.0%
ISU:			
Electric	3.4%	3.3%	3.4%
Gas	2.9%	2.9%	2.7%

The DAEC is currently being depreciated over a 36 year life using a remaining life method. Based on a 1989 site-specific study, updated in 1991, Iowa Electric's 70% share of the cost to decommission the DAEC and return the underlying property to its original state approximated $194 million in 1991 dollars. The level of annual recovery through rates of decommissioning costs is $5.5 million, which Iowa Electric deposits in external trust funds. Decommissioning costs, at the level collected through rates, are included in "Depreciation and amortization" expense in the Consolidated Statements of Income. The total decommissioning funds accumulated at December 31, 1991 were $36.6 million, including $21.7 million of an internal decommissioning reserve recorded as accumulated depreciation.

(f) Temporary Cash Investments -

Temporary cash investments are stated at cost which approximates market value and are considered cash equivalents for the Consolidated Statements of Cash Flows. These investments consist of short-term liquid investments which have maturities of less than 90 days from the date of acquisition.

(g) 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 by the Utilities as a component of the cost of utility plant. The 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 FERC. The gross rates used by Iowa Electric for 1991-1989 were 8.1%, 9.5% and 10.2%, respectively. ISU's gross rate for the years 1991-1989 were 10.7%, 11.0% and 11.0%, respectively.

(h) Operating Revenues -

The Company accrues revenues for services rendered but unbilled at month-end in order to more properly match revenues with expenses.

In 1991, the FERC required the Utilities to account for off-system electric sales as operating revenues rather than as an offset to purchased power expense. Accordingly, 1990 and 1989 off-system electric sales have been reclassified.

(i) Adjustment Clauses -

The Utilities' tariffs provide for subsequent adjustments to their electric and natural gas rates for increases or decreases in the cost of fuel and purchased energy and in the cost of natural gas purchased for resale. Changes in the under/over collection of these costs are reflected in "Fuel for production" and "Gas purchased for resale" in the Consolidated Statements of Income. The cumulative effects are reflected in the Consolidated Balance Sheets as a current asset or current liability, pending automatic reflection in future billings to customers.

The Utilities are also allowed to recover natural gas take-or-pay (TOP) charges billed from pipeline suppliers as part of their natural gas adjustment clause tariffs. All remaining direct billed and volumetric TOP charges, estimated at $4.0 million, are expected to be billed from the pipelines and recovered through rates during 1992.

(j) Accumulated Refueling Outage Provision -

The IUB allows Iowa Electric to collect, as part of its base revenues, funds to offset operating and maintenance expenditures incurred during refueling outages at the DAEC. As these revenues are collected, an equivalent amount is charged to other operation and maintenance expenses with a corresponding credit to a reserve. During a refueling outage, the reserve is reversed to offset the refueling outage expenditures.

(3) Rate Matters:

(a) Iowa Electric -

1991 Electric Rate Case: On October 1, 1991, Iowa Electric applied to the IUB for an increase in interim and final retail electric rates of $18.9 million annually, or 6.0%. The IUB approved an interim rate increase of $15.6 million, annually, which became effective in December, 1991 and is being collected subject to refund. In January, 1992, the Office of Consumer Advocate (OCA) filed testimony in the proceeding requesting an annual electric rate decrease of $3.4 million. Iowa Electric expects the IUB to rule on the proceeding in the third quarter of 1992.

1990 Gas Rate Case: On August 24, 1990, Iowa Electric applied to the IUB for an increase in gas rates of $8.5 million annually, or 8.3%. The primary component of the requested rate increase was the recovery of increased costs related to investigation and remedial action regarding former manufactured gas plant sites (FMGP).

On April 30, 1991, the IUB issued its "Final Decision and Order" for this case which authorized an annual increase of $4.5 million, and which provided for an annual amount of $3.35 million for recovery of FMGP clean-up costs. Any excess of FMGP clean-up costs over the amounts recovered through rates would adversely affect the net income of Iowa Electric, unless the higher levels of costs would be reflected in rates. The Order did not permit recovery of any of the $3.9 million of FMGP clean-up costs deferred at March 31, 1991. Accordingly, an after-tax charge to income of $2.3 million, $0.09 per share was recorded in 1991. See Note 13(e) for additional discussion of FMGP clean-up costs.

(b) ISU -

1991 Electric Rate Decrease: On September 16, 1991, the OCA filed a petition with the IUB requesting that ISU's retail electric rates be reduced by approximately $10.1 million annually, or 10%. On December 6, 1991, ISU filed testimony contesting this rate decrease request and supporting the rates that are currently in effect. Under IUB rules, ISU is allowed to continue collecting revenues under current rates, subject to refund. ISU expects that the IUB will issue its order regarding this filing in the third quarter of 1992.

1990 Electric Rate Decrease: On August 24, 1990, the OCA filed testimony with the IUB recommending an annual electric retail rate reduction for ISU of approximately $9.8 million. On February 22, 1991, the IUB issued a decision and order accepting a stipulation agreement between ISU and the OCA providing for a $3.7 million annual reduction in retail electric rates, resulting in a $2.7 million rate refund during 1991 which had been fully reserved.

(4) Leases:

Iowa Electric 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. This capital lease provides for annual one year extensions until December 31, 2023. Iowa Electric presently intends to exercise such extensions through the DAEC's operating life. Interest costs under the lease are based on commercial paper costs incurred by the lessor. Iowa Electric is responsible for the payment of taxes, maintenance, operating cost, risk of loss and insurance relating to the leased fuel.

The lessor has a credit agreement with a bank supporting the nuclear fuel lease. The agreement continues on a year to year basis through December 31, 2023, unless either party provides at least a three-year notice of termination; no such notice of termination has been provided by either party. The maximum amount of financing available under the agreement is currently $80 million.

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 1991-1989 were $17.5 million, $13.1 million and $14.0 million, respectively.

The Company's operating lease rental expenses were $7.4 million, $7.4 million and $7.3 million for 1991-1989, respectively.

Future minimum lease payments, which include the estimated annual expenses for fuel currently under Iowa Electric's nuclear fuel capital lease, are as follows:

Year	Capital Lease	Operating Leases
	(in thousands)	
1992	$14,422	$ 3,869
1993	11,191	3,820
1994	10,777	3,544
1995	8,499	3,408
1996	7,955	3,393
1997-2005	21,467	15,695
	74,311	$33,729
Less: Amount representing interest	16,055	
Present value of net minimum capital lease payments	$58,256	

(5) Gain on Sale of Telecom★USA Stock:

On August 14, 1990, MCI Communications Corporation acquired all the shares of common stock of Telecom★USA (Telecom) for $42 per share. IES tendered its 2,460,000 shares of Telecom and recorded a pre-tax gain of $66.2 million.

(6) Utility Accounts Receivable:

Customer accounts receivable, including unbilled revenues, arise primarily from the sale of electricity and natural gas. The Utilities deliver electric and gas energy to a diversified base of residential, commercial and industrial customers within the State of Iowa. At December 31, 1991, the Utilities were serving 305,663 electric customers and 164,078 gas customers.

Iowa Electric has entered into an agreement, extending until June 30, 1994, with a financial institution to sell, with limited recourse, up to $50 million of an undivided fractional interest in a pool of its utility accounts receivable. Collections of previously sold accounts receivable may be used by the financial institution to purchase new utility accounts receivable up to the $50 million limit. Costs associated with this program are included in "Other operating expenses" in the Consolidated Statements of Income. At December 31, 1991-1990, $35 million and $40 million, respectively, of Iowa Electric's utility accounts receivable had been sold under the agreement. Recourse to Iowa Electric is limited to the greater of 12% of accounts receivable sold or 3 times the highest monthly default ratio for the prior three months. At December 31, 1991, the percentage that Iowa Electric could ultimately be responsible for under the limited recourse provisions was 12%.

(7) Retirement Plans:

The Company has one contributory and two non-contributory retirement plans which, collectively, cover substantially all of its employees. Plan benefits are generally based on years of service and compensation during the employees' latter years of employment. Payments made from the pension funds to retired employees and beneficiaries during 1991 totaled $8.1 million.

The Company's policy is to fund the pension cost at an amount which is at least equal to the minimum funding requirements mandated by the Employee Retirement Income Security Act (ERISA) and which does not exceed the maximum tax deductible amount for the year.

Since the Utilities are subject to the provisions of SFAS 71, certain adjustments to the pension provision are necessary to reflect the accounting for pension cost allowed in the Utilities' most recent rate cases (See Note 2(c)).

The components of the pension provision for the years 1991-1989 are as follows:

	1991	1990	1989
		(in thousands)	
Service cost	**$ 4,587**	$ 4,238	$ 3,388
Interest cost on projected benefit obligation	**9,090**	8,292	7,593
Assumed return on plans' assets	**(10,163)**	(10,000)	(9,257)
Amortization of unrecognized gain	**(20)**	(129)	—
Amortization of prior service cost	**785**	513	—
Amortization of unrecognized plans' assets as of January 1, 1987	**(389)**	(389)	(389)
Pension cost	**3,890**	2,525	1,335
Adjustment to funding level	**(237)**	(1,591)	1,232
Total pension costs paid to the Trustees	**$ 3,653**	$ 934	$ 2,567
Actual return on plans' assets	**$37,638**	$ 2,040	$30,933

A reconciliation of the funded status of the plans under SFAS 87, "Employers' Accounting for Pensions," to the amounts recognized in the Consolidated Balance Sheets is presented below:

	December 31 1991	1990
	(in thousands)	
Fair market value of plans' assets	**$177,248**	$144,483
Actuarial present value of benefits rendered to date —		
Accumulated benefits based on compensation to date, including vested benefits of $93,323,000 and $87,093,000, respectively	**101,131**	94,247
Additional benefits based on estimated future salary levels	**36,664**	33,353
Projected benefit obligation	**137,795**	127,600
Plans' assets in excess of projected benefit obligation	**39,453**	16,883
Remaining unrecognized net asset existing at January 1, 1987, being amortized over 20 years	**(5,720)**	(6,109)
Minimum liability adjustment	**—**	(983)
Unrecognized prior service cost	**12,673**	9,798
Unrecognized net gain	**(43,731)**	(17,641)
Prepaid pension cost recognized in the Consolidated Balance Sheets	**$ 2,675**	$ 1,948
Assumed rate of return, all plans	**8.00%**	8.00%
Range of weighted average discount rates of projected benefit obligation for the plans	**5.50%-7.50%**	5.75%-7.50%
Range of assumed rates of increase in future compensation levels for the plans	**4.50%-5.75%**	4.50%-5.75%

During 1991, Iowa Electric and CRANDIC offered an early retirement program to all employees (other than officers) who had attained age 55 with 15 years of service on or before October 31, 1991. Of the 187 eligible employees, 140 elected to retire. Payments related to the early retirement plan will be funded through the retirement plan. Consistent with current rate making, the Utilities expect to continue to recover their pension funding levels through rates.

The Company currently provides certain postretirement health care benefits and expenses such costs as benefits are paid, which is consistent with current rate making practices. Such costs totaled $2.0 million, $1.4 million and $1.1 million for 1991-1989, respectively.

The Financial Accounting Standards Board has issued SFAS 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" which establishes accounting and reporting standards for retirement benefits other than pensions. SFAS 106 requires the accrual of the expected cost of such benefits during the employees' years of service. The assumptions and calculations involved in determining the SFAS 106 accrual basically parallel pension accounting as discussed above.

The Company will prospectively adopt SFAS 106 effective January 1, 1993. The postretirement benefit obligation at January 1, 1993, is estimated to be in the range of $27 million to $35 million and will be amortized over 20 years. The Company expects the annual costs for 1993 as computed under SFAS 106 (including amortization of the January 1, 1993 postretirement obligation) to be in the range of $4 to $5 million (pre-tax). These estimates could change significantly because of unforeseen changes in health care costs or work force demographics before adoption of SFAS 106.

The Utilities anticipate recovery of such costs through rates and, accordingly, the adoption of SFAS 106 will not have a significant impact on the Company's results of operations. Pursuant to SFAS 71, certain adjustments to the amount of annual costs calculated under SFAS 106 may be necessary to reflect the regulatory treatment accorded such costs in the Utilities' most recent rate proceedings.

(8) Income Taxes:

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

	Year Ended December 31		
	1991	1990	1989
		(in thousands)	
Federal income taxes:			
Current	**$27,659**	$43,268	$16,831
Deferred —			
Depreciation	**831**	4,591	5,009
Unbilled revenues	**—**	(1,365)	(2,003)
Coal contract termination costs	**(1,000)**	(1,129)	(2,735)
Refueling outage provision	**(3,528)**	927	(1,385)
Sale of Telecom★USA stock	**—**	(5,104)	—
Merger costs	**(1,898)**	—	—
Write-off of costs for clean-up of former manufactured gas sites	**(1,301)**	—	—
Energy efficiency programs	**564**	—	—
Other	**(1,798)**	(2,614)	2,700
Prior years	**(565)**	(20)	533
Amortization of investment tax credits	**(2,881)**	(2,888)	(2,900)
Total Federal income taxes	**16,083**	35,666	16,050
State income taxes:			
Current	**8,605**	13,997	5,533
Deferred —			
Depreciation	**(79)**	(43)	(446)
Unbilled revenues	**—**	(292)	(254)
Coal contract termination costs	**(228)**	(257)	(624)
Refueling outage provision	**(1,175)**	308	(461)
Sale of Telecom★USA stock	**—**	(1,699)	—
Merger costs	**(632)**	—	—
Write-off of costs for clean-up of former manufactured gas sites	**(433)**	—	—
Energy efficiency programs	**188**	—	—
Other	**(560)**	(1,040)	1,096
Prior years	**(52)**	48	397
Total state income taxes	**5,634**	11,022	5,241
Total income taxes	**$21,717**	$46,688	$21,291

The overall effective income tax rates shown below were computed by dividing total income tax expense by income before income taxes.

	Year Ended December 31		
	1991	1990	1989
Statutory Federal income tax rate:	**34.0%**	34.0%	34.0%
Add (deduct):			
Amortization of investment tax credits	**(4.3)**	(2.3)	(3.9)
Amortization through tariffs of certain accumulated deferred income taxes	**(1.3)**	(.4)	(3.5)
Preferred and preference dividend requirements of subsidiaries	**1.1**	.7	1.2
State income taxes, net of Federal benefits	**6.6**	6.0	5.7
Property basis and other temporary differences for which deferred taxes are not provided under rate making principles	**2.3**	1.9	.5
Reversal through tariffs of deferred taxes provided at rates in excess of the current statutory Federal income tax rate	**(3.9)**	(1.3)	(2.8)
Adjustment of prior period taxes	**(1.7)**	(.5)	(1.6)
Other items, net	**(.1)**	(1.3)	(1.2)
Overall effective income tax rate	**32.7%**	36.8%	28.4%

(9) Common Stock:

The following table presents information relating to the issuance of common stock. The number of shares and dollar amounts have been restated based upon the merger stock conversion factors of 1 to 1 for IEI shares and 1.6 to 1 for Iowa Southern shares.

	Common Stock	
	Number of Shares Outstanding	Amount
		(in thousands)
Balance, December 31, 1988	23,392,583	$ 238,077
Stock plan issuances*	286,780	6,595
Balance, December 31, 1989	23,679,363	244,672
Stock plan issuances*	295,719	7,121
Balance, December 31, 1990	23,975,082	251,793
Stock plan issuances*	325,858	8,705
Adjustments related to the July 1, 1991 merger**	(2,133)	(84)
Balance, December 31, 1991	24,298,807	$ 260,414
Shares reserved for issuance pursuant to the Company's stock plans at December 31, 1991*	1,748,206	

* *Dividend Reinvestment and Stock Purchase Plan, Employee Stock Purchase Plans and Long-Term Incentive Plan of 1987.*

** *Relates primarily to cash payments for fractional shares.*

(10) Preferred and Preference Stock:

IES has 5,000,000 shares of Cumulative Preferred Stock, no par value, authorized for issuance, of which none is issued and outstanding at December 31, 1991.

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

During each of the years 1991-1989, $2 million of Iowa Electric's Series 8.55% Cumulative Preference Stock was redeemed at par under mandatory and optional sinking fund provisions. A sinking fund redemption of $1 million will be required in 1992 to fully redeem the Series 8.55%.

The 8-1/2% and 8-3/4% Series of ISU Redeemable Preferred Stock have annual sinking fund requirements of $300,000 and $375,000, respectively, and are redeemable at the option of ISU upon 30 days notice at $31.91 and $31.54 per share, respectively, plus accrued dividends.

(11) Debt:

(a) Long-Term Debt -

Iowa Electric's Indenture and ISU's Deed of Trust securing the Utilities' respective First Mortgage Bonds constitute direct first mortgage liens upon substantially all tangible public utility property.

The Series P and Q Bonds secure the obligation of Iowa Electric with respect to two series of pollution control revenue bonds issued by two Iowa municipalities.

Total sinking fund requirements which may be met by pledging additional property under the terms of Iowa Electric's Indenture and ISU's Deed of Trust, and debt maturities for 1992-1996 are as follows:

Debt Issue	1992	1993	1994	1995	1996
			(in thousands)		
Iowa Electric —					
Sinking Fund Requirements	$1,050	$1,050	$1,050	$ 1,050	$ 900
Pollution Control, 5.74%	—	—	—	300	300
Series W	—	—	—	50,000	—
Series X	—	—	—	50,000	—
Series J	—	—	—	—	15,000
Series P & Q	—	—	—	—	840
ISU —					
Sinking Fund Requirements	430	430	430	430	430
Pollution Control	224	224	224	140	140
10% Series	200	200	200	200	200
4-3/8% Series	4,900	—	—	—	—
IES —					
1986 Series 8-1/8% Debentures	—	45,000	—	—	—
Other Subsidiaries' Debt	844	2,362	508	8,296	443
Total	$7,648	$49,266	$2,412	$110,416	$18,253

The Company intends to refinance the majority of the above debt maturities with long-term debt.

(b) Short-Term Debt -

At December 31, 1991, the Company had $76.3 million in lines of credit outstanding (IES-$11.5 million, Iowa Electric-$59.8 million and ISU-$5 million). Iowa Electric was using $40.9 million of its lines of credit to support commercial paper and $7.7 million to support pollution control obligations. No other lines were being used at December 31, 1991. Commitment fees are paid to maintain these lines and there are no conditions which restrict the unused lines of credit.

(12) Valuation of Certain Assets:

In 1990, the Company wrote down to estimated realizable value and established reserves for certain assets. Such amounts are included in the Consolidated Balance Sheets as a reserve against the particular asset involved or in "Current liabilities - Other." A $6.8 million pre-tax charge to income in1990, primarily related to the above items, is included in "Interest expense and other - Miscellaneous, net" in the Consolidated Statements of Income.

(13) Commitments and Contingencies:

(a) Construction Program -

The Company's construction program anticipates expenditures of $123 million for 1992 of which approximately $83 million represents expenditures at Iowa Electric and approximately $27 million represents expenditures at ISU. Substantial commitments have been made in connection with such expenditures.

(b) Long-Term Power Purchase Contracts -

Iowa Electric has a power purchase contract with the City of Muscatine, Iowa for annual capacity purchases of 70 Mw until May, 1993.

Iowa Electric has entered into a five year agreement, terminating on December 31, 1994, with Terra Comfort for 114 Mw, annually, of electric capacity and energy supply. The contract was approved by the FERC in May, 1991.

The costs of capacity purchases for these contracts, along with Iowa Electric's proportionate share of operating and maintenance costs for the Muscatine contract, are reflected in "Purchased power" and Terra Comfort's revenue related to its contract is included in "Other revenues" in the Consolidated Statements of Income. Total capacity charges under the above contracts were $25 million for 1991 and will approximate $25 million, $11 million and $5 million for the years 1992-1994, respectively.

In connection with the definitive purchase agreement with UE, discussed in Note 1(c), Iowa Electric will purchase power from UE through a five-year firm capacity contract with a first-year requirement of 120 Mw of delivered capacity declining to 60 Mw in the fifth year. The definitive purchase agreement also includes the purchase of an additional maximum interruptible capacity of 54 Mw of 25 Hz power. This 54 Mw purchase will extend through 1998.

(c) Coal Contract Commitments -

The Utilities have entered into coal supply contracts, which expire between 1992 and 2001, for their fossil-fueled generating stations. At December 31, 1991, the contracts cover approximately $235 million of coal over the life of the contracts, which includes $67 million expected to be incurred in 1992. The Utilities expect to supplement these coal contracts with spot market purchases to fulfill their future fossil fuel needs.

(d) Nuclcar Insurance Programs -

The Price-Anderson Amendments Act of 1988 (1988 Act) provides Iowa Electric with the benefit of $7.4 billion of public liability coverage consisting of $200 million of insurance and $7.2 billion of potential retroactive assessments from the owners of nuclear power plants. Under the 1988 Act, Iowa Electric could be assessed a maximum of $63 million per nuclear incident, with a maximum of $10 million per year (of which Iowa Electric's 70% ownership portion would be $44 million and $7 million, respectively), if losses relating to the accidents exceeded $200 million.

Pursuant to provisions in various nuclear insurance policies, Iowa Electric could be assessed retroactive premiums in connection with a future accident at a nuclear facility owned by a utility participating in the particular insurance plan. With respect to excess property damage and replacement power coverages, Iowa Electric could be assessed a maximum of $4.5 million and $1.0 million, respectively, if the insurer's losses relating to an accident exceeded its reserves. No such assessments have been made under any of these policy provisions, and based upon known facts, Iowa Electric does not anticipate any such assessments.

*(e) **Environmental Liabilities** -*

The Utilities have been named as Potentially Responsible Parties (PRP's) for certain former manufactured gas plant (FMGP) sites by either the Iowa Department of Natural Resources (IDNR) or the Environmental Protection Agency (EPA). The Utilities are working with the IDNR and EPA to investigate 27 sites and to determine the appropriate remediation activities to mitigate health and environmental concerns. Such investigations are expected to be completed by 1999 and site-specific remediations are anticipated to be completed within 3 years of the completion of the investigations of each site. The Utilities may be required to monitor these sites for a number of years upon completion of remediation.

At December 31, 1991, the Company had recorded $10.2 million of environmental liabilities which, pursuant to generally accepted accounting principles, represents the minimum amount of the estimated range of such costs which the Company expects to incur. The Company is pursuing third party cost sharing for FMGP clean-up costs. The amount of shared costs, if any, can not be reasonably determined and, accordingly, has not been used to reduce the recorded liability. These estimates are subject to continuing review. Corresponding regulatory assets have been recorded to reflect the recovery which has been provided through rates. (See Note 2(c) for additional discussion of regulatory assets). Consistent with past rate treatment, management believes that the clean-up costs incurred by the Utilities for these FMGP sites will not have a material adverse effect on the financial position or results of operations of the Company.

Iowa Electric has been named by the EPA as a PRP at the Maxey Flats Nuclear Disposal site. Iowa Electric's costs for remedial action has been estimated at approximately $0.2 million and an environmental liability and corresponding regulatory asset have been recorded.

*(f) **Clean Air Act** -*

The Clean Air Amendments Act of 1990 (Act) requires some air emissions to be reduced below their 1980 national levels. The Act requires sulfur dioxide emissions to be reduced by 10 million tons and nitrous oxide by 2 million tons on a national level. The provisions of the Act will be implemented in two phases; Phase I by 1995 and Phase II by 2000.

The Utilities expect to meet the requirements of the Act by fuel switching and through capital expenditures primarily related to fuel burning equipment and boiler modifications. The Utilities estimate capital expenditures at $27 million, of which $2.3 million is expected to be incurred during 1992. Additional Phase II capital expenditures may be required at one ISU generating station.

(14) Jointly-Owned Electric Utility Plant:

Under joint ownership agreements with other Iowa utilities, the Utilities have undivided ownership interests in jointly-owned 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 Utilities' ownership interest in these facilities at December 31, 1991 is as follows:

	DAEC	Ottumwa Unit 1	Neal Unit 3
		($ in millions)	
Utility plant in service	$450.4	$178.2	$ 42.1
Accumulated depreciation	$180.0	$ 58.9	$ 19.3
Construction work in progress	$ 11.4	$ —	$ 0.1
Plant capacity - Mw	530	708	515
Percent ownership	70%	48%	28%
In-service date	1974	1981	1975

(15) Segments of Business:

The principal business segments of IES are the generation, transmission, distribution and sale of electric energy by the Utilities and the purchase, distribution and sale of natural gas by the Utilities and IEA. Certain financial information relating to IES' significant segments of business is presented below:

	Year Ended December 31 1991	1990	1989
		(in thousands)	
Operating results:			
Revenues —			
Electric	**$ 482,578**	$ 463,249	$ 438,533
Gas	**146,237**	132,083	134,930
Operating income —			
Electric	**100,402**	92,733	90,344
Gas	**65***	3,257	10,959
Other information:			
Depreciation and amortization —			
Electric	**57,612**	51,312	49,135
Gas	**3,480**	3,112	2,963
Construction expenditures —			
Electric	**77,646**	83,084	68,891
Gas	**21,100**	6,390	6,001
Assets —			
Identifiable assets** —			
Electric	**1,115,310**	1,080,367	1,052,930
Gas	**113,670**	86,002	81,426
	1,228,980	1,166,369	1,134,356
Other corporate assets	**219,512**	234,433	208,259
Total consolidated assets	**$1,448,492**	$1,400,802	$1,342,615

* *Includes a $3.9 million pre-tax write-off of previously deferred FMGP clean-up costs as discussed in Note 3(a).*

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

SELECTED CONSOLIDATED FINANCIAL DATA

	1991	1990	1989	1988	1987	1986
Income statement data (000's):						
Operating revenue	**$ 661,538**	$ 624,214	$ 599,838	$ 606,320	$560,955	$ 604,952
Operating income	**103,357**	98,043	106,592	101,555	97,939	111,603
Net income	**44,657**	80,330	53,565	52,563	42,818	44,255
Common stock data (per share except percentages):						
Earnings	**$ 1.85**	$ 3.37	$ 2.27	$ 2.26	$ 1.87	$ 1.96
Dividends declared*	**2.03**	1.82	1.77	1.74	1.69	1.64
Market price at year-end	**27.25**	27.75	27.63	22.63	22.63	23.38
Book value at year-end	**19.07**	19.15	17.52	16.95	16.34	16.04
Return on average common equity	**9.7%**	18.4%	13.2%	13.6%	11.5%	12.4%
Ratio of market price to book value at year-end	**143%**	145%	158%	134%	138%	146%

Capitalization ($ in millions):	1991	%	1990	%	1989	%	1988	%	1987	%	1986	%
Common equity	**$464**	**50**	$459	53	$415	49	$396	48	$377	51	$365	48
Preferred and preference stock	**29**	**3**	32	3	35	4	38	4	40	5	42	5
Long-term debt	**440**	**47**	380	44	396	47	397	48	325	44	359	47
	$933	**100**	$871	100	$846	100	$831	100	$742	100	$766	100

	1991	1990	1989	1988	1987	1986
Other selected financial data:						
Total assets (000's)	**$1,448,492**	$1,400,802	$1,342,615	$1,279,212	$1,177,898	$1,172,224
Non-utility assets (000's)	**145,283**	141,739	127,684	99,480	62,927	48,779
Construction expenditures including AFC (000's)	**119,821**	103,154	87,381	81,810	62,491	52,782
Times interest earned before income taxes	**2.69**	4.45	3.10	3.13	2.60	3.30

** The annual dividend rate at December 31, 1991 was $2.10.*

Selected Utility financial data:	1991	1990	1989	1988	1987	1986
Iowa Electric —						
Utility plant in service (000's)	**$1,269,404**	$1,188,569	$1,097,092	$1,047,137	$1,003,733	$ 964,364
Accumulated Depreciation (000's)	**536,309**	495,352	444,901	410,178	378,635	354,641
Construction expenditures (000's)	**87,148**	77,719	60,024	61,944	47,649	40,111
Times interest earned before income taxes	**2.39**	2.36	2.80	2.65	3.21	3.10
Electric Kwh sales (excluding off-system) (000's)	**4,692,493**	4,521,335	4,486,589	4,704,329	4,418,005	4,344,324
Gas Dth sales (including transported volumes) (000's)	**28,029**	27,693	30,963	30,762	27,291	30,513
ISU—						
Utility plant in service (000's)	**$ 410,704**	$ 399,317	$ 378,458	$ 369,200	$ 361,822	$ 353,696
Accumulated Depreciation (000's)	**154,706**	143,859	134,259	123,953	113,949	104,214
Construction expenditures (000's)	**17,861**	17,356	19,895	10,979	9,621	10,089
Times interest earned before income taxes	**4.81**	5.11	5.02	4.83	2.14	4.09
Electric Kwh sales (excluding off-system) (000's)	**2,551,716**	2,358,801	2,184,885	2,055,396	1,912,469	1,811,388
Gas Dth sales (including transported volumes) (000's)	**9,100**	8,793	9,087	8,612	7,614	7,772

ELECTRIC OPERATING COMPARISON

	1991	1990	1989	1988	1987	1986	Five year compound rate of growth
Operating revenue (000's):							
Residential	**$ 166,783**	$ 161,929	$ 153,319	$ 157,275	$ 148,620	$ 136,576	
Rural	**22,411**	23,373	22,580	23,245	23,063	23,859	
Commercial	**124,320**	119,908	112,662	110,587	107,792	107,460	
Industrial	**100,733**	97,788	94,222	97,723	96,803	95,633	
Street lighting and public authorities	**6,332**	6,478	6,282	6,378	6,522	6,616	
Total from ultimate consumers	**420,579**	409,476	389,065	395,208	382,800	370,144	
Sales for resale	**19,745**	19,582	18,214	17,104	16,211	14,963	
Off-system	**36,596**	31,144	28,281	30,332	29,544	34,397	
Other	**5,658**	3,047	2,973	3,015	(10,557)	2,091	
	$ 482,578	$ 463,249	$ 438,533	$ 445,659	$ 417,998	$ 421,595	
Energy sales (000's Kwh):							
Residential	**2,057,523**	1,946,153	1,916,600	1,958,642	1,813,347	1,796,215	2.8%
Rural	**310,456**	308,760	305,552	310,359	300,115	326,159	(1.0)
Commercial	**1,764,495**	1,686,132	1,626,046	1,579,086	1,469,570	1,446,691	4.1
Industrial	**2,467,533**	2,312,109	2,236,388	2,359,596	2,225,026	2,089,046	3.4
Street lighting and public authorities	**87,022**	88,305	86,635	88,870	87,385	86,558	0.1
Total to ultimate consumers	**6,687,029**	6,341,459	6,171,221	6,296,553	5,895,443	5,744,669	3.1
Sales for resale	**557,180**	538,677	500,253	463,172	435,031	411,043	6.3
Sales of electricity to customers	**7,244,209**	6,880,136	6,671,474	6,759,725	6,330,474	6,155,712	3.3
Off-system	**2,738,159**	2,282,204	1,959,828	2,075,037	2,002,614	2,349,985	3.1
	9,982,368	9,162,340	8,631,302	8,834,762	8,333,088	8,505,697	3.3
Sources of electric energy (000's Kwh):							
Generation—							
Fossil, primarily coal	**4,758,720**	4,354,697	4,063,974	4,403,738	4,229,046	3,983,607	
Nuclear*	**2,902,768**	2,108,100	2,228,068	2,214,243	1,766,319	2,095,334	
Hydro	**6,547**	4,195	1,902	3,300	5,153	5,595	
	7,668,035	6,466,992	6,293,944	6,621,281	6,000,518	6,084,536	
Purchases	**2,994,216**	3,282,886	2,891,808	2,810,225	2,891,375	2,930,845	
	10,662,251	9,749,878	9,185,752	9,431,506	8,891,893	9,015,381	
Net capability at time of peak load (Kw)-							
Iowa Electric—							
Generating capability	**1,072,150**	1,081,250	1,053,050	1,052,550	1,019,650	1,046,650	
Purchase capability	**204,000**	179,000	170,000	90,000	90,000	100,000	
	1,276,150	1,260,250	1,223,050	1,142,550	1,109,650	1,146,650	2.2%
Net peak load (Kw)**	**1,045,819**	1,004,924	991,150	1,031,185	978,322	953,926	1.9%
ISU—							
Generating capability	**647,000**	603,450	579,950	579,950	579,950	579,950	
Purchase capability	**23,000**	—	—	—	—	—	
Capacity credits***	**—**	18,960	20,650	—	—	—	
	670,000	622,410	600,600	579,950	579,950	579,950	2.9%
Net peak load (Kw)**	**561,787**	542,902	495,093	512,679	472,926	426,465	5.7%
Number of customers at year-end	**305,663**	304,265	302,632	300,701	299,967	299,506	0.4%
Revenue per Kwh (excluding off-system)-							
Iowa Electric	**7.11¢**	7.19¢	6.85¢	6.69¢	6.87¢	6.57¢	
ISU	**4.39**	4.54	4.71	4.89	4.44	5.62	

** Represents Iowa Electric's 70% undivided interest in the Duane Arnold Energy Center which is operated by Iowa Electric.*
*** 60 minutes integrated.*
**** Represents capacity credits from municipals served by ISU.*

GAS OPERATING COMPARISON

	1991	1990	1989	1988	1987	1986	Five year compound rate of growth
Operating revenue (000's):							
Residential	**$ 74,114**	$ 66,513	$ 68,751	$ 71,484	$ 61,629	$ 79,176	
Commercial	**37,613**	35,378	38,035	38,918	32,680	42,608	
Industrial	**17,383**	21,500	25,172	24,693	24,202	39,485	
	129,110	123,391	131,958	135,095	118,511	161,269	
Other	**1,908**	1,884	1,923	1,514	2,408	881	
	131,018	125,275	133,881	136,609	120,919	162,150	
Brokerage	**15,219**	6,808	1,049	826	—	—	
	$ 146,237	$ 132,083	$ 134,930	$ 137,435	$ 120,919	$ 162,150	
Energy sales (000's dekatherms):							
Residential	**15,571**	14,315	15,878	15,573	13,551	15,825	(0.3)%
Commercial	**9,389**	8,798	9,854	9,523	8,328	9,707	(0.7)
Industrial	**5,980**	6,640	7,409	7,780	7,931	11,722	(12.6)
	30,940	29,753	33,141	32,876	29,810	37,254	(3.6)
Industrial — transported volumes	**6,189**	6,733	6,909	6,498	5,095	1,031	43.1
Total volumes delivered by the Utilities	**37,129**	36,486	40,050	39,374	34,905	38,285	(0.6)
Brokerage	**7,666**	4,465	624	491	—	—	—
	44,795	40,951	40,674	39,865	34,905	38,285	3.2
Operating Statistics:							
Cost per dekatherm of gas purchased for resale —							
Iowa Electric	**$3.12**	$3.23	$2.88	$3.35	$3.09	$3.45	
ISU	**3.31**	3.43	3.20	3.52	3.47	4.31	
Sendout capability at time of peak demand (dekatherms in 000's) —							
Iowa Electric	**198,696**	199,635	204,922	218,224	251,211	263,986	(5.5)%
ISU	**67,867**	67,808	66,218	82,007	83,419	83,662	4.1
Peak daily sendout (dekatherms in 000's) —							
Iowa Electric	**197,722**	203,845	227,835	217,869	195,682	220,836	(2.2)%
ISU	**68,622**	68,244	83,765	68,327	56,131	62,120	2.0
Number of customers at year-end	**164,078**	161,794	160,792	159,931	160,143	164,670	(0.1)%
Revenue per dekatherm sold (excluding transported volumes)-							
Iowa Electric	**$4.21**	$4.18	$3.91	$4.05	$3.91	$4.19	
ISU	**4.08**	4.05	4.25	4.34	4.38	4.97	

BOARD OF DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

C.R.S. Anderson (E)

Chairman of the Board of the Company

J. Wayne Bevis (C)

President, Chief Executive Officer and Director
Rolscreen Company
(Window and Door Manufacturing)
Pella, Iowa

Robert F. Brewer

Retired Chairman of the Board and Chief Executive Officer
Iowa Southern Utilities Company
Centerville, Iowa

Dr. George Daly (A)

Dean, College of Business Administration
The University of Iowa
Iowa City, Iowa

Blake O. Fisher, Jr.

Executive Vice President and Chief Financial Officer of the Company

G. Sharp Lannom, IV (C)

President and Chief Executive Officer
DeLong Sportswear, Inc.
(Sportswear Manufacturing)
Grinnell, Iowa

Dr. Salomon Levy (C)

President, S. Levy Incorporated
(Engineering and Management Consulting)
Campbell, California

Lee Liu (N)(E)

President and Chief Executive Officer of the Company

René H. Malès

President and Chief Operating Officer
Iowa Southern Utilities Company
Centerville, Iowa

Robert D. Ray (N)

President and Chief Executive Officer
Blue Cross and Blue Shield of Iowa
(Insurance)
Des Moines, Iowa

David Q. Reed (A)(N)

Attorney and Counselor at Law
Kansas City, Missouri

Larry D. Root

President and Chief Operating Officer
Iowa Electric Light and Power Company

Henry Royer (C)(E)

Chairman of the Board and President
Firstar Bank of Cedar Rapids, N.A.
Cedar Rapids, Iowa

Richard E. Scherling (A)(E)

Retired Merchant
Cedar Rapids, Iowa

Robert W. Schlutz (A)

President
Schlutz Enterprises
(Diversified Farming and Retailing)
Columbus Junction, Iowa

Anthony R. Weiler (N)

President and Chief Executive Officer
Chittenden & Eastman Company
(Furniture Manufacturer & Distributor)
Burlington, Iowa

OFFICERS

IES Industries Inc.

C.R.S. Anderson (64-35)

Chairman of the Board

Lee Liu (58-34)

President and Chief Executive Officer

Blake O. Fisher, Jr. (47-1)

Executive Vice President and Chief Financial Officer

J.B. Rehnstrom (61-32)

*Senior Vice President – Special Projects***

Peter W. Dietrich (51-4)

Vice President – Corporate Development

Robert J. Kucharski (59-17)

Vice President – Administrative Services, Treasurer and Assistant Secretary

Stephen W. Southwick (45-16)

*Vice President – Special Projects**

Steven Carr (37-0)

*General Counsel and Secretary***

William C. Jurgensen (51-33)

Assistant Secretary

Iowa Electric Light and Power Company

Lee Liu (58-34)

Chairman of the Board and Chief Executive Officer

Larry D. Root (55-21)

President and Chief Operating Officer

Blake O. Fisher, Jr. (47-1)

Executive Vice President and Chief Financial Officer

J.B. Rehnstrom (61-32)

*Senior Vice President – Special Projects****

Robert J. Kucharski (59-17)

Vice President – Administrative Services and Treasurer

Dr. Robert J. Latham (49-8)

Vice President – Corporate Affairs and Planning

Richard W. McGaughy (61-11)

Vice President – Production

Harold W. Rehrauer (54-19)

Vice President – Technical Services

Thomas R. Seldon (53-4)

Vice President – Human Resources

Philip D. Ward (51-18)

Vice President – Field Operations

John F. Franz, Jr. (52-0)

*Vice President – Nuclear***

Steven Carr (37-0)

*Secretary****

William C. Jurgensen (51-33)

Assistant Secretary

Iowa Southern Utilities Company

Lee Liu (58-34)

*Chairman of the Board and Chief Executive Officer****

René H. Malès (59-1)

President and Chief Operating Officer

Stephen W. Southwick (45-16)

Vice President and Secretary

Dean E. Ekstrom (44-6)

Vice President

Benjamin R. Rosencrants (63-41)

*Vice President****

Larry Duncan (45-12)

Treasurer

Loren H. Schick (48-22)

Assistant Secretary and Assistant Treasurer

Thomas M. Cox (46-13)

Controller

Figures in parenthesis represent age and years of service

*Effective March 1, 1992
**Effective January 1, 1992
***Effective February 4, 1992

IES Industries Inc.
(E) Member Executive Committee
(A) Member Audit Committee
(N) Member Nominating Committee
(C) Member Compensation Committee

Annual Meeting

The annual meeting of the shareholders will be held at 2:00 p.m., Central Daylight Time on Tuesday, May 19, 1992 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 April 9, 1992. All common shareholders are cordially invited to attend. However, those who are unable to attend in person are urged to promptly sign and return their proxy.

Stock Exchange Listing

IES Industries Inc. common stock is listed on the New York Stock Exchange under the symbol IES. Newspaper listings often use the symbol IES IND.

General Inquiries

Shareholder inquiries, including the replacement of dividend checks, address changes, transfer or reissuance of stock certificates, and requests from the general public for any financial publications may be directed to:

IES Industries Inc.
Attn.: Shareholder Services
P.O. Box 351
Cedar Rapids, Iowa 52406
1-800-247-9785 or 319-398-7755

Where to Buy and Sell Stock

Common stock may be purchased and sold privately or on the open market through a brokerage firm. A shareholder enrolled in the Company's Dividend Reinvestment and Stock Purchase Plan can purchase additional common stock with no brokerage fees through the optional cash feature of the Plan.

Shares held in the Dividend Reinvestment and Stock Purchase Plan can be sold through the Plan Administrator upon written request of the shareholder, who will receive all proceeds of the sale less any brokerage commission.

Dividend Reinvestment and Stock Purchase Plan

The Company has a Dividend Reinvestment and Stock Purchase Plan which allows shareholders to automatically reinvest their cash dividends in additional shares of common stock. First Chicago Trust Company of New York acts as the Plan Administrator. A prospectus describing the Plan can be obtained by writing to Shareholder Services.

Duplicate Accounts and Mailings

Shareholders sometimes receive more than one Annual Report because shares owned by one shareholder may be registered with slight variations in names. The Company is required to mail an Annual Report to each name on the shareholder list unless the shareholder requests that duplicates be eliminated. To eliminate duplicate mailings, please send a written request to Shareholder Services.

Dividend Payment Dates

Scheduled Dividend Payment and Record Dates for 1992 are:

Record Dates	Payment Date
March 13, 1992	April 1, 1992
June 12, 1992	July 1, 1992
September 11, 1992	October 1, 1992
December 11, 1992	January 1, 1993

Dividends paid on common stock in 1991 were fully taxable for federal income tax purposes.

1991 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 1991 Form 10-K without charge. Requests should be made to Shareholder Services.

Transfer Agents

First Chicago Trust Company of New York
New York, New York
Firstar Bank Cedar Rapids, N.A.
Cedar Rapids, Iowa
IES Industries — Common Stock
Iowa Electric Light and Power Company — Preferred and Preference Stock

Iowa Southern Utilities Company
Centerville, Iowa
Iowa Southern Utilities Company — Preferred Stock

Registrars

First Chicago Trust Company of New York
New York, New York
Norwest Bank Cedar Rapids, N.A.
Cedar Rapids, Iowa
IES Industries — Common Stock
Iowa Electric Light and Power Company — Preferred and Preference Stock

Hawkeye Bank and Trust, N.A.
Centerville, Iowa
Iowa Southern Utilities Company — Preferred Stock

Trustee

The First National Bank of Chicago
Chicago, Illinois
IES Industries — Indenture

Iowa Electric Light and Power Company — Mortgage and Deed of Trust

Iowa Southern Utilities Company — Deed of Trust

IES INDUSTRIES INC.

P.O. BOX 351 Cedar Rapids, Iowa 52406

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