



IOWA RESOURCES INC.

1979 ANNUAL REPORT



*"Investing In
An Energy Future
We Can
All Live With"*

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Annual Report to the Securities and Exchange Commission — Form 10-K

Copies of the 1979 annual report to the Securities and Exchange Commission on Form 10-K for Iowa Resources Inc. and Iowa Power and Light Company, containing essentially the same financial information as included herein, will be available by April 1. Any shareowner may obtain a copy by submitting a written request to Phillip D. Ehm, Vice President and Treasurer.

This report and the financial statements contained herein are submitted for the personal information of the security holders of Iowa Resources Inc., and are not transmitted in connection with any proposed sale or offer to sell or buy securities of the Company, now or hereafter issued, or with any preliminary negotiation for such sale or purchase.

Annual Meeting

All shareowners are urged to attend the Iowa Resources Inc. annual meeting to be held on Wednesday, April 23, 1980, at 10:00 a.m., at the new Botanical Center, 909 E. River Drive,

Des Moines, Iowa. Proxy material accompanies this annual report. Record date for shareowners participating by attendance at the meeting or by proxy is March 7, 1980.

Dividend Reinvestment Plan

Iowa Resources Inc. has a program which allows for the reinvestment of common stock dividends and optional cash payments to purchase additional shares of common stock. The Dividend Reinvestment Plan is available to all owners of common stock and provides a convenient method of acquiring additional shares without fees or other charges. Dividends are reinvested at a five

percent discount from the closing market price on the dividend payment date. Shareowners who wish to take advantage of the program or want additional information may contact Stockholder Services, Iowa Resources Inc., P.O. Box 657, Des Moines, Iowa 50303, or call toll-free 1-800-247-5211. (In Iowa call 1-800-532-1188.)

New York and Midwest Stock Exchange Symbol—IOR

Executive Offices
666 Grand Avenue
P.O. Box 657
Des Moines, Iowa 50303
515/281-2900

Financial Contact
Phillip D. Ehm
Vice President and Treasurer

Iowa Resources Inc.
Common Stock
Registrars
Manufacturers Hanover Trust Co.
New York, N.Y.
Bankers Trust Company
Des Moines, Iowa

Transfer Agents
Manufacturers Hanover Trust Co.
New York, N.Y.
Central National Bank & Trust Co.
Des Moines, Iowa
Iowa Resources Inc.
Des Moines, Iowa

Iowa Power and Light Company Preferred Stock
Registrar
Bankers Trust Company
Des Moines, Iowa
Transfer Agent
Iowa Power and Light Company
Des Moines, Iowa

Description of Business

Iowa Resources Inc. is an Iowa corporation which became the owner of all of Iowa Power's outstanding common stock on November 1, 1979, pursuant to a merger and corporate restructuring plan approved by the shareowners of Iowa Power. Iowa Resources is a holding company and, at the present time, it conducts no business and owns no properties other than the common stock of its subsidiary companies, Iowa Power and Light Company, Industries of Iowa Corp., ENERCOR, Inc. and Redlands, Inc. and their subsidiaries.

Iowa Power, the principal operating subsidiary of Iowa Resources, is engaged primarily in the generation, purchase, transmission, distribution and sale at retail of electric energy and the purchase, distribution and sale at retail of natural gas in central and southwestern Iowa. Iowa Power's service area covers over 5,600 square miles and includes 130 communities.

About The Cover

Iowa Resources Inc. has more than 33,000 common stockholders living in all 50 states and in 13 foreign countries. Among these are hundreds of our own employees, financial specialists who make investments for corporations and trusts, and countless individuals. Our stockholders represent every age group and walk of life, but their common goal is to make a sound investment with a reasonable return. As shareowners of Iowa Resources, they are investing in an energy future we can all live with.



| | 1979 | 1978 | Percent Increase (Decrease) |
|---|-----------|-----------|-----------------------------|
| Financial | | | |
| Net income (000) | \$ 26,538 | \$ 24,685 | 7.5 |
| Earnings per average share | \$3.57 | \$3.62 | (1.4) |
| Common stock dividend rate-year end | \$2.52 | \$2.40 | 5.0 |
| Average shares outstanding (000) | 7,430 | 6,814 | 9.0 |
| Property, plant and equipment-year end (000) .. | \$778,841 | \$699,964 | 11.3 |
| Construction expenditures (000) | \$ 82,524 | \$ 86,632 | (4.7) |
| Revenues (000) | \$269,341 | \$227,332 | 18.5 |
| Expenses (000) | \$225,105 | \$194,113 | 16.0 |
| Electric Operations | | | |
| Revenues (000) | \$180,164 | \$150,488 | 19.7 |
| Sales-millions of kwh | 4,329 | 4,307 | 0.5 |
| Peak load-kilowatts | 1,118,624 | 1,063,717 | 5.2 |
| Cooling degree days | 984 | 1,217 | (19.1) |
| Average annual residential use-kwh | 8,444 | 8,610 | (1.9) |
| Gas Operations | | | |
| Revenues (000) | \$ 88,725 | \$ 76,667 | 15.7 |
| Sales-millions of ccf | 362 | 372 | (2.6) |
| Maximum daily sendout-thousands of ccf | 2,364 | 2,460 | (3.9) |
| Heating degree days | 7,173 | 7,217 | (0.6) |
| Average annual residential use-ccf | 1,490 | 1,543 | (3.4) |



Joe Cardamon is one of nearly 500 Iowa Power employees who buy stock regularly through the Employee Stock Purchase Plan. A veteran of 25 years with Iowa Power, he is a storesman at the Walnut Creek Service Center in Des Moines.



Introducing the first annual report of Iowa Resources Inc. is a pleasure and a highlight of my years at Iowa Power. As of November 1, 1979, the identity of our Company changed. Common stock holdings in Iowa Power and Light Company have now automatically become holdings of Iowa Resources Inc.; the stock exchange ticker symbol is now IOR rather than the familiar IOP, and the stock exchange listing in daily newspapers now identifies your stock holdings as "IowaRs."

The major operating thrust remains that of Iowa Power in supplying the electric and natural gas needs of 130 Iowa communities and rural territories. The formation of Iowa Resources Inc. represents a major commitment to ensure a healthy future for Iowa Power, our employees, our customers and our investors.

Perhaps a little background on the development of Iowa Resources Inc. will help. Regulatory and economic conditions that existed early in 1979 further demonstrated to management that flexibility would be desirable in helping to meet wide-ranging future energy needs. The proposal for reorganization and formation of a holding company exempt from governmental regulation as a utility was approved early in 1979 by Iowa Power's board of directors and presented to shareowners at the annual meeting last April. Shareowners enthusiastically supported the Board's proposal.

Following this endorsement, we set out to obtain the necessary government approvals. Unfortunately, proceedings bogged down when the Iowa State Commerce Commission intervened before the Federal Energy Regulatory Commission. This delayed matters until October when the Federal Energy Regulatory Commission resolved the issues, enabling us to complete formation of Iowa Resources Inc.

Although activities in non-utility areas are expected to be limited in the immediate



Dwight H. Swanson

future, we are confident that the reorganization permits the financial and organizational flexibility necessary to expand and diversify into such areas. A chart displaying the new corporate structure with a brief description of the subsidiary companies can be found on page 12 of this report. We hope this will provide a clearer understanding of the reorganization.

As owners of Iowa Resources Inc. your role as investors is even more important than before. It's appropriate, therefore, that the theme of this report recognizes your contributions. We are pleased to highlight a few individuals, like yourself, who have invested in the energy future of Iowa.

Year-end earnings on that investment were \$3.57 per share compared to \$3.62 in 1978. An Iowa State Commerce Commission ruling on the natural gas rate increase collected in 1978 ordered Iowa Power to refund \$1.3 million to its customers. That refund, combined with mild weather during

most of the summer and fall, attributed to slightly lower earnings than a year ago. In the fourth quarter Iowa Power began collecting additional electric rates needed to help improve future earnings.

There were several significant events during the year that were of benefit to Iowa Power and citizens in the communities we serve.

Iowa Power's long-term purchase contract for half of the output of Cooper Nuclear Station in Brownville, Nebraska continued to serve our customers during 1979. Approximately 50% of the electricity supplied to our customers was generated by Cooper. The operating performance and reliability of that generating station continue to be among the best in the nation.

In addition to Cooper, Council Bluffs Unit 3 became a significant source of electric power during 1979. Since going "on-line" in December 1978, Unit 3 has supplied needed electricity not only for Iowa Power's communities, but also those areas served by other owners of the unit. The completion in December 1979 of transmission facilities necessary to further link Unit 3 with central Iowa has helped assure the availability of the power generated at that plant.

Perhaps the biggest event in our service area during the year was the visit of Pope John Paul II to Des Moines October 4. Few actions have served to unite individuals, religious and community groups as much as this historic visit. The cooperative attitude displayed by the citizens of Iowa reaffirmed my belief that this is a special place. Acknowledging the joint effort that went into preparations for the papal visit would not be complete without a special tribute to our employees. Many were involved in arrangements for this visit. Once again our employees displayed a conscientiousness typical of their performance throughout the year.

Last April, shareowners elected Charles C. Lavery of Indianola, Iowa, to the Board of Directors, replacing Paul V. Farver who left the Board after six years of valued service. Leonard L. Mowen, Assistant Vice President, retired from the gas operations area, ending a 42-year career with Iowa Power. I wish to thank Leonard Mowen and Paul Farver for their contributions.

A number of executive changes were made during 1979. Although I retain responsibilities as Chairman and Chief Executive Officer of Iowa Power, James R. Lyon has been named President (Operations Group) of Iowa Power and serves as Senior Vice President of Iowa Resources Inc. Mark W. Putney is Executive Vice President (Administrative Group) of Iowa Power and is Executive Vice President of Iowa Resources Inc. Ralph F. Schlenker, Iowa Power's Senior Vice President (Development Group), also serves as Senior Vice President of Iowa Resources Inc. and President of Industries of Iowa Corp., a wholly owned non-utility subsidiary of the holding company.

In addition, Lynn K. Vorbrich has been promoted to General Counsel and Secretary for both Iowa Resources Inc. and Iowa Power; Jean Olmstead of the Stockholder Services area was named Assistant Secretary for both Iowa Resources Inc. and Iowa Power; Dallas K. Hamerlinck has been promoted to Assistant Vice President (Communications) of Iowa Power; and Keith D. Hartje (Legal) has been named Assistant Secretary for Iowa Power.

When reviewing 1979, the formation of Iowa Resources Inc. has to rank atop the list of progressive happenings. Although the benefits of the reorganization may not be immediate, we are confident that it will strengthen our ability to improve operations at Iowa Power and to better serve our shareowners. The new corporate structure will permit us to take advantage of opportunities for profitable operations in other areas.

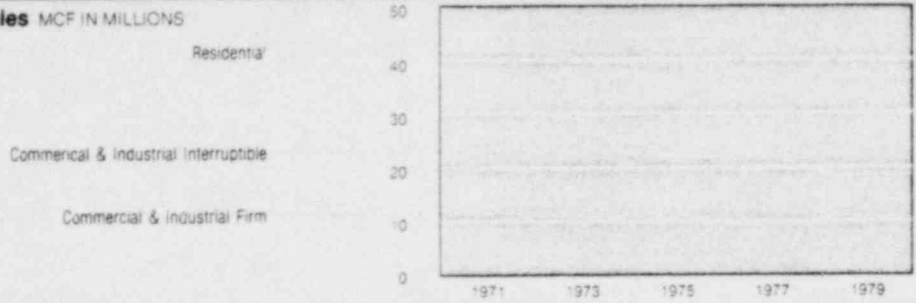
Looking ahead to 1980, we are enthusiastic about the challenges facing Iowa Resources Inc. and our ability to meet them. Energy supplied by Iowa Power and Light Company will assure future benefits for all Iowans.

Sincerely,

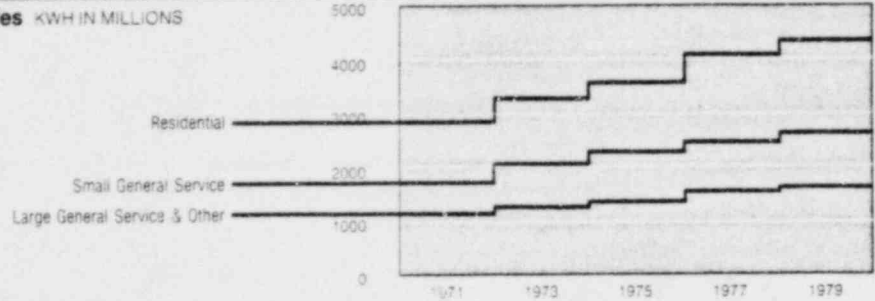
Dwight H. Swanson

Dwight H. Swanson
Chairman and President
February 15, 1980

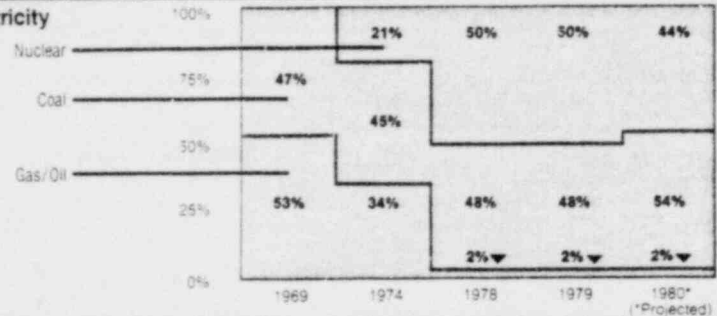
Gas Sales MCF IN MILLIONS



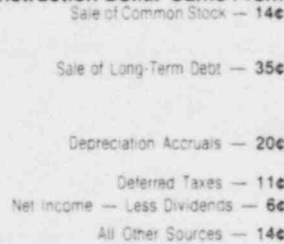
Electric Sales KWH IN MILLIONS



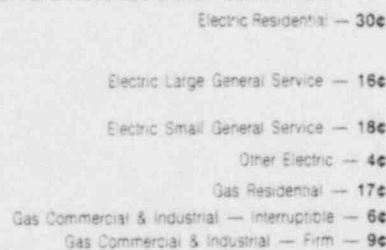
Fuels Used to Provide Electricity



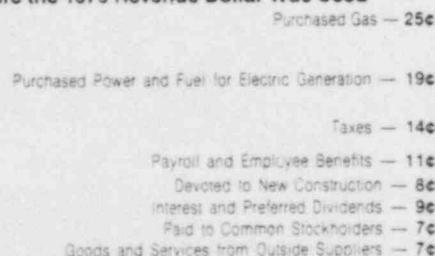
Where the 1979 Construction Dollar Came From



Where the 1979 Revenue Dollar Came From



Where the 1979 Revenue Dollar Was Used





Reverend John E. Lignell is pastor of the Tabor Evangelical Lutheran Church in Chicago. He and his wife have been stockholders since 1973.

Although total revenues reached an all-time high of \$269.3 million, up 18.5% over 1978, earnings were slightly lower than those of the prior year. Mild weather during most of the summer and a natural gas rate refund of \$1.3 million led to common stock earnings of \$26.5 million. Earnings per average share were \$3.57, down 1.4% from 1978. The earnings per average share also reflect an increase in number of shares of common stock outstanding, including the sale of 375,000 shares early in 1979.

Electric sales were up only 0.5% in 1979 after a strong 7.3% increase in 1978. Sales were 4.3 billion Kwh in 1979. Electric revenues for 1979 were \$180.2 million, up 19.7% from the previous year and include \$23.8 million subject to refund pending final approval by the Iowa State Commerce Commission.

Gas sales were down 2.6% from 1978. This decline in gas sales is attributed to reduced usage by all classes of customers due to conservation and by one of the largest industrial customers switching to coal for economic reasons. Gas revenues, including those from rate increases and higher purchased gas costs which are passed on to customers, rose 15.7% to \$88.7 million. A portion of those revenues, \$2.4 million, has been collected subject to refund pending approval by the Commission.

Dividends and Expenses

A dividend increase of 12¢ annually was adopted in May, raising the annual dividend rate to \$2.52. Dividends totaling \$18.7 million were declared in 1979, a payout of 70.5% of common stock earnings.

Construction expenditures for 1979 were \$82.5, down \$4.1 million from 1978. Escalation in construction costs plus projected increases in electric sales and peak loads indicate a continuing high level of con-

struction expenditures in the years ahead. Internal sources funded about 50% of the cash required for construction expenditures. Construction expenses for 1980 are estimated to total \$97.2 million.

Funds obtained from external sources included \$7.7 million (331,374 shares) from common stock that was issued through dividend reinvestment, employee stock purchase and employee stock ownership plans. In January 1979, 375,000 shares of common stock were sold at a net price of \$24.98 per share and \$30 million of bonds

were sold with a coupon rate of 9¾%.

Funds for interim financing of the construction program were acquired principally through short-term borrowings in the form of commercial paper. The amount of such short-term borrowings outstanding at the end of the year was \$44.8 million. The interest cost ranged from a low of 9.5% to a high of 14.4%. Late in 1979, Iowa Power established a revolving line of credit with the Continental Illinois National Bank and Trust Company for up to \$30 million of notes to mature on December 31, 1986.

with provision for prepayment. As of December 31, 1979, \$8.5 million had been utilized.

Operating expenses in 1979 were higher, reflecting inflation and continuing the trend of recent years. Cost of net electricity purchased and electric production fuel was \$51.9 million, down 8.6% from 1978, and the cost of gas purchased for resale increased 24.7% to \$67.2 million. Increases in energy costs are recoverable through an energy cost adjustment clause and a purchased gas adjustment clause included in our electric and gas rates. In March 1979, Iowa Power advanced \$19.6 million to Nebraska Public Power District for our share of uranium needed for three refuelings at Cooper Nuclear Station.

Depreciation expenses were \$22.1 million, up 30.8%, primarily because of the Council Bluffs Unit 3 and other property additions; other operation and maintenance expenses reached \$46.9 million, up 13.5%, and total tax expense was \$37.1 million, up 46.8%. The allowance for funds used during construction credit decreased substantially due to Council Bluffs Unit 3 coming on-line in December of 1978.

Rate Matters

The Iowa State Commerce Commission issued a final decision on the Company's 3.6% natural gas rate increase collected during 1978. Their decision called for a refund of approximately \$1.3 million, including interest, to our natural gas customers. Refund was made in May 1979.

Additional rate increase requests for both electricity and natural gas were awaiting settlement as 1979 ended. Filings were made with the Iowa State Commerce Commission during 1978 requesting a 19% increase in electric rates and a 5.3% increase in natural gas rates, both effective January 1, 1979. In an effort to support



Fred Deutsch holds Iowa Resources stock as the director of Local 210 Health & Insurance Fund, International Brotherhood of Teamsters, New York City. A lawyer and fund administrator for 15 years, he is a firm advocate of dividend reinvestment for pension funds.

President Carter's wage and price guideline program, only a portion of those rate increases were originally collected from our customers. A determination was made by management to collect only 80% of the electric rate increase and 40% of the natural gas rate increase.

As the year progressed, however, it was determined that increased costs made it necessary to begin collecting the remaining portions of both increases. The entire 19% electric rate increase has been collected since October 1, 1979 and the full 5.3% natural gas rate increase was put into effect on January 1, 1980.

New Electric Peak

During the late afternoon hours of August 7, demand on Iowa Power's electric system reached a new all-time record peak

of 1,119 megawatts. The new peak easily surpassed the previous record peak demand of 1,064 megawatts set in July of 1977 and equaled in September of 1978. Peak demand is defined as the one hour during the year when our customers require more electricity than at any other hour.

The late-1978 completion of Unit 2 at the Council Bluffs Generating Station helped Iowa Power meet customers' demands this past year. As an owner and operator of this 650-megawatt coal-fired unit, Iowa Power receives 46.7% of the plant's output. Six other power suppliers in the state share ownership of this unit. The 345-kV transmission line connecting the Booneville Substation, south west of Des Moines, with Council Bluffs Unit 3 was energized in December 1979 and provided assurance

that the output can be fully utilized. Lengthy litigation and opposition on the part of involved landowners delayed completion of the 124-mile line over a year.

Iowa Power was able to loan 1,000,000 gallons of No. 2 fuel oil to the State of Iowa last spring when supplies for essential agricultural needs in central and southwest Iowa had been depleted. The oil was originally purchased by Iowa Power in anticipation of the summer cooling season when customer electric demand is traditionally the greatest and oil-fired generators are pressed into service. Summer electric supplies were not reduced or hindered by the short-term loan to the State.

Nuclear's Contribution

Under a long-term purchase contract with Nebraska Public Power District, Iowa



Silas Fabry, a stockholder for six years, works as inspection engineer at the main Post Office in Chicago. Fabry chose Iowa Resources stock in planning for his retirement, which comes in 1980 after 36 years with the U.S. Postal Service.

Power received one-half the 778-megawatt output of Cooper Nuclear Station near Brownville, Nebraska. Almost 50% of the electricity needs of our customers during 1979 were met with the power supplied by Cooper, though it represents only 28% of Iowa Power's accredited capability.

Approximately \$3.1 million in Energy Cost Adjustment credits flowed back to Iowa Power's electric customers last year because of Cooper's performance. While the nuclear station is off-line for refueling and maintenance, a portion of the cost of replacement energy is offset through an energy cost reserve. Cooper's superb operating record allowed a reserve balance to accumulate and this was applied to reduce June costs.

Shareowner support for nuclear power was demonstrated for the third consecutive year when an anti-nuclear proposal at the 1979 annual meeting was defeated by a margin of 13 to 1. Although Iowa Power has no active plans to build a nuclear station, management has maintained the importance of having all options available for electric generation.

Future Power Supply

Conclusions of an Iowa generation study released in 1979 estimated a need for doubling Iowa's electric power plant capacity between 1985 and 1999. Commitments already made by Iowa Power will help assure an adequate supply for our customers into the 1980's. However, continuous planning is needed to assure an adequate supply further into the future.

Iowa Power is participating in a number of joint plant construction projects in Iowa. Construction activity continues on the 675-megawatt coal-fired Ottumwa Generating Station, of which Iowa Power will receive 15%, or 100 megawatts. Completion of this facility by Iowa Southern Utili... Company

is set for late 1980.

Following issuance of a permit by the U.S. Environmental Protection Agency, major construction began in August on the coal-fired Louisa Generating Station near Muscatine, Iowa. Iowa-Illinois Gas and Electric Company will construct and oper-

ate the 650-megawatt generating station with Iowa Power receiving 217 megawatts of the output. Commercial operation of the Louisa Plant is scheduled for 1984.

In April 1979, Iowa Power announced its intent to participate in a proposed 650-megawatt unit to be built and operated by



Tommy Caldwell first bought Iowa Resources stock at 14, using money he earned on his paper route. He is a sophomore at Lincoln High School in Des Moines.

Iowa Electric Light and Power Company at a site near Panora, in central Iowa. The coal-fired unit would be completed in 1985 with approximately 100 megawatts of the output going to our system.

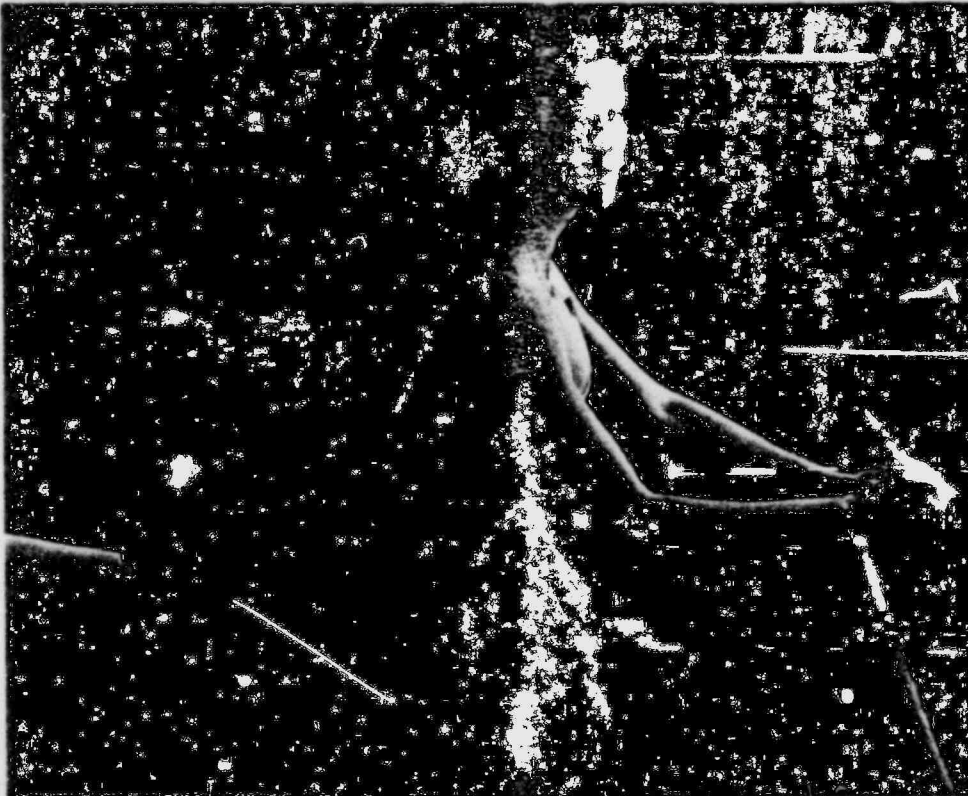
As illustrated by the generating projects now completed and those planned for the future, coal supply will be an important area of concern for Iowa. Presently, a mixture of coal and nuclear fuels is used to generate the electricity supplied to our customers. Although most of the coal burned is low-sulfur coal from Wyoming, approximately one-third of the Iowa coal mined each year, which has a higher sulfur content, is being used at Des Moines' Power Station.

Coal Transportation

Unit trains have been hauling low-sulfur coal from the Amax Mines in Gillette, Wyoming to Council Bluffs Unit 3 since early in 1978. Iowa Power and its partners in Unit 3 own two of the trains and additional trains have been leased. A third train has been purchased for early 1980 delivery since the turn-around time for the unit trains was considerably slower than had been originally projected by the railroad. Approximately 2.5 million tons of coal is being transported to the power station annually on a single-line haul of the Burlington Northern Railroad.

Litigation over the freight rates for the transportation of this low-sulfur coal con-

tinued during 1979. In 1976 Iowa Power entered into a 20-year contract with the Burlington Northern Railroad for transporting 40 million tons of coal from Gillette, Wyoming to the new Council Bluffs generating unit. Burlington Northern filed a re-



Susan Mallory received stock as a gift, but has purchased more on her own during the past four years. Susan is a dance instructor at the Durango Dance Academy in Durango, Colorado.



Sergeant Richard Provost purchased Iowa Resources stock one year ago. The Bellevue, Nebraska resident is a photographic processor with the 544th Target Materials Squadron at Offutt Air Force base near Omaha.

quest in the fall of 1978 with the Interstate Commerce Commission (ICC) that would substantially raise the present rate above that specified by the contract. This increase was protested by Iowa Power and, after a 10-month investigation and suspension, the ICC approved virtually the full amount of the increase requested by the Burlington Northern. That decision is now on appeal to the Eighth Circuit Court of Appeals. Temporary injunctions have been obtained through the courts to prevent Burlington Northern from collecting the higher rate. Iowa Power contends that the increase sought by Burlington Northern violates the railroad's contractual obligation. The Company has asked the Federal District Court in Des Moines to decide the merits of the contractual agreement before the higher rate is collected.

Natural Gas Supply Adequate

The natural gas supply outlook has changed over the past few years from one of uncertainty to one of optimism. Conservation, the connection of new gas reserves to the systems of our pipeline suppliers and additional underground storage facilities have combined to assure adequate natural gas for all of the Company's existing and new residential and small commercial customers. Projections from both Northern Natural Gas Company and Natural Gas Pipeline Company of America indicate that ample supplies will be available into the foreseeable future. Iowa Power's major supplier, Northern Natural Gas, is a principal member of the consortium involved in planning the pipeline for transportation of gas from the Prudhoe Bay (Alaska) area to the U.S. Midwest.

Sales of natural gas were down in 1979, due in large part to conservation efforts. Mandatory winter thermostat settings at 65 degrees for commercial buildings is expected

to have an additional impact although the full effect of that conservation measure cannot be estimated.

Residential use of natural gas for heating has been encouraged by the Company through a more liberal gas main extension policy. In addition, a heating facility conversion financing program was established in 1979 to make loans available for homeowners interested in converting from propane or oil heating to natural gas or electric heat pumps. Estimates indicate that over 20,000 customers on Iowa Power's system currently heat with a fuel source other than natural gas or electricity.

Research and Development

Expenditures for research and development were \$0.9 million in 1979. Participation in the activities of the Gas Research Institute and the Electric Power Research

Institute continued during the year. Joint funding by a number of utility companies, including Iowa Power, allows these institutions to conduct extensive natural gas and electricity research. Major areas of study include transportation and efficient use of existing energy sources and alternatives.

Iowa Power continued its partnership with Allis-Chalmers and 10 other utilities in the "KILnGAS" project during 1979. "KILnGAS" is a process that uses coal to produce an environmentally acceptable, low Btu synthetic gas for use as a boiler fuel for electric generation and industrial processes. Preliminary phases of the project have been completed and results appear to confirm the viability of the process. The next phase would involve funding of a demonstration plant at a site in Illinois. Iowa Power has committed nearly \$1.1 million to the project since it began in 1976.



Terri Schwab, of Richardson, Texas, has been a stockholder since 1972. She is a student at Stephen F. Austin State University in Nacogdoches, Texas, majoring in elementary education. Upon graduation, she will be certified in education for the deaf.

Iowa Power is helping finance an investigation of possible hydro-electric benefits to be derived from the Des Moines River. The project, called "Central Iowa Water Resource Study," is being conducted by the University of Iowa's Institute of Hydraulic Research, in cooperation with the Iowa Natural Resources Council and the Rock Island District of the Army Corps of Engineers. A computer-based simulation

model is being developed to examine, among other things, the economics of recreation, flood control, potential electric energy production including hydro-electric and water availability at two reservoirs located near Des Moines.

In conjunction with this study, Iowa Power has received a preliminary permit to investigate the installation of a low head hydro-electric generation facility at Lake

Red Rock southeast of Des Moines. The Federal Energy Regulatory Commission permit is the first step in developing a hydro facility if the University of Iowa studies determine such an installation would be feasible. Preliminary studies indicate the potential of generating 20 to 25 megawatts of peak generation and 8 megawatts of average capacity at Red Rock.

Consumer Relations

Activities in the consumer relations area were intensified to help achieve greater corporate visibility within the community and to provide a two-way dialog with customers. Perhaps the highest profile of these activities during 1979 was the introduction of "Town Meetings."

Five company-sponsored "Town Meetings" were held in the Des Moines area last spring. These meetings were designed to provide a forum for the exchange of concerns with customers and members of organized consumer groups. One of the major achievements provided by this contact was the opportunity to clarify misconceptions about Iowa Power's operations. Although no additional meetings are planned for 1980, future use of this forum will be considered if conditions indicate a need for this type of exchange.

Contacts with local and state governmental agencies, as well as neighborhood and community organizations concerned about the effects of rising energy costs on elderly and low income customers, were increased this past year and will receive additional emphasis during 1980.

Iowa Power has not been alone in presenting testimony on proposals to help elderly and low income customers cope with rising energy costs. Consumer groups, utilities and lawmakers across the country are interested in developing solutions to this problem. A number of these proposals



Edward and Minta Becker of Las Vegas, Nevada have been stockholders for 12 years. Retired since 1965, Becker was formerly west coast procurement representative for McDonnell Aircraft.

deal with rate design. Although the Company shares the concern of the energy cost burden on these customers, we maintain that direct subsidies from social and governmental agencies are a much fairer way to assist than by including subsidies in the pricing of electricity.

Federal grants to help lower income customers pay winter heating bills have been received by the state both of the past two winters. Iowa Power helps by publicizing this program, by furnishing energy records when requested and by referring customers to the agencies responsible.

Iowa State Commerce Commission rules have imposed a partial moratorium on service disconnections over the past two heating seasons. Although the provisions of the rules do not prohibit all cutoffs of service between November and April, they do prohibit disconnections for non-payment when outside temperatures are below 20 degrees

Fahrenheit. In essence Iowa Power's previous disconnection policies were already within the Commerce Commission guidelines.

Employee Relations

In March of 1978, a group of Iowa Power office and clerical employees voted to form a bargaining unit of the International Brotherhood of Electrical Workers (IBEW). A Wage and Working Contract was ratified by the bargaining unit on March 26, 1979 and a settlement agreement was signed to be effective on January 2, 1979. Company management believes the terms of the new agreement, which runs to April 1981, are in keeping with the voluntary wage guidelines.

An assistance program was initiated during 1979 to provide professional, confidential counseling for employees and their dependents. In many instances, troublesome personal problems adversely affect

an employee's attitude and performance on the job. The program will be coordinated through an Assistance Counselor who has been retained by Iowa Power to provide support and counseling for employees faced with personal problems. Existing community resources, such as alcoholism treatment centers, will be utilized whenever necessary.

Corporate Communications

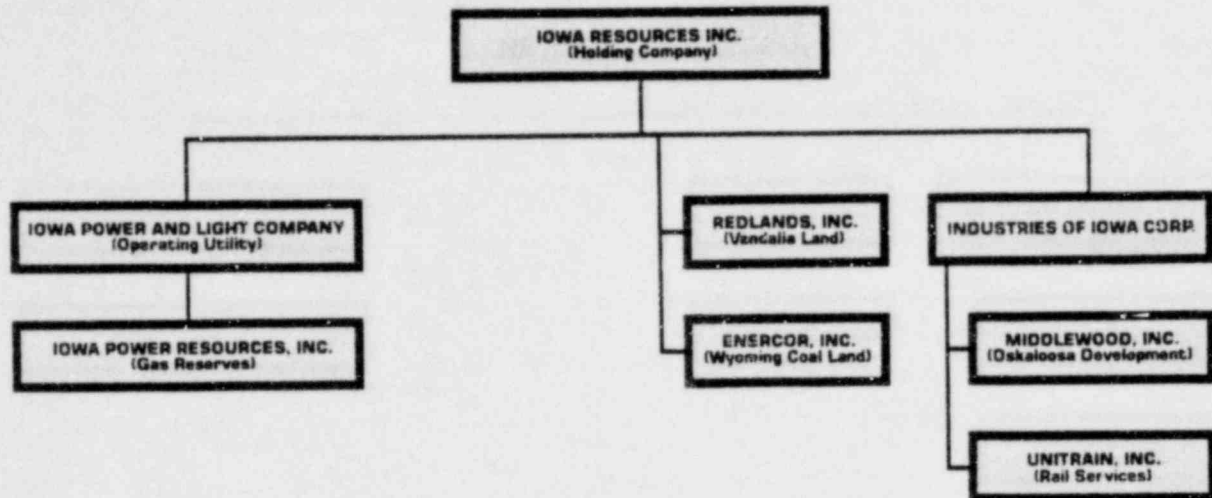
The important role played by shareowner investments, including retained earnings; availability of natural gas supplies; and building for adequate future electric generation were all addressed through corporate issue advertising during 1979. "Working for an energy future we can all live with" was again emphasized as the corporate theme in all communications.

In addition, promotions for the Budget Billing/Ener-Check programs continued in 1979 and the National Energy Watch (N.E.W.) conservation award was again publicized. Sponsored by the Edison Electric Institute, the N.E.W. program awards homeowners whose homes qualify as energy efficient.

A recent survey of Iowa Power customers indicates an ongoing desire to be kept informed about energy issues and, more importantly, what steps the Company is taking to assure adequate supplies in the future. Communications for 1980 will be formulated accordingly and will include emphasis on electric and natural gas safety. Importance of obtaining and transporting the enormous quantities of low-sulfur coal for electric generation and the possible contribution of coal gasification will also be addressed through corporate issue advertisements next year.



Stockholder Jane Givens is a homemaker in Richmond, Indiana. She and her husband, Stephen, an attorney for American Water Works Service Company, Inc. in Richmond, have owned stock for three years.



Iowa Power Resources, Inc.

Investment in the exploration, acquisition and development of new gas supplies has been handled through Iowa Power Resources, Inc. since 1974. This subsidiary of Iowa Power was formed to allow investment in new gas exploration.

Through the subsidiary, Iowa Power has entered into a number of limited partnerships involving Natural Gas Pipeline Company of America for new gas exploration both on and off-shore. Benefits have been realized from these investments including additional supplies of natural gas on our supplier's system.

ENERCOR, Inc.

ENERCOR, Inc., which was organized in 1978, owns 1,260 acres of land in the Powder River Basin in Campbell County, Wyoming, for possible future coal mining development. Although the federal government holds the rights to all coal deposits on this land, which are estimated to exceed 160 million tons, the anticipated requirements for low-sulfur Wyoming coal for electric generation make this land via-

ble for long-term development. Any coal mining activity on this property would, however, be subject to the acquisition of leasehold rights from the government. In the interim, the land has been leased for ranching operations. ENERCOR, Inc. is a wholly owned subsidiary of Iowa Resources Inc.

Redlands, Inc.

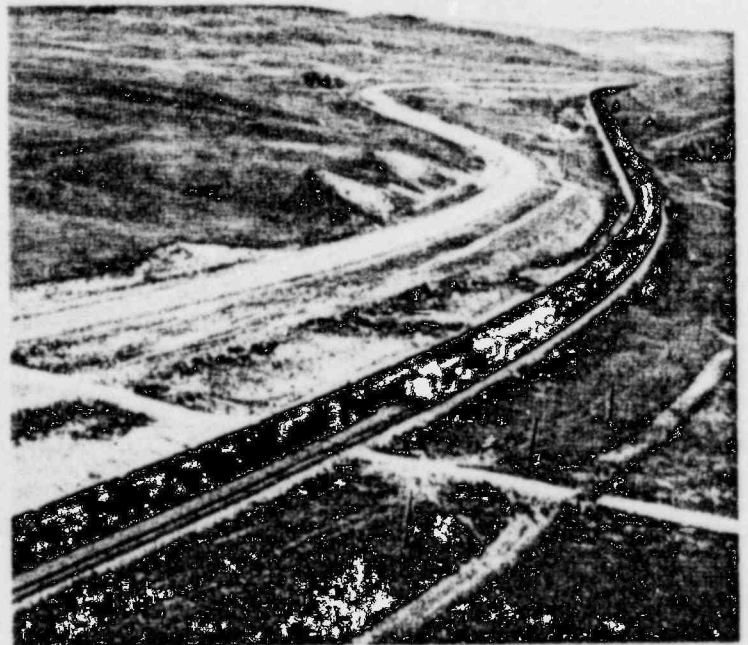
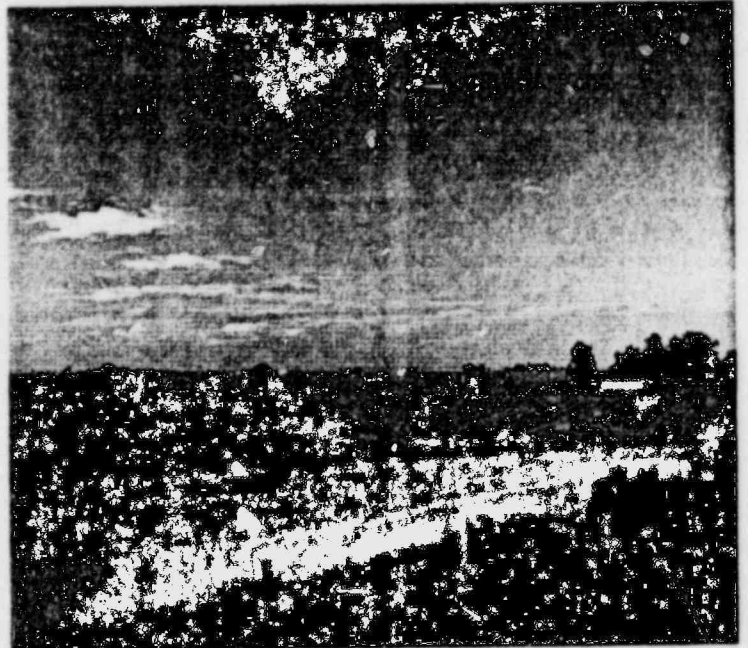
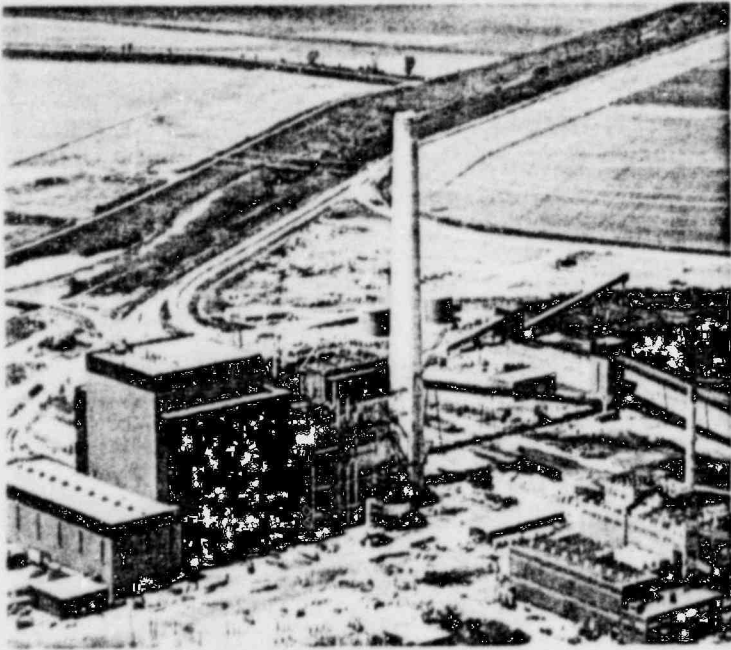
Redlands, Inc. was organized in 1975 and owns nearly 3,000 acres of land in Jasper County, Iowa, for possible future use as a generating station site. Just east of Des Moines, this land was originally purchased as the site for the proposed Vandalia Nuclear Generating Station which was suspended by Iowa Power in 1977. Although there are no immediate plans to develop this property as a power plant site, meteorological testing and dam feasibility studies have confirmed its suitability for either a coal-fired or nuclear plant. Utilization of the property is dependent on long-range power generation requirements of the central Iowa region. In the meantime, the land is leased for farming. Redlands, Inc. is a wholly owned subsidiary of Iowa Resources Inc.

Middlewood, Inc.

Middlewood, Inc. was organized in 1975 and is a partner in a planned 90-acre development in Oskaloosa, Iowa. Five acres of this land were used for Iowa Power's new service center facility that was completed in 1979. The remaining 85 acres are being developed for a mix of industrial, commercial and residential construction in a joint venture of Middlewood and The Mid-America Group. Construction of residential dwellings by local home builders began last summer. Middlewood, Inc. is a subsidiary of Industries of Iowa Corp., a newly formed and wholly owned subsidiary of Iowa Resources Inc.

UNITRAIN, Inc.

UNITRAIN, Inc., organized in 1979, is a subsidiary of Industries of Iowa Corp. UNITRAIN, Inc. manages unit train operation and maintenance activities and coordinates coal-hauling services for several Iowa utilities. Potential shortages of freight cars and the need to transport large amounts of coal into Iowa for existing and planned generation facilities through the 1980's make UNITRAIN, Inc. a viable subsidiary.



Upper left: A major event for Iowa Power during 1979 was the official dedication in June of Council Bluffs #3, the largest coal-fired generating plant in Iowa. Iowa Power owns 46.7% of the 650-megawatt plant.

Lower left: A mix of light industrial, commercial and residential construction is planned for Meadow Creek, a 90-acre development in Oskaloosa, Iowa. Middlewood, Inc. is a partner in this project.

Upper right: Redlands, Inc. owns nearly 3,000 acres of land just east of Des Moines in Jasper County, Iowa, acquired as a site for the proposed nuclear plant project which was suspended by the Company in 1977. The land is now leased for farming.

Lower right: UNITRAIN, Inc. provides coal hauling services for Iowa Power and several other Iowa utilities.



Consolidated Statement of Income and Retainer' Earnings

| | Year Ended December 31 | | | | |
|---|---|------------------|------------------|------------------|------------------|
| | 1979 | 1978 | 1977 | 1976 | 1975 |
| Revenues (Note 2) | (In Thousands) | | | | |
| Electric | \$180,164 | \$150,488 | \$139,687 | \$131,947 | \$110,908 |
| Gas | 88,725 | 76,667 | 59,799 | 49,757 | 45,898 |
| Other | 452 | 177 | 93 | — | — |
| | <u>269,341</u> | <u>227,332</u> | <u>199,579</u> | <u>181,704</u> | <u>156,806</u> |
| Expenses | Operation: | | | | |
| Purchased power-nuclear (Note 3) | 34,399 | 27,472 | 29,817 | 28,522 | 21,522 |
| Interchange power, net (Note 10) | (15,877) | 5,137 | 3,786 | 984 | 3,436 |
| Fuel for electric generation | 33,391 | 24,197 | 21,619 | 22,626 | 17,842 |
| Gas purchased for resale | 67,194 | 53,884 | 41,149 | 31,526 | 29,039 |
| Other | 32,689 | 28,468 | 24,313 | 22,147 | 19,538 |
| Maintenance | 14,184 | 12,837 | 10,696 | 10,231 | 9,105 |
| Depreciation (Note 1) | 22,070 | 16,875 | 15,454 | 14,855 | 12,875 |
| Income taxes (Note 1) | 20,409 | 12,298 | 12,208 | 13,052 | 9,301 |
| Other taxes | 16,646 | 12,945 | 11,835 | 11,375 | 11,360 |
| | <u>225,105</u> | <u>194,113</u> | <u>170,877</u> | <u>155,318</u> | <u>134,018</u> |
| Operating Income | <u>44,236</u> | <u>33,219</u> | <u>28,702</u> | <u>26,386</u> | <u>22,788</u> |
| Other Income | Allowance for equity funds used during construction and for nuclear fuel advance (Notes 1 and 2) | | | | |
| | 2,572 | 6,277 | 4,110 | 2,132 | 1,887 |
| Other, net | 373 | 66 | (604) | (424) | (142) |
| | <u>2,945</u> | <u>6,343</u> | <u>3,506</u> | <u>1,708</u> | <u>1,745</u> |
| Fixed Charges | Interest on debt | | | | |
| | 21,127 | 15,943 | 13,424 | 11,180 | 9,574 |
| Allowance for borrowed funds used during construction and for nuclear fuel advance (Notes 1 and 2) | (4,406) | (4,988) | (3,644) | (1,304) | (1,126) |
| Preferred dividends of subsidiary | 3,922 | 3,922 | 3,603 | 2,647 | 2,392 |
| | <u>20,643</u> | <u>14,877</u> | <u>13,383</u> | <u>12,523</u> | <u>10,840</u> |
| Net Income (Note 2) | <u>26,538</u> | <u>24,685</u> | <u>18,825</u> | <u>15,571</u> | <u>13,693</u> |
| Retained Earnings | Beginning of Year | | | | |
| | 51,275 | 42,637 | 37,611 | 33,544 | 29,025 |
| | <u>77,813</u> | <u>67,322</u> | <u>56,436</u> | <u>49,115</u> | <u>42,718</u> |
| Less: | Common stock dividends of \$2.49, \$2.34, \$2.165, \$2.025 and \$1.88 per share, respectively | | | | |
| | 18,710 | 16,032 | 13,496 | 11,449 | 8,839 |
| Capital stock expense | 64 | 15 | 132 | 55 | 185 |
| Discount on subsidiary preferred stock sold | — | — | 171 | — | 150 |
| End of Year | <u>\$ 59,039</u> | <u>\$ 51,275</u> | <u>\$ 42,637</u> | <u>\$ 37,611</u> | <u>\$ 33,544</u> |
| Average Shares of Common Stock Outstanding (000) | <u>7,430</u> | <u>6,814</u> | <u>5,992</u> | <u>5,523</u> | <u>4,692</u> |
| Earnings per Average Common Share Outstanding (Note 2) | <u>\$ 3.57</u> | <u>\$ 3.62</u> | <u>\$ 3.14</u> | <u>\$ 2.82</u> | <u>\$ 2.92</u> |

The accompanying notes are an integral part of this statement.



Consolidated Balance Sheet

| | | December 31 | |
|---|---|------------------|------------------|
| | | 1979 | 1978 |
| | | (In Thousands) | |
| Assets | | | |
| Property, Plant and Equipment at Cost (Note 1) | | | |
| | Electric | \$600,207 | \$564,712 |
| | Gas | 79,462 | 74,727 |
| | Common | 13,445 | 11,876 |
| | Construction work in progress | 77,066 | 41,773 |
| | Other | 8,661 | 6,876 |
| | | <u>778,841</u> | <u>699,964</u> |
| | Less-accumulated provisions for depreciation | 172,952 | 153,078 |
| | | <u>\$605,889</u> | <u>546,886</u> |
| | Productive Capacity Under Power Purchase Contract (Note 3) | 214,482 | 218,848 |
| | Nuclear Fuel Advance, Including Carrying Costs (Notes 2 and 3) | 21,063 | — |
| Current Assets | | | |
| | Cash and short-term investments | 2,749 | 1,601 |
| | Federal income tax refunds receivable (Note 1) | — | 5,239 |
| | Accounts receivable, less reserves of \$400 and \$339, respectively | 27,517 | 25,216 |
| | Materials and supplies, at average cost | 7,857 | 7,658 |
| | Electric production fuel, at average cost | 24,628 | 10,899 |
| | Prepayments and other | 3,168 | 2,563 |
| | | <u>65,919</u> | <u>53,176</u> |
| | Deferred Charges and Other Assets | 13,410 | 15,903 |
| | | <u>\$920,763</u> | <u>\$834,813</u> |
| Liabilities | | | |
| Common Equity | | | |
| | Common stock, no par; authorized 20,000,000 shares; outstanding 7,652,447 and 6,946,073 shares, respectively | \$146,308 | \$129,205 |
| | Retained earnings | 59,039 | 51,275 |
| | | <u>205,347</u> | <u>180,480</u> |
| | Preferred Stock | 45,000 | 45,000 |
| | Preferred Stock—Redeemable | 9,500 | 10,000 |
| | Long-Term Debt | 250,940 | 213,163 |
| | Total Capitalization (See Page 16) | 510,787 | 448,643 |
| | Power Purchase Contract (Note 3) | 209,910 | 214,483 |
| Current Liabilities | | | |
| | Notes payable (Note 7) | 44,824 | 34,475 |
| | Current portion of long-term debt and preferred stock | 986 | 6,784 |
| | Current portion of power purchase contract (Note 3) | 4,572 | 4,365 |
| | Accounts payable | 34,306 | 31,628 |
| | Dividends declared | 5,800 | 5,146 |
| | Taxes accrued | 21,829 | 16,687 |
| | Interest accrued | 6,111 | 4,785 |
| | Other | 1,128 | 447 |
| | | <u>119,556</u> | <u>104,317</u> |
| Reserves and Deferred Credits | | | |
| | Accumulated deferred income taxes (Note 1) | 44,281 | 37,770 |
| | Unamortized investment tax credit (Note 1) | 32,233 | 25,865 |
| | Other | 3,996 | 3,735 |
| | | <u>80,510</u> | <u>67,370</u> |
| | | <u>\$920,763</u> | <u>\$834,813</u> |

The accompanying notes are an integral part of this statement.



Consolidated Statement of Capitalization

| | | December 31 | |
|--------------------------------------|---|------------------|-----------|
| | | 1979 | 1978 |
| | | (In Thousands) | |
| Common Equity (Notes 4 and 7) | Common stock, no par value; authorized 20,000,000 shares, outstanding 7,652,447 shares and 6,946,073 shares, respectively (1,339,972 shares reserved) | \$146,308 | \$129,205 |
| | Retained earnings | 59,039 | 51,275 |
| | | 205,347 | 180,480 |
| | | 40% | 40% |
| Preferred Stock | Iowa Power and Light Company Cumulative, par value \$100, authorized 800,000 shares | | |
| | Non-Redeemable— | | |
| | 50,000 shares 3.30% | 5,000 | 5,000 |
| | 50,000 shares 4.40% | 5,000 | 5,000 |
| | 50,000 shares 4.35% | 5,000 | 5,000 |
| | 50,000 shares 4.80% | 5,000 | 5,000 |
| | 100,000 shares 7.84% | 10,000 | 10,000 |
| | 150,000 shares 8.50% | 15,000 | 15,000 |
| | | 45,000 | 45,000 |
| | | 9% | 10% |
| | Redeemable— | | |
| | 95,000 and 100,000 shares, respectively, 10.20% (Note 5) | 9,500 | 10,000 |
| | | 2% | 2% |
| Long-Term Debt (Note 7) | Iowa Power and Light Company First mortgage bonds— | | |
| | Interest Rate | | |
| | Maturities Range Average | | |
| | 1982-1986 3-1/4% to 3-5/8% 3.4% | 22,158 | 22,295 |
| | 1987-1992 3-5/8% to 4-5/8% 4.1% | 17,899 | 17,958 |
| | 1993-1998 6-5/8% 6.6% | 14,025 | 14,100 |
| | 1999-2004 6-1/2% to 10-3/4% 8.8% | 57,100 | 57,450 |
| | 2005-2007 5.9% to 8-3/4% 7.9% | 77,998 | 77,998 |
| | 2009 9-3/4% 9.8% | 30,000 | — |
| | Bank credit agreement (Note 7) | 8,500 | — |
| | Debentures, 4-5/8% due 1989 | 7,600 | 7,702 |
| | Note, 6.7% due 2003 | 1,000 | 1,000 |
| | Note, 6.1% due 2007 | 1,000 | 1,000 |
| | Pollution control revenue bonds, guaranteed— | | |
| | 5.1% due serially 1983 to 1997 | 8,600 | 8,600 |
| | 5.6% due serially 1984 to 2003 | 5,060 | 5,060 |
| | | 250,940 | 213,163 |
| | | 49% | 48% |
| | Total Capitalization | \$510,787 | \$448,643 |
| | | 100% | 100% |

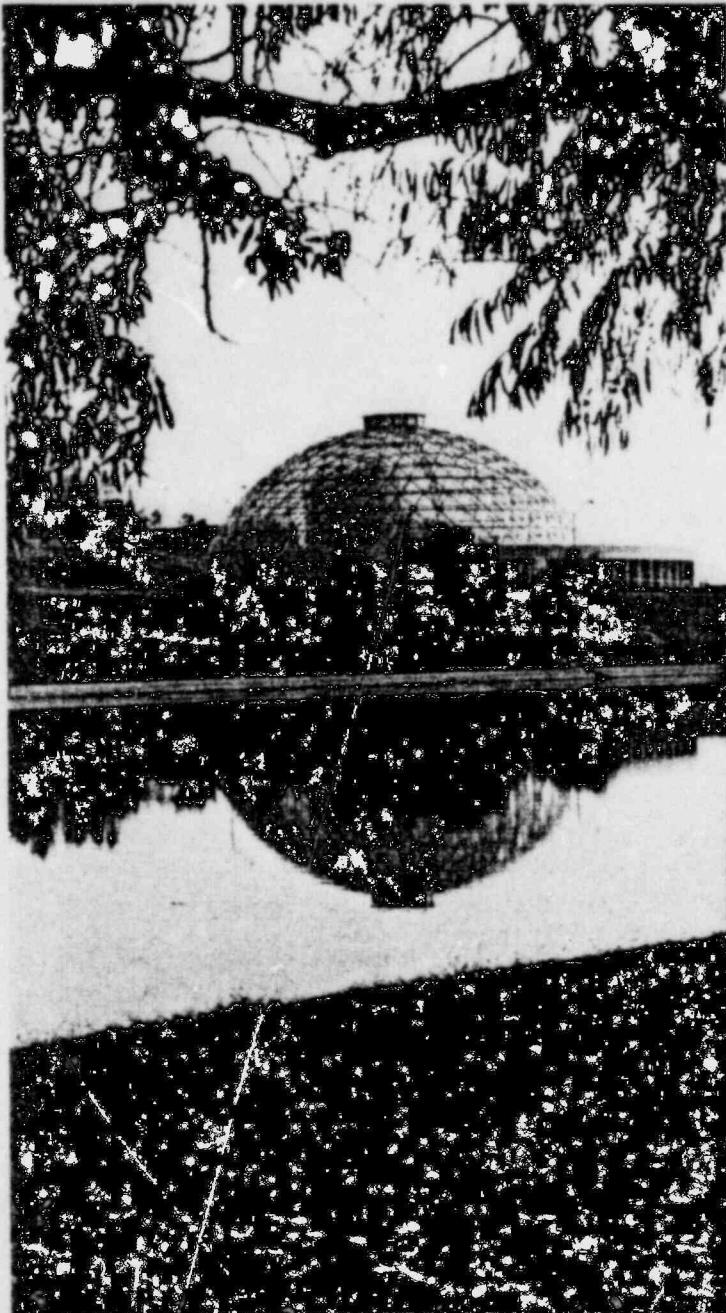
The accompanying notes are an integral part of this statement.



Consolidated Statement of Changes in Financial Position

| Source of Funds Operations | Year Ended December 31 | | | | |
|---|------------------------|------------------|------------------|------------------|------------------|
| | 1979 | 1978 | 1977 | 1976 | 1975 |
| | (In Thousands) | | | | |
| Net income (Note 2) | \$ 26,538 | \$ 24,685 | \$ 18,825 | \$ 15,571 | \$ 13,693 |
| Add items not requiring current outlay of funds: | | | | | |
| Depreciation and amortization . . . | 23,458 | 18,218 | 16,478 | 15,741 | 13,617 |
| Deferred income taxes, net | 6,511 | 5,161 | 3,686 | 3,540 | 2,571 |
| Deferral of investment tax credit, net | 6,368 | 8,253 | 5,551 | 4,158 | 2,766 |
| Allowance for funds used during construction and for nuclear fuel advance | (6,978) | (11,265) | (7,754) | (3,436) | (3,013) |
| | <u>55,897</u> | <u>45,052</u> | <u>36,786</u> | <u>35,574</u> | <u>29,634</u> |
| Change in Working Capital | | | | | |
| Notes payable | 10,349 | 34,475 | (22,680) | (7,910) | (1,010) |
| Cash, notes and accounts receivable | 2,440 | (14,307) | 2,672 | (3,535) | (2,254) |
| Short-term investments | (650) | 15,276 | (15,276) | — | — |
| Materials, supplies and electric production fuel | (13,928) | (3,235) | 1,714 | (563) | (2,300) |
| Rate refunds | (62) | (347) | (10,119) | 4,041 | 1,658 |
| Accounts payable | 2,739 | 6,141 | 2,746 | 9,560 | (481) |
| Taxes accrued | 5,142 | 344 | 3,516 | (2,984) | 6,494 |
| Interest accrued | 1,326 | (20) | 1,084 | 2,201 | (32) |
| Current portion of long-term debt and preferred stock | (5,798) | 1,207 | 5,165 | (98) | 327 |
| Other | 937 | (82) | 1,135 | (1,008) | 808 |
| | <u>2,495</u> | <u>39,452</u> | <u>(30,043)</u> | <u>(296)</u> | <u>3,010</u> |
| Financing and Other | | | | | |
| Common stock | 17,067 | 5,895 | 26,095 | 18,320 | 12,653 |
| Preferred stock | — | — | 14,759 | — | 9,775 |
| Long-term debt | 37,914 | — | 29,605 | 29,932 | — |
| Pollution control revenue bond pro- ceeds received from trustees | 3,783 | 8,209 | 16,797 | 1,183 | 2,057 |
| Other-net | 1,726 | 2,114 | 2,272 | 872 | 3 |
| | <u>60,490</u> | <u>16,218</u> | <u>89,528</u> | <u>50,307</u> | <u>24,488</u> |
| | <u>\$118,882</u> | <u>\$100,722</u> | <u>\$ 96,271</u> | <u>\$ 85,585</u> | <u>\$ 57,132</u> |
| Application of Funds | | | | | |
| Property, plant and equipment, gross . | \$ 82,524 | \$ 86,632 | \$ 83,108 | \$ 74,758 | \$ 50,011 |
| Nuclear fuel advance | 21,063 | — | — | — | — |
| Allowance for funds | (6,978) | (11,265) | (7,754) | (3,436) | (3,013) |
| Property, plant and equipment, net . . . | 96,609 | 75,367 | 75,354 | 71,322 | 46,998 |
| Common stock dividends declared . . . | 18,710 | 16,032 | 13,496 | 11,449 | 8,839 |
| Long-term debt maturities and sinking fund retirements | 856 | 7,296 | 6,529 | 924 | 724 |
| Other | 2,707 | 2,027 | 892 | 1,890 | 571 |
| | <u>\$118,882</u> | <u>\$100,722</u> | <u>\$ 96,271</u> | <u>\$ 85,585</u> | <u>\$ 57,132</u> |

The accompanying notes are an integral part of this statement.



The east bank of the Des Moines River provides a quiet, yet easily accessible location for the Botanical Center which opened in December. Inside the exhibit dome, visitors can enjoy a fascinating array of nearly 200 tropical plants and brilliant seasonal floral displays. The Des Moines Botanical Center will be the site for this year's Annual Meeting.

(1) Summary of Significant Accounting Policies:

(a) Reorganization and Consolidation

Pursuant to a corporate reorganization, effective November 1, 1979, Iowa Resources Inc. became a holding company with Iowa Power and Light Company as its principal subsidiary. The reorganization was accounted for as a pooling of interests, see Note 4. Iowa Resources was organized as a holding company to engage in various energy-related businesses.

The consolidated financial statements include the accounts of all subsidiaries after elimination of significant intercompany accounts and transactions. Certain amounts in previous years have been reclassified to conform to the 1979 presentation.

(b) General

The accounting records of Iowa Power are maintained in accordance with the uniform system of accounts prescribed by the Federal Energy Regulatory Commission (FERC) which has also been adopted by the Iowa State Commerce Commission (ISCC).

(c) Utility Plant

Electric and gas plant is stated at the original cost when first devoted to public service. Such costs include labor-related expenditures, such as payroll taxes, pensions, insurance and other fringe benefits, administrative and general costs and the cost of funds used during construction.

(d) Joint Plant Ownership

Under joint ownership agreements with other Iowa utilities, Iowa Power had undivided interests at December 31, 1979, in four electric generating units, either in service or under construction, as shown below:

| | Neal Unit No. 3 | Council Bluffs Unit No. 3 | Ottumwa Unit No. 1 | Louisa Unit No. 1 |
|---|--------------------|---------------------------------|-----------------------|----------------------|
| Utility plant in service (millions) | \$33.6 | \$151.7 | \$ — | \$ — |
| Utility plant under construction (millions) | — | 0.7 | 37.0 | 20.3 |
| Estimated for completion (millions) | — | — | 17.0 | 150.7 |
| Total (millions) | \$33.6 | \$152.4 | \$54.0 | \$171.0 |
| Accumulated depreciation (millions) | \$ 4.4 | \$ 5.3 | \$ — | \$ — |
| Unit capacity — MW | 520 | 650 | 675 | 650 |
| Iowa Power share—percent | 23% | 46.7% | 15% | 33.3% |

The dollar amounts shown above represent Iowa Power's share in each jointly-owned unit. Each participant must provide its own financing for its share of the unit. Iowa Power's share of direct expenses of the jointly-owned units is included in the corresponding operating expenses on the Consolidated Statement of Income.

(e) Revenue

Revenue from the sale of electricity and gas is recorded on the basis of meters read during the calendar year.

(f) Allowance for Funds Used During Construction (AFUDC)

The allowance for funds used during construction represents the cost of borrowed funds and a reasonable return on other funds used for construction purposes in accordance with rules prescribed by the FERC. Recognition of this item as a cost of utility plant is appropriate since it constitutes a cost of construction, and under established regulatory rate practices, Iowa Power is per-

mitted to earn a fair return on such cost and to recover it in the rates charged for utility services after the related plant is placed in service. AFUDC is a non-cash item which is classified in other income, except that the portion of the allowance related to borrowed funds is classified as a reduction of interest charges. The rate used to compute AFUDC was 10.0% in 1979 (composed of 6.2% for borrowed funds plus 3.8% for other funds) and was 8.9% in 1978 (3.9% for borrowed funds plus 5.0% for other funds). Composite rates of 8.5%, 6.5% and 8.0% were utilized to compute AFUDC for the years 1977, 1976 and 1975, respectively.

(g) Employees' Pension Plan

The costs of the pension plan, which covers substantially all employees, were \$1,932,000, \$1,807,000, \$1,397,000, \$1,134,000 and \$1,296,000 for the years 1979, 1978, 1977, 1976 and 1975, respectively, including amortization over a 30-year period of the cost of the benefits computed by reference to years of previous service. The unfunded past service cost at December 31, 1979, was estimated to be \$4,079,000. The actuarially computed value of vested benefits as of December 31, 1979, was less than the total pension fund.

(h) Federal and State Income Taxes

The items comprising income tax expense are as follows:

| | Year Ended December 31 | | | | |
|---|------------------------|-----------------|-----------------|-----------------|-----------------|
| | 1979 | 1978 | 1977 | 1976 | 1975 |
| | (In Thousands) | | | | |
| Federal income taxes— | | | | | |
| Taxes currently payable: | | | | | |
| Current provision | \$ 3,362 | \$ 2,164 | \$ 1,671 | \$ 2,946 | \$ 2,682 |
| Investment credits carried back | — | (5,239) | (903) | — | — |
| Provision for deferred taxes | 5,838 | 4,650 | 3,426 | 3,264 | 2,495 |
| Deferred taxes provided in prior years-credit | (385) | (298) | (334) | (290) | (353) |
| Investment tax credits, net | 7,921 | 8,458 | 6,151 | 4,845 | 2,766 |
| Total | <u>\$16,736</u> | <u>\$ 9,735</u> | <u>\$10,011</u> | <u>\$10,765</u> | <u>\$ 7,590</u> |
| State income taxes— | | | | | |
| Taxes currently payable | \$ 2,614 | \$ 1,753 | \$ 1,603 | \$ 1,721 | \$ 1,282 |
| Provision for deferred taxes | 1,084 | 818 | 603 | 574 | 439 |
| Deferred taxes provided in prior years-credit | (25) | (8) | (9) | (8) | (10) |
| Total | <u>\$ 3,673</u> | <u>\$ 2,563</u> | <u>\$ 2,197</u> | <u>\$ 2,287</u> | <u>\$ 1,711</u> |
| Total Federal and state income taxes— | <u>\$20,409</u> | <u>\$12,298</u> | <u>\$12,208</u> | <u>\$13,052</u> | <u>\$ 9,301</u> |

Deferred income taxes are provided for the effect of using accelerated amortization for pollution control facilities, liberalized tax depreciation and shorter asset depreciation range tax lives. As deferred taxes become currently payable, the related accumulated deferrals are credited to operating income.

The accumulated investment tax credits are being amortized over the life of the property giving rise to such credits. The amortizations for the years 1979, 1978, 1977, 1976 and 1975 were \$1,066,000, \$956,000, \$460,000, \$405,000 and \$293,000, respectively. Investment tax credits available to reduce income taxes which may be payable in future years totaled approximately \$800,000 at December 31, 1979.

The total income tax expense as set forth above produces the effective income tax rates as shown in the following schedule. These percentages are computed by dividing such total income tax expense by the sum of such tax expense, net income and preferred dividends of subsidiary. The table below reconciles effective income tax rates to the statutory Federal income tax rate applicable to each period.

| | Year Ended December 31 | | | | |
|---|------------------------|------------|------------|------------|------------|
| | 1979 | 1978 | 1977 | 1976 | 1975 |
| Effective income tax rate as reported | 40% | 30% | 35% | 42% | 37% |
| State income taxes, net of Federal income tax benefits | (3) | (3) | (3) | (4) | (3) |
| Cost of dismantling property removed from service, treated as current-year tax expense but charged to accumulated provisions for depreciation per books | 1 | 1 | 2 | 2 | 2 |
| Straight-line tax depreciation over (under) related book depreciation | (2) | — | (1) | (1) | — |
| Taxes and pension costs treated as current-year tax expense but capitalized per books | 2 | 4 | 4 | 3 | 3 |
| Allowance for funds | 6 | 13 | 11 | 5 | 6 |
| Amortization of investment tax credit | 2 | 2 | 1 | 1 | 1 |
| Other items, net | — | 1 | (1) | — | 2 |
| Statutory Federal income tax rate | <u>46%</u> | <u>48%</u> | <u>48%</u> | <u>48%</u> | <u>48%</u> |

(i) Depreciation

The provisions for depreciation as an annual percentage of the average depreciable plant in service, determined generally by the application of straight-line rates, were as follows:

| | Year Ended December 31 | | | | |
|----------|------------------------|------|------|------|------|
| | 1979 | 1978 | 1977 | 1976 | 1975 |
| Electric | 3.5% | 3.6% | 3.5% | 3.5% | 3.3% |
| Gas | 3.8 | 3.8 | 3.7 | 3.6 | 3.5 |
| Common | 7.4 | 7.6 | 6.9 | 7.8 | 7.7 |

Renewals and betterments of units of property and replacements constituting units of property are charged to utility plant accounts. The repairs of property and renewals and replacements of items determined to be less than units of property are charged to maintenance. Property units retired or otherwise disposed of in the normal course of business, together with the cost of removal less salvage, are charged to the accumulated provisions for depreciation.

(2) Rate Matters:

The Iowa statutes permit Iowa Power to place new rates into effect 120 days after filing, or such earlier time not sooner than 30 days after filing as the ISCC may allow, subject to refund pending final action by the ISCC.

In April 1979, the ISCC issued their final decision covering gas revenues collected subject to refund during 1978. A refund of \$1.3 million including interest at 9% has been made. This refund was recorded in the first quarter of 1979 and resulted in a reduction of net income per average common share of 9¢ for 1979, after allowing for income taxes at full statutory rates.

Iowa Power filed requests for new electric rates in June 1978, and new gas rates in August 1978, intended to be placed into effect on January 1, 1979, and designed to increase annual electric and gas revenues over revenues which would have resulted from rates for prior periods finally approved by the ISCC by approximately \$27 million and \$4.4 million, respectively. In response to the voluntary price standards of the Council on Wage and Price Stability, Iowa Power elected to place in effect on January 1, 1979, only such portions of the new rates as were expected to increase annual electric and gas revenues by about \$21 million and \$2.4 million, respectively, subject to refund, above the previously approved rates including the level of rates reflected in the April 1979 ISCC decision discussed above. On October 1, 1979, due to increased electric costs, the remaining portion of the June 1978 electric rate increase was placed into effect, subject to refund. The new electric and gas rates are intended, among other things, to produce sufficient revenues to offset the increased operation and interest expenses and to provide for an appropriate return on Iowa Power's investment in Council Bluffs Unit 3 which was placed into service in December 1978. The new electric rates also provide, subject to refund, for the recovery during the four years ending 1982 of \$1.4 million of the nuclear project costs which were estimated to have no value for any future resumption of plans to construct a nuclear generating facility in central Iowa.

Electric and gas revenues for 1979 include \$23.8 million and \$2.4 million, respectively, subject to refund as to any amount not allowed by the ISCC. After allowing for income taxes at full statutory rates, net income and earnings per average common share for 1979 include \$13.0 million and \$1.76, respectively, attributable to revenues subject to refund.

In March 1979, Iowa Power paid \$19.6 million to Nebraska Public Power District (NPPD) for Iowa Power's share of uranium costs needed for three refuelings at Cooper Nuclear Station. Iowa Power is accruing carrying costs on this advance and has requested approval of accounting procedures which will amortize the advance and carrying costs and recover these amounts in future electric rates. The ISCC has not given final approval or rejection to the proposed accounting and rate treatment. At December 31, 1979, these carrying costs were \$1.5 million (\$0.6 million of equity funds and \$0.9 million of borrowed funds) or \$0.20 per average common share.

All of Iowa Power's electric sales are currently subject to an Energy Cost Adjustment Clause. The clause is designed to reflect changes in the costs of fuel used by Iowa Power to generate electricity and changes in the costs of electricity purchased by Iowa Power and to minimize the time required to reflect such changes in its electric rates.

All of Iowa Power's gas sales are subject to an automatic Purchased Gas Adjustment Clause which reflects changes in prices charged by its pipeline suppliers. Changes in monthly contract demand and commodity cost per unit of gas purchased by Iowa Power are reflected in the regular monthly bills sent to its gas customers beginning 15 days after the date such unit costs change.

(3) Long-Term Power Purchase Contract:

Under a contract with the NPPD, Iowa Power is purchasing one-half of the output of the 778 megawatt Cooper Nuclear Station at Brownville, Nebraska, which was placed in commercial service on July 1, 1974. As of December 31, 1979, NPPD had issued \$467.6 million of Nuclear Facility Revenue Bonds (average interest rate of 5.8%) to finance the construction of this station, to provide necessary working capital and to satisfy debt service requirements through June 30, 1974. A total of \$429 million and \$438 million of such bonds was outstanding at December 31, 1979 and 1978, respectively.

Iowa Power has agreed to pay, during the period expiring in 2004, one-half of the monthly fixed and operating costs of the plant (excluding depreciation) and its proportionate share of the nuclear fuel costs based upon energy actually delivered. These payments to NPPD are reflected as "Purchased Power-Nuclear" in the Consolidated Statement of Income and in the current rate-making process. The monthly fixed costs include the debt service payments necessary to retire the principal of and to pay the interest on one-half of the bonds issued by NPPD. The amount of debt service payments on a monthly basis approximates \$1.4 million and is not contingent upon the plant being in operation. The net interest component of Iowa Power's payments to NPPD were \$10,444,000, \$11,556,000, \$12,134,000, \$11,640,000 and \$11,489,000 for the years 1979, 1978, 1977, 1976 and 1975, respectively.

NPPD has contracted with General Electric (GE) for nuclear fuel and fuel services for fuel loadings through 1980 and for GE to purchase the spent nuclear fuel from such fuel loadings. GE has failed to remove spent fuel, alleging that federal policy on reprocessing spent nuclear fuel excuses its obligation to perform under such contract. In October 1978, NPPD commenced litigation against GE seeking specific performance under the contract. Iowa Power is not a party to the litigation. NPPD has completed expansion of its nuclear fuel storage capacity at Cooper Nuclear Station and estimates that such expanded storage facilities will be adequate to store all of the spent nuclear fuel which GE is obligated to remove under its contract and to serve NPPD's further needs for storage until approximately 1990. NPPD financed the expansion of its nuclear fuel storage capacity through the sale of the Nuclear Facility Revenue Bonds referred to above. As a result of GE's failure to pay for and remove spent fuel, NPPD is including this unrecovered amount and a provision for final disposal of spent fuel in the fuel cost billed to Iowa Power. In the event that NPPD is successful in its litigation with GE, the future fuel cost billed to Iowa Power will be reduced by the amounts recovered.

The monthly payments include amounts required for the maintenance of various funds and reserves pursuant to the terms of NPPD's Nuclear Facility Revenue Bond Resolution and the power purchase contract. It is assumed that these funds and reserves will be available at the completion of the power purchase contract to pay costs of decommissioning the station.

NPPD has entered into a contract with Mobil Oil Corporation (Mobil) for the delivery of uranium concentrates which will provide most of NPPD's nuclear fuel requirements for the years 1981 through 1983. The contract provided for a cash advance to Mobil

of which Iowa Power's 50% share was \$19.6 million. The accounting and rate treatment of this advance is discussed in Note 2. NPPD has purchased additional uranium concentrates from Sohio Natural Resources Company in connection with nuclear fuel requirements through 1983 and is actively pursuing additional contracts for subsequent years. In addition, NPPD has entered into a contract with Allied Chemical Corporation for conversion services covering the period 1980-1987. NPPD has a uranium enrichment services contract with the Department of Energy. NPPD has contracted with GE for fuel fabrication and supporting services beginning with the fuel reload required in 1981 and extending for eight years.

The Company reflects on the Consolidated Balance Sheet as a liability the portion (50%) of NPPD's Nuclear Facility Revenue Bonds outstanding for which the Company is obligated to pay over the term of the contract, with a like amount representing its right to purchase power under the contract as an asset. Inclusion of such amounts on the Consolidated Balance Sheet has had no effect on net income nor on any amounts in the accompanying Consolidated Statement of Income inasmuch as no changes have been made to date in the manner in which the payments made to NPPD are recovered in the ratemaking process.

(4) Common Stock:

Effective with the reorganization on November 1, 1979 holders of shares of Iowa Power common stock automatically became shareowners of Iowa Resources common stock on a share for share basis. From January 1, 1975, to December 31, 1979, common stock outstanding increased by a total of 3,437,505 shares. This increase in common stock outstanding arose from the sale of 66,528 shares of common stock to employees under an Employee Stock Purchase Plan, from the sale of 708,377 shares to shareholders through the Automatic Dividend Reinvestment and Stock Purchase Plan, from the issuance of 137,600 shares to the Tax Reduction Act Employee Stock Ownership Trust, and from the sales of common stock to the public in 1979 (375,000 shares), in 1977 (850,000 shares), in 1976 (700,000 shares) and in 1975 (600,000 shares).

Common stock changed during the periods as follows:

| | Year Ended December 31 | | | | |
|---|------------------------|-----------|-----------|-----------|-----------|
| | 1979 | 1978 | 1977 | 1976 | 1975 |
| | (In Thousands) | | | | |
| Balance beginning of period | \$129,205 | \$123,295 | \$ 97,137 | \$ 78,763 | \$ 66,000 |
| Additions arising from sales of common stock to employees | 438 | 352 | 261 | 193 | 162 |
| Additions arising from sales of common stock to the public | 14,853 | 4,561 | 25,470 | 17,903 | 12,601 |
| Additions arising from issuance of common stock to the Tax Reduction Act Employee Stock Ownership Trust | 1,812 | 997 | 427 | 278 | — |
| Balance end of period | \$146,308 | \$129,205 | \$123,295 | \$ 97,137 | \$ 78,763 |

Under an Automatic Dividend Reinvestment and Stock Purchase Plan holders of common stock may purchase new shares of common stock. A total of 981,284 shares of common stock was reserved for sale under the Plan at December 31, 1979.

Under an Employee Stock Purchase Plan eligible employees may purchase new shares of common stock. A total of 166,288 shares of common stock was reserved for sale under the Plan at December 31, 1979.

Under a Tax Reduction Employee Stock Ownership Plan (TRAESOP) new shares of common stock are issued to eligible employees. Funds contributed to the TRAESOP, in the form of common stock, are used to reduce Federal income taxes payable. A total of 192,400 shares of common stock was reserved for issuance under the plan at December 31, 1979.

(5) Redeemable Preferred Stock:

At December 31, 1979, 100,000 shares, \$100 par value, 10.20% Series, Cumulative Preferred Stock is subject to a sinking fund requirement to retire 5,000 shares on April 1 of each year commencing in 1980. The sinking fund payments will retire the entire issue not later than April 1, 1999. No other series of the Cumulative Preferred Stock is subject to any mandatory redemption requirement.

(6) Construction Expenditures and Commitments:

Expenditures for property, plant and equipment for 1979 were \$82.5 million and are budgeted at \$97.2 million in 1980. Iowa Power has made construction commitments beyond 1980 of approximately \$76 million for its portion of jointly-owned generating additions.

On February 18, 1977, plans for the construction of a proposed 1,270,000 kw jointly-owned nuclear facility in central Iowa (Vandalia Project) were suspended indefinitely by the participants due to substantial delays anticipated in obtaining regulatory approvals of the proposed site and facility under new Iowa plant siting legislation and uncertainties being experienced by other utilities in federally regulated licensing and construction activities.

Expenditures through December 31, 1979, totaled \$9.1 million, a portion of which is deemed to have no value and is being amortized, see Note 2.

(7) Financings:

(a) Short-Term Debt

Interim financing of the construction program is obtained from short-term borrowing from banks or sale of commercial paper. At December 31, 1979, lines of credit with various banks totaled \$44.7 million for which the banks are compensated with either a fee or compensating balance. Short-term loans are generally

arranged on a demand basis for periods of varying length not to exceed 270 days at a rate based on the prime rate or commercial paper rate then in effect.

Comparable short-term borrowing statistics are:

| | 1979 | 1978 |
|---|---------------|--------|
| | (In Millions) | |
| Maximum short-term borrowings outstanding during year | \$55.7 | \$37.8 |
| Average daily amount of short-term borrowings | \$28.5 | \$17.4 |
| Weighted average interest rate | 11.5% | 8.4% |

(b) Bank Credit Agreement

As of December 28, 1979, Iowa Power and Continental Illinois National Bank and Trust Company entered into a \$30 million credit agreement for long-term notes to mature no later than December 31, 1986. The maximum amount of such notes outstanding for 1979 was \$8.5 million at an interest rate of 15 1/4 %.

(c) Sale of First Mortgage Bonds

Iowa Power sold \$30 million First Mortgage Bonds, 9 3/4 % Series due 2009, on January 30, 1979. The net proceeds of \$29.5 million were applied toward the payment of short-term debt.

(d) Sale of Additional Common Stock

On January 25, 1979, 375,000 shares of additional common stock were sold. The net proceeds of \$9.4 million were applied toward the payment of short-term debt.

(8) Segments of Business:

Iowa Resources is a holding company engaged in various aspects of the energy business. Iowa Power is its wholly-owned utility operating company engaged in generating and distributing electrical energy and distributing natural gas.

| | 1979 | | | |
|--|----------------|-----------|----------|-----------|
| | Electric | Gas | Other | Total |
| | (In Thousands) | | | |
| Operating information— | | | | |
| Revenues | \$180,164 | \$ 88,725 | \$ 452 | \$269,341 |
| Pre-tax operating income | \$ 58,792 | \$ 5,668 | \$ 185 | \$ 64,645 |
| Income taxes | | | | 20,409 |
| Operating income | | | | \$ 44,236 |
| Other information— | | | | |
| Depreciation | \$ 19,198 | \$ 2,872 | — | \$ 22,070 |
| Property, plant and equipment expenditures | \$ 71,742 | \$ 8,998 | \$ 1,784 | \$ 82,524 |
| Investment information— | | | | |
| Identifiable assets (a) | \$827,065 | \$ 74,620 | \$ 9,158 | \$910,843 |
| Assets utilized for overall operations | | | | 9,920 |
| Total assets | | | | \$920,763 |

| | 1978 | | | |
|--|----------------|-----------|----------|-----------|
| | Electric | Gas | Other | Total |
| | (In Thousands) | | | |
| Operating information— | | | | |
| Revenues | \$150,488 | \$ 76,667 | \$ 177 | \$227,332 |
| Pre-tax operating income | \$ 37,057 | \$ 8,393 | \$ 67 | \$ 45,517 |
| Income taxes | | | | 12,298 |
| Operating income | | | | \$ 33,219 |
| Other information— | | | | |
| Depreciation | \$ 14,193 | \$ 2,682 | \$ — | \$ 16,875 |
| Property, plant and equipment expenditures | \$ 79,004 | \$ 5,019 | \$ 2,609 | \$ 86,632 |
| Investment information— | | | | |
| Identifiable assets (a) | \$750,903 | \$ 68,347 | \$ 7,294 | \$826,544 |
| Assets utilized for overall operations | | | | 8,269 |
| Total assets | | | | \$834,813 |

| | 1977 | | | |
|--|----------------|-----------|----------|-----------|
| | Electric | Gas | Other | Total |
| | (In Thousands) | | | |
| Operating information— | | | | |
| Revenues | \$139,687 | \$ 59,799 | \$ 93 | \$199,579 |
| Pre-tax income | \$ 35,791 | \$ 5,112 | \$ 7 | \$ 40,910 |
| Income taxes | | | | 12,208 |
| Operating income | | | | \$ 28,702 |
| Other information— | | | | |
| Depreciation | \$ 12,879 | \$ 2,575 | \$ — | \$ 15,454 |
| Property, plant and equipment expenditures | \$ 78,295 | \$ 3,553 | \$ 1,260 | \$ 83,108 |
| Investment information— | | | | |
| Identifiable assets (a) | \$678,213 | \$ 60,565 | \$ 4,270 | \$743,048 |
| Assets utilized for overall operations | | | | 20,101 |
| Total assets | | | | \$763,149 |

(a) Identifiable assets for electric and gas are utility plant less reserves for depreciation and amortization, electric production fuel, deferred gas purchase costs and natural gas storage, other material and supplies, net accounts receivable, productive capacity under power purchase contract, and pollution control revenue bond proceeds held by trustee. Identifiable assets for other consists primarily of land.

(9) Capital Leases:

Certain leases of Iowa Power presently accounted for as non-capitalized financing leases in accordance with their treatment in the ratemaking process meet the criteria for classification as capital leases in reporting requirements of the Securities and Exchange Commission. If such leases had been accounted for as capital leases, assets would have increased by \$6.9 million and \$5.5 million and liabilities would have increased by \$6.3 million and \$4.8 million as of December 31, 1979 and December 31, 1978, respectively. If such leases had been accounted for as capital leases, expenses would not have increased materially.

(10) Interchange Power, Net:

The addition of Council Bluffs Unit 3 generating unit in December 1978, reduced the 1979 energy purchases and provided capacity for participation sales to Iowa Electric Light and Power Company through April 1981. Sales for 1979 were \$8.7 million and are reflected as Interchange Power, Net on the Consolidated Statement of Income.

(11) Quarterly Financial Data (Unaudited):

For the quarters shown, operating revenues, operating income, net income, and earnings per average share of common stock were as follows:

| 1979 | Quarter Ended | | | |
|--|---------------|----------|----------|----------|
| | Mar. 31 | June 30 | Sept. 30 | Dec. 31 |
| Revenues (000) | \$83,920 | \$54,648 | \$61,556 | \$69,217 |
| Operating Income (000) | 13,236 | 7,863 | 11,523 | 11,614 |
| Net Income (000) | 8,945 | 3,531 | 7,142 | 6,920 |
| Earnings per Average Share of Common Stock | \$1.24 | \$.48 | \$.96 | \$.91 |
| 1978 | | | | |
| Revenues (000) | \$70,112 | \$49,181 | \$53,651 | \$54,388 |
| Operating Income (000) | 11,735 | 5,355 | 9,105 | 7,024 |
| Net Income (000) | 9,620 | 3,278 | 6,799 | 4,988 |
| Earnings per Average Share of Common Stock | \$1.43 | \$.48 | \$1.00 | \$.72 |

Since the average number of shares of common stock outstanding increased each quarter, the sum of the quarterly earnings per average share will not necessarily equal the earnings per average share for a twelve month period.

The foregoing amounts are unaudited but reflect, in the opinion of management, all normal recurring adjustments necessary for a fair statement of the results of operations for such quarters.

(12) Supplementary Information to Disclose Effects of Changing Prices (Unaudited):

This supplementary presentation, made consistent with Statement No. 33 of the Financial Accounting Standards Board (FASB), is intended to set forth the effect of both general inflation and changes in specific prices. It should be viewed as an estimate of the approximate effect of inflation, rather than as a precise measure.

Constant dollar amounts represent historical cost stated in terms of dollars of equal purchasing power, as measured by the Consumer Price Index for all Urban Consumers (CPI-U). Current cost amounts reflect the changes in specific prices of property, plant and equipment from the date acquired to the present, and differ from constant dollar amounts to the extent that specific prices have increased more or less rapidly than the general rate of inflation. The current cost is determined by indexing surviving property, plant and equipment by the Handy-Whitman index of Public Utility Construction Costs. Since the property, plant and equipment is not expected to be replaced precisely in kind, current cost does not necessarily represent replacement cost.

Provision for depreciation is determined by applying the same depreciation rates to the trended plant accounts as applied for historical cost depreciation.

Since only historical costs are deductible for income tax purposes, the income tax expense in the historical cost financial statements is not restated for inflation.

Statement of adjusted income from operations and certain financial statistics for:

| | Year Ended December 31, 1979 | | |
|--|------------------------------|--------------------------------------|-----------------------------------|
| | Conventional Historical Cost | Constant Dollar Average 1979 Dollars | Current Cost Average 1979 Dollars |
| Revenues | \$269,341 | \$269,341 | \$269,341 |
| Operation and Maintenance | 182,626 | 182,626 | 182,626 |
| Interest Expense | 21,127 | 21,127 | 21,127 |
| Depreciation and Amortization | 22,070 | 40,894 | 44,259 |
| Income Taxes | 20,409 | 20,409 | 20,409 |
| Other Income and Deductions-Net | (3,429) | (3,429) | (3,429) |
| | <u>242,803</u> | <u>251,627</u> | <u>264,992</u> |
| Income from Continuing Operations Exclusive of Reduction to Recoverable Amount | \$ 26,538 | \$ 7,714 | \$ 4,349 |
| Increase in Specific Prices | | \$ — | \$ 61,548 |
| Reduction to Net Recoverable Amount | | (48,451) | (8,273) |
| Increase in General Price Level | | — | (98,361) |
| | | (48,451) | (45,086) |
| Reduction of Purchasing Power Loss | | 45,152 | 45,152 |
| Net | | <u>\$ (3,299)</u> | <u>\$ 66</u> |

At December 31, 1979, the historical cost of property, plant and equipment, before deduction for depreciation, was \$779 million. The similar amount determined for constant dollars was \$1,298 million and for current cost was \$1,464 million.

Under the ratemaking prescribed by the regulatory commissions to which Iowa Power is subject, only the historical cost of plant is recoverable in revenues as depreciation. Therefore, the excess of the cost of utility plant stated in terms of constant dollars or current cost over the historic cost is not presently recoverable in rates and is included in the cost of maintaining stockholders' equity.

For the same reason the present and future depreciation provisions are inadequate for purposes of maintaining the purchasing power invested by the common stockholders and the related cash flows are inadequate for replacing the property. The impact of this ratemaking process on the common stockholders is mitigated to the extent that depreciable property is financed with debt which can be repaid with dollars of less purchasing power.

The five-year presentation following, also made consistent with FASB No. 33, is intended to assist in analysis of the Company's financial statements relative to inflation.

Statement of selected supplementary financial data adjusted for effects of changing prices for:

| | Year Ended December 31 | | | | |
|---|---|-----------|-----------|-----------|-----------|
| | (Thousands of Dollars Except Per Share Items) (Constant Dollars in Average 1979 Dollars) | | | | |
| | 1979 | 1978 | 1977 | 1976 | 1975 |
| Operating revenues: | | | | | |
| Historical cost dollars | \$269,341 | \$227,332 | \$199,579 | \$181,704 | \$156,806 |
| Constant dollars | 269,341 | 253,044 | 239,165 | 231,792 | 211,571 |
| Income from continuing operations adjusted for general inflation | \$ 7,714 | | | | |
| Per common share | \$ 1.04 | | | | |
| Income from continuing operations adjusted for current cost | \$ 4,349 | | | | |
| Per common share | \$ 0.59 | | | | |
| Net assets at year-end at recoverable amount adjusted for general inflation or current cost | \$195,700 | | | | |
| Cash dividends declared per common share: | | | | | |
| Historical cost dollars | \$ 2.49 | \$ 2.34 | \$ 2.165 | \$ 2.025 | \$ 1.88 |
| Constant dollars | 2.49 | 2.60 | 2.59 | 2.58 | 2.54 |
| Market price per common share at year-end: | | | | | |
| Historical cost dollars | \$ 22.25 | \$ 25.38 | \$ 26.88 | \$ 25.88 | \$ 22.63 |
| Constant dollars | 21.01 | 27.21 | 31.42 | 32.29 | 29.60 |
| Average consumer price index | 217.5* | 195.4 | 181.5 | 170.5 | 161.2 |

*Estimated

Auditors' Report

TO THE SHAREOWNERS AND BOARD OF DIRECTORS OF IOWA RESOURCES INC.

We have examined the consolidated balance sheet and statement of capitalization of Iowa Resources Inc. (an Iowa corporation, refer to Note 1(a) for corporate reorganization) and subsidiaries as of December 31, 1979 and 1978, and the related consolidated statements of income and retained earnings and changes in financial position for each of the years in the five-year period ended December 31, 1979. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our auditors' report dated January 24, 1979, our opinion with respect to the 1978 financial statements was qualified as being subject to the effect, if any, of the regulatory decision on the 1978 gas rate increase collected subject to refund. As discussed in Note 2 of Notes to the Consolidated Financial Statements, a final decision was reached in April 1979, and the refund was recorded in the first quarter of 1979. As a result, our opinion qualification with respect to the 1978 consolidated financial statements is removed.

As discussed in Note 2 of Notes to Consolidated Financial Statements, the financial statements for 1979 include carrying costs accrued on a nuclear fuel advance and gas and electric revenues collected subject to refund. These matters are pending regulatory decision of the Iowa State Commerce Commission.

In our opinion, subject to the effect, if any, on the 1979 financial statements of the regulatory decisions on the carrying costs of a nuclear fuel advance and the gas and electric rate increases referred to in the preceding paragraph, the financial statements referred to above present fairly the consolidated financial position of Iowa Resources Inc. and subsidiaries as of December 31, 1979 and 1978, and the consolidated results of their operations and the changes in their financial position for each of the years in the five-year period ending December 31, 1979, in conformity with generally accepted accounting principles applied on a consistent basis.

ARTHUR ANDERSEN & CO.

Des Moines, Iowa
January 30, 1980



An estimated crowd of 340,000 attended the Papal Mass held at Living History Farms in Des Moines on October 4. The week-long visit of Pope John Paul II to the United States also included visits to Boston, New York City, Chicago and Washington, D.C.

Changes in the results of operations since 1978 were caused primarily by changes in the following factors.

Revenues were up 18.5% in 1979 and 13.9% in 1978 because of the following:

| Cause | Revenue Increase (Decrease) From The Prior Year (In Thousands) | |
|---------------------------|---|-----------------|
| | 1979 | 1978 |
| Electric | | |
| Changes in— | | |
| Use per customer | \$(1,379) | \$ 7,988 |
| Price per kwh | 29,095 | (247) |
| Number of customers | 1,960 | 3,060 |
| | <u>\$29,676</u> | <u>\$10,801</u> |
| Gas | | |
| Changes in— | | |
| Use per customer | \$(2,650) | \$ 2,802 |
| Price per customer | 15,161 | 13,463 |
| Number of customers | (453) | 603 |
| | <u>\$12,058</u> | <u>\$16,868</u> |

Higher electric rates in 1979 accounts for the major portion of the 19.7% increase in 1979 electric revenues, while a 7.3% increase in 1978 electric sales is the principal factor accounting for the increase in 1978 electric revenues.

Unit gas sales were down 2.6% in 1979 and up 4.0% in 1978 while gas revenues for these years increased 15.7% and 28.2%, respectively. This increase in gas revenue is due primarily to the higher cost of gas purchased which, in turn, is flowed through the Purchased Cost of Gas Adjustment Clause.

A further discussion of electric and gas rate increases can be found in Footnote (2) to the Consolidated Financial Statements.

Fuel for Electric Generation costs increased in 1979 and 1978 by 38.0% and 11.9%, respectively. Costs increased in 1979 due primarily to increased generation resulting from the addition of Council Bluffs Unit 3 (Unit 3), placed in service in December 1978. While the cost of coal including transportation charges increased substantially in 1979 for other generating stations, per ton coal charges for Unit 3, which accounted for 59% of total generation in 1979, were significantly lower than average coal costs for all plants in 1978. In 1978 increases in per ton costs of fuel accounted for the increased expenditures. Company generated electricity increased less than 1% in 1978. Changes in costs of fuel used in electric generating facilities are reflected in the Energy Cost Adjustment Clause in Iowa Power's electric rates.

Purchased Power — Nuclear costs increased in 1979 and decreased slightly in 1978 due primarily to changes in the fuel cost portion of the cost of energy purchased from Cooper Nuclear Station (Cooper). The cost of fuel increased 96.7% and decreased 24.4% for 1979 and 1978, respectively.

Iowa Power pays its proportionate share of Cooper's fixed, operating and fuel costs, and although its commitment is recorded on the Consolidated Balance Sheet, the energy received from Cooper is accounted for as purchased energy. Since Cooper has been in operation, the need to purchase electricity from other sources has been reduced. However, Iowa Power has purchased electricity when such purchases could be made at a lower cost than would have been incurred if it produced its own energy. The Energy Cost Adjustment Clause reflects the cost of the nuclear fuel and the cost of other energy purchases. (See Note 3 of Notes to Consolidated Financial Statements.)

Interchange Power, Net costs decreased substantially in 1979 and increased moderately in 1978. Increased energy sales and fewer purchases from other utilities in 1979 due to the additional capacity of Unit 3 accounted principally for the 1979 decrease. The 1978 increase was due primarily to an increase in net purchases from other utilities.

Gas Purchased for Resale increased in both 1979 and 1978 due to higher unit prices charged by pipeline suppliers. Increases in unit costs of gas are recoverable through the Purchased Gas Adjustment Clause in the gas rates. Unit gas sales decreased 2.6% in 1979 resulting from public conservation and more moderate heating requirements in 1979. Sales increased by 4.0% in 1978.

Other Operation expenses reflect primarily increases in wages and benefits to the employees and increased costs of materials and supplies. Other operating costs also increased slightly in 1979 due to the operation of Unit 3, placed in service in 1978.

Maintenance expenses reflect increases in employees' wages and benefits and increases in the costs of materials and supplies. Scheduled outages for the installation of a new water cooling system permitted more extensive maintenance at Des Moines Power Station in 1978.

Depreciation expense increased in both 1979 and 1978 due to increases in depreciable plant in service.

Income Taxes increased in 1979 because of an increase in taxable income and the effective tax rate, which more than offsets a decrease in the federal income statutory rate to 46% in 1979 from 48%.

Other Taxes increased in both years due primarily to an increase in property taxes resulting from new construction.

Allowance for Equity and Borrowed Funds Used During Construction and for Nuclear Fuel Advance decreased in 1979 and increased in 1978. These variations were due primarily to construction expenditures on Unit 3, placed in service in December 1978. The allowance for funds rate increased to 10.0% in 1979 from 8.9% in 1978. Starting in April 1979, Iowa Power began accruing carrying costs on a \$19.6 million advance payment to the Nebraska Public Power District for the Company's share of uranium costs needed for three refuelings at Cooper Nuclear Station. (See Notes 1f and 2 of Notes to Consolidated Financial

Statements.)

Other Income (Deductions), Net increased in 1978 due to a reduction in other interest expense, which is comprised primarily of interest on rate refunds and income tax deficiencies.

Interest on Debt, comprised of both long and short-term debt expenditures, was up substantially in 1979 and moderately in 1978. The 1979 increase reflects primarily the sale of \$30 million First Mortgage Bonds in January 1979 and approximately \$11 million of Pollution Control Revenue Bonds in December 1978. In addition, short-term borrowings and interest rates increased in 1979. The 1978 increase is due to an increase in long-term debt incurred as permanent financing for the construction program and an increase in short-term interest rates.

Common Stock Dividends and Prices

The Company and predecessor companies have paid dividends on Common Stock each year since 1909. The price range of the Common Stock in the New York Stock Exchange — Composite Transactions and dividends declared during the periods indicated were as follows:

| | Dividends Declared | Price Range | |
|----------------|--------------------|-------------|--------|
| | | High | Low |
| 1979 | | | |
| First Quarter | \$.60 | 26 | 24-1/2 |
| Second Quarter | .63 | 26 | 22-3/8 |
| Third Quarter | .63 | 25-7/8 | 24 |
| Fourth Quarter | .63 | 24-1/8 | 21-1/8 |
| 1978 | | | |
| First Quarter | \$.56 | 26-7/8 | 25 |
| Second Quarter | .59 | 26-3/4 | 25 |
| Third Quarter | .59 | 28 | 26-1/8 |
| Fourth Quarter | .60 | 27 | 23-7/8 |

Lines of Business

The approximate percentages of the Company's revenues and income before taxes for the years 1975 through 1979 were as follows:





| | Year Ended December 31 | | | | |
|---|------------------------|------|------|------|------|
| | 1979 | 1978 | 1977 | 1976 | 1975 |
| Revenues | | | | | |
| Electric | 67% | 66% | 70% | 73% | 71% |
| Gas | 33 | 34 | 30 | 27 | 29 |
| Operating Income Before Income Taxes | | | | | |
| Electric | 91 | 82 | 88 | 86 | 83 |
| Gas | 9 | 18 | 12 | 14 | 17 |

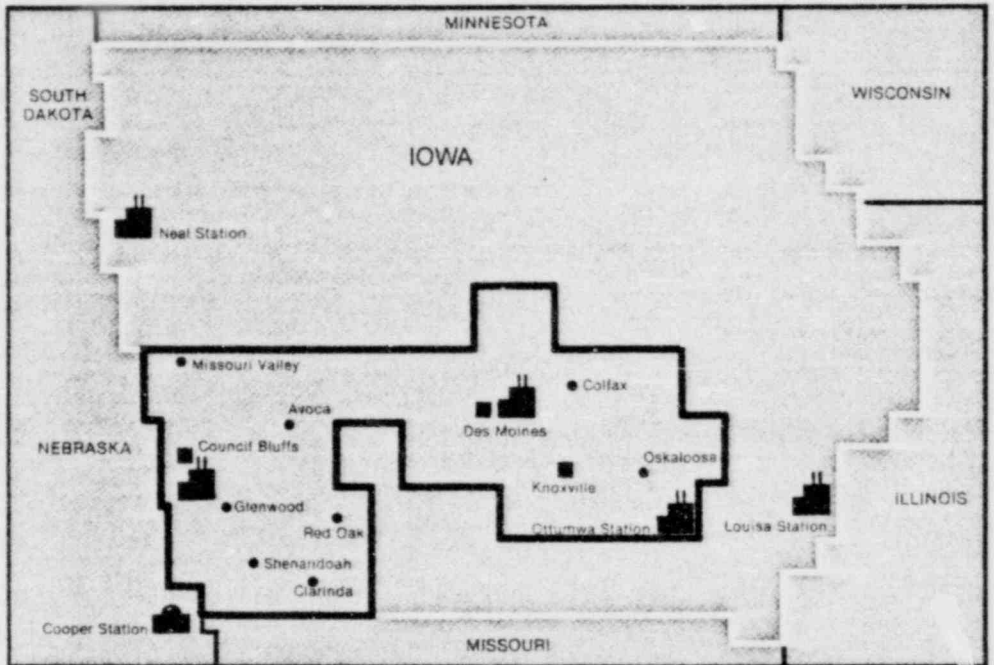
Approximately 64% of the Company's 1979 operating revenues was derived from electric and gas service furnished in Des Moines and environs.

Revenues and operating income from sources other than electric and gas is less than one percent in each year.

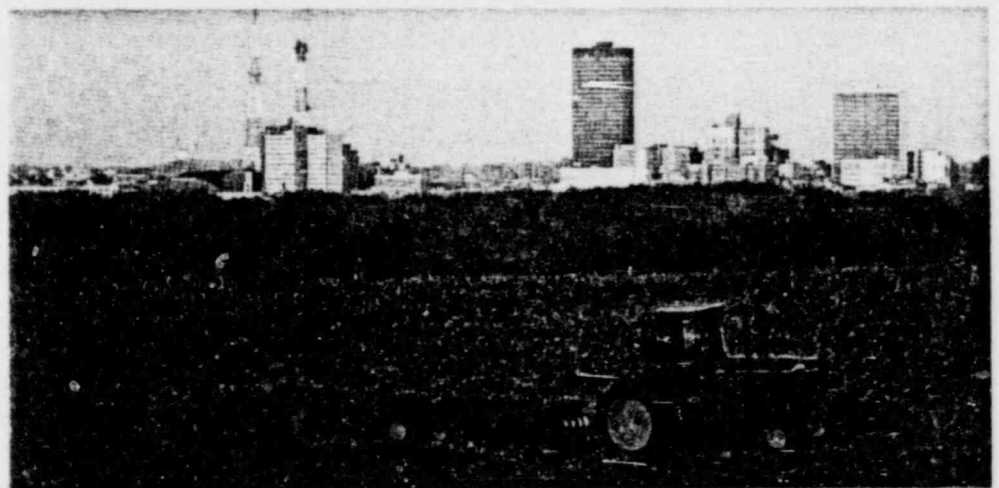


Iowa Power, the major operating subsidiary of Iowa Resources Inc., provides gas and electric service to communities in an area covering more than 5,600 square miles. The area encompasses Des Moines, the state's largest metropolitan area, where Company headquarters is located, and also includes Council Bluffs, one of the major communities in western Iowa. More than 550,000 people receive service in 26 counties. Electric service is provided to 119 incorporated communities, while gas is distributed in 78 incorporated communities. The region is characterized by diversified industries, historic and recreation sites, prosperous farms and attractive residential areas.

-  Coal Fired Generating Station
-  Nuclear Generating Station
-  Division/Area Offices and Service Centers
-  Area Service Centers



| | Electric Customers | Gas Customers | Population | Incorporated Communities |
|------------------------------|--------------------|---------------|------------|--------------------------|
| Central and Southeast Region | 164,000 | 117,000 | 390,000 | 67 |
| Western Division | 63,000 | 14,000 | 160,000 | 63 |



The area we serve is characterized by this farming scene with the skyline of Des Moines as background. The area enjoys a diverse economy which nurtures agricultural, business and manufacturing interests.



| Electric | | 1979 | 1978 | 1977 | 1976 |
|-----------------------------|---|-------------------|-------------------|-------------------|-------------------|
| Revenues (000) | | | | | |
| | Residential | \$ 79,603 | \$ 68,278 | \$ 62,359 | \$ 58,870 |
| | Small general service | 48,110 | 39,800 | 37,417 | 35,340 |
| | Large general service | 42,555 | 36,952 | 34,432 | 32,270 |
| | Other | 9,896 | 5,458 | 5,479 | 5,570 |
| | Total revenues | <u>\$ 180,164</u> | <u>\$ 150,488</u> | <u>\$ 139,687</u> | <u>\$ 131,990</u> |
| Sales (000's kwh) | | | | | |
| | Residential | 1,677,211 | 1,678,914 | 1,533,168 | 1,439,110 |
| | Small general service | 1,052,509 | 1,012,729 | 959,331 | 912,900 |
| | Large general service | 1,493,222 | 1,508,055 | 1,419,220 | 1,292,000 |
| | Other | 106,002 | 107,413 | 103,125 | 109,900 |
| | Total sales | <u>4,328,944</u> | <u>4,307,111</u> | <u>4,114,844</u> | <u>3,754,110</u> |
| Customers (year-end) | | | | | |
| | Residential | 200,387 | 197,351 | 193,034 | 187,700 |
| | Small general service | 25,708 | 25,447 | 25,166 | 24,900 |
| | Large general service | 356 | 352 | 348 | 340 |
| | Other | 954 | 935 | 936 | 900 |
| | Total customers | <u>227,405</u> | <u>224,085</u> | <u>219,484</u> | <u>213,800</u> |
| Other | | | | | |
| | Peak demand — MW (summer-winter) | 1,119-787 | 1,064-777 | 1,064-736 | 944-600 |
| | System load factor | 48.8% | 51.1% | 47.1% | 50.1% |
| | Average annual residential use—kwh | 8,444 | 8,610 | 8,061 | 7,700 |
| | Average residential revenue per kwh | 4.75¢ | 4.07¢ | 4.07¢ | 4.00¢ |
| | Utility plant investment per customer | \$ 2,998 | \$ 2,734 | \$ 2,454 | \$ 2,100 |
| Gas | | | | | |
| Revenues (000) | | | | | |
| | Residential | \$ 47,431 | \$ 40,847 | \$ 30,781 | \$ 27,100 |
| | Commercial & industrial—firm | 25,200 | 21,279 | 16,089 | 13,900 |
| | Commercial & industrial—interruptible | 16,303 | 13,670 | 11,764 | 8,100 |
| | Other | (209) | 871 | 1,165 | 500 |
| | Total revenues | <u>\$ 88,725</u> | <u>\$ 76,667</u> | <u>\$ 59,799</u> | <u>\$ 49,700</u> |
| Sales (000's ccf) | | | | | |
| | Residential | 173,898 | 178,962 | 164,986 | 170,600 |
| | Commercial & industrial—firm | 102,223 | 104,534 | 98,589 | 101,400 |
| | Commercial & industrial—interruptible | 85,928 | 88,041 | 93,571 | 86,700 |
| | Total sales | <u>362,049</u> | <u>371,537</u> | <u>357,146</u> | <u>358,700</u> |
| Customers (year-end) | | | | | |
| | Residential | 117,523 | 116,771 | 116,055 | 115,100 |
| | Commercial & industrial—firm | 13,685 | 13,385 | 13,259 | 13,100 |
| | Commercial & industrial—interruptible | 246 | 294 | 301 | 300 |
| | Total customers | <u>131,454</u> | <u>130,450</u> | <u>129,615</u> | <u>128,600</u> |
| Other | | | | | |
| | Maximum daily sendout (000's ccf) | 2,364 | 2,460 | 2,474 | 2,400 |
| | Average annual residential use—ccf | 1,490 | 1,543 | 1,432 | 1,400 |
| | Average residential revenue per ccf | 27.28¢ | 22.82¢ | 18.66¢ | 15.90¢ |
| | Utility plant investment per customer | \$ 673 | \$ 616 | \$ 590 | \$ 500 |

| 1975 | 1974 | 1969 |
|------------------|------------------|------------------|
| 51,412 | \$ 41,050 | \$ 23,446 |
| 29,679 | 23,044 | 13,659 |
| 25,155 | 20,587 | 11,119 |
| 4,662 | 4,057 | 2,485 |
| <u>110,908</u> | <u>\$ 88,738</u> | <u>\$ 50,709</u> |
| 445,464 | 1,298,381 | 960,002 |
| 871,108 | 762,267 | 556,917 |
| 228,524 | 1,203,101 | 889,996 |
| 113,781 | 114,395 | 85,786 |
| <u>1,658,877</u> | <u>3,378,144</u> | <u>2,492,701</u> |
| 183,497 | 180,331 | 160,481 |
| 24,756 | 24,546 | 23,513 |
| 313 | 303 | 320 |
| 880 | 867 | 996 |
| <u>209,446</u> | <u>206,047</u> | <u>185,310</u> |
| 955-648 | 940-597 | 621-467 |
| 48.1% | 45.2% | 50.5% |
| 7,960 | 7,276 | 6,044 |
| 3.72¢ | 3.16¢ | 2.44¢ |
| 1,899 | \$ 1,746 | \$ 1,332 |
| 25,102 | \$ 20,763 | \$ 15,630 |
| 12,288 | 10,146 | 6,691 |
| 8,210 | 7,399 | 4,258 |
| 298 | 262 | 227 |
| <u>45,898</u> | <u>\$ 38,570</u> | <u>\$ 26,806</u> |
| 172,264 | 167,747 | 175,007 |
| 101,407 | 100,818 | 96,183 |
| 113,871 | 127,542 | 129,525 |
| <u>387,542</u> | <u>396,107</u> | <u>400,715</u> |
| 114,098 | 113,198 | 103,985 |
| 13,066 | 13,074 | 12,174 |
| 306 | 364 | 323 |
| <u>127,470</u> | <u>126,636</u> | <u>116,482</u> |
| 2,398 | 2,370 | 2,227 |
| 1,519 | 1,494 | 1,709 |
| 14.57¢ | 12.38¢ | 8.93¢ |
| 552 | \$ 530 | \$ 425 |



The twilight sky makes a stunning backdrop for Des Moines' new Civic Center and adjacent Nollen Plaza. The recently opened Center offers central Iowans a superb facility for an exciting array of cultural programs and events.


Summary of Operations
 (000)

| | 1979 | 1978 | 1977 | 1976 |
|--|------------------|-----------|-----------|-----------|
| Revenues | \$269,341 | \$227,332 | \$199,579 | \$181,700 |
| Operating expenses | 204,696 | 181,815 | 158,669 | 142,260 |
| Income taxes | 20,409 | 12,298 | 12,208 | 13,050 |
| Operating income | 44,236 | 33,219 | 28,702 | 26,380 |
| Other income, net | 2,945 | 6,343 | 7,506 | 1,700 |
| Fixed charges | 20,643 | 14,877 | 1,383 | 12,520 |
| Net income | \$ 26,538 | \$ 24,685 | \$ 18,825 | \$ 15,570 |
| Dividends on common stock | \$ 18,710 | \$ 16,032 | \$ 13,496 | \$ 11,440 |
| Earnings per share of common stock | \$3.57 | \$3.62 | \$3.14 | \$2.80 |
| Dividends paid per share of common stock | \$2.46 | \$2.30 | \$2.13 | \$2.00 |
| Average book value per share | \$26.46 | \$25.59 | \$24.50 | \$23.10 |
| Return on average common equity | 13.5% | 14.2% | 12.8% | 12.2% |

Property, Plant and Equipment (000)

| | | | | |
|---|------------------|-----------|-----------|-----------|
| Electric | \$681,704 | \$612,672 | \$538,553 | \$463,820 |
| Gas | 88,476 | 80,416 | 76,514 | 73,660 |
| Other | 8,661 | 6,876 | 4,267 | 3,000 |
| Total gross plant | \$778,841 | \$699,964 | \$619,334 | \$540,480 |
| Net after depreciation | \$605,889 | \$546,886 | \$481,043 | \$414,900 |
| Accrued depreciation/property, plant and equipment | 22.2% | 21.9% | 22.3% | 23.2% |
| Annual depreciation/average plant in service | 3.5% | 3.7% | 3.6% | 3.1% |

Capitalization Ratios

| | | | | |
|----------------------------------|------------------|-----------|-----------|-----------|
| Total capitalization (000) | \$510,787 | \$448,643 | \$430,222 | \$341,600 |
| Common stock equity | 40.2% | 40.2% | 38.6% | 39.4% |
| Preferred stock | 10.7% | 12.3% | 12.8% | 11.7% |
| Long-term debt | 49.1% | 47.5% | 48.6% | 48.9% |

Number of Employees-Year End

| | | | | |
|--|--------------|-------|-------|-------|
| | 1,548 | 1,518 | 1,473 | 1,400 |
|--|--------------|-------|-------|-------|

| 1975 | 1974 | 1969 |
|---------------|------------------|-----------------|
| 156,806 | \$127,308 | \$ 77,515 |
| 24,717 | 99,712 | 56,384 |
| 9,301 | 6,861 | 8,346 |
| 22,788 | 20,735 | 12,785 |
| 1,745 | 1,213 | 598 |
| 10,840 | 9,735 | 5,535 |
| <u>13,693</u> | <u>\$ 12,213</u> | <u>\$ 7,848</u> |
| <u>8,839</u> | <u>\$ 7,419</u> | <u>\$ 5,163</u> |
| \$2.92 | \$2.91 | \$2.43 |
| \$1.84 | \$1.74 | \$1.60 |
| \$22.81 | \$22.18 | \$18.19 |
| 12.8% | 13.1% | 13.4% |

| | | |
|----------------|------------------|------------------|
| 397,838 | \$359,701 | \$246,863 |
| 70,426 | 67,102 | 49,487 |
| 702 | 702 | 706 |
| <u>168,966</u> | <u>\$427,505</u> | <u>\$297,056</u> |
| <u>355,525</u> | <u>\$319,217</u> | <u>\$225,950</u> |
| 24.2% | 25.3% | 23.9% |
| 3.4% | 3.2% | 3.1% |

| | | |
|---------|-----------|-----------|
| 187,054 | \$258,583 | \$172,087 |
| 39.1% | 36.8% | 34.7% |
| 13.9% | 11.6% | 11.6% |
| 47.0% | 51.6% | 53.7% |
| 1,415 | 1,402 | 1,294 |



The Sidney Rodeo of Champions makes Iowa home for the largest outdoor rodeo in the country. Fifty thousand fans and professional cowboys come each August to this town of 1,000 for a rousing five-day spectacle of bravery and skill.



Albert L. Anderson +

West Des Moines, Iowa
President of Mid-America Body
& Equipment Co., Inc.
(Manufacturing)
(Elected 1973)

Waldo O. Bargmann*

Des Moines, Iowa
General Manager of John Deere
Des Moines Works (Manufacturing)
(Elected 1975)

Charles Duchen* +

Des Moines, Iowa
Chairman of the Board of Younkers, Inc.
(Retail Merchandising)
(Elected 1974)

Jack R. Eakin +

Council Bluffs, Iowa
Chairman of the Board of State Bank and
Trust of Council Bluffs (Banking)
(Elected 1973)

Charles O. Laverty

Indianola, Iowa
President of Laverty Elevator, Inc.
(Agriculture)
(Elected 1979)

James R. Lyon

Des Moines, Iowa
Senior Vice President of Iowa Resources
and President of Iowa Power
(Elected 1972)

Mark W. Putney

Des Moines, Iowa
Executive Vice President of Iowa
Resources and Iowa Power
(Elected 1974)

John Ruan*

Des Moines, Iowa
President of Ruan Transport Corporation
(Motor Carrier)
(Elected 1958)

Ralph F. Schlenker

Des Moines, Iowa
Senior Vice President of Iowa Resources
and President of Industries of Iowa Corp.
(Elected 1975)

Dwight H. Swanson*

Des Moines, Iowa
Chairman and President of Iowa
Resources and Chairman
of Iowa Power
(Elected 1969)

Charles W. Wilson*

Red Oak, Iowa
President of Wilson Concrete Company
(Manufacturing)
(Elected 1969)

Daniel J. Zaffarano, Ph.D.

Ames, Iowa
Vice President for Research and Dean of
Graduate College, Iowa State University
(Elected 1973)

*Member Executive Committee
+ Member Audit Committee



Left to right: Mark W. Putney, Ralph F. Schlenker, James R. Lyon.



Left to right: Charles O. Laverty, Charles W. Wilson, Albert L. Anderson, Charles Duchen, Jack R. Eakin, Daniel J. Zaffarano, John Ruan, Waldo O. Bargmann.



Iowa Resources Inc.

Dwight H. Swanson
Chairman and President
Mark W. Putney
Executive Vice President
James R. Lyon
Senior Vice President
Ralph F. Schlenker
Senior Vice President

Phillip D. Ehm
Vice President and Treasurer
William M. Merrill
Vice President and Controller
Lynn K. Vorbrich
General Counsel and Secretary
M. Jean Olmstead
Assistant Secretary

Iowa Power and Light Company

Dwight H. Swanson
Chairman and Chief Executive Officer;
Age 60; 11 years of Company service
James R. Lyon
President (Operations Group);
Age 52; 26 years of Company service
Mark W. Putney
Executive Vice President (Administrative Group);
Age 51; 11 years of Company service
Ralph F. Schlenker
Senior Vice President (Development Group)
Age 51; 30 years of Company service
Edward L. Birdsall
Vice President (Engineering and Power Production);
Age 58; 33 years of Company service
Phillip D. Ehm
Vice President and Treasurer;
Age 47; 25 years of Company service
J. Paul Glahn
Vice President (Gas Supply and Operations);
Age 49; 25 years of Company service
Perry L. Greenwood
Vice President (Personnel);
Age 59; 20 years of Company service
John E. Luhring
Vice President (Electric Operations);
Age 51; 26 years of Company service
William M. Merrill
Vice President and Controller;
Age 56; 29 years of Company service

Eugene E. Young
Vice President (Marketing);
Age 54; 10 years of Company service
Lynn K. Vorbrich
General Counsel and Secretary;
Age 41; 7 years of Company service
Dallas K. Hamerlinck
Assistant Vice President (Communications);
Age 37; 6 years of Company service
Lloyd R. Hornback
Assistant Vice President (Western Division);
Age 49; 24 years of Company service
Rex E. Jorgensen
Assistant Vice President
(Purchasing and Auxiliary Services);
Age 57; 29 years of Company service
Keith D. Hartje
Assistant Secretary;
Age 30; 4 years of Company service
M. Jean Olmstead
Assistant Secretary;
Age 54; 30 years of Company service
Merlyn D. Kleen
Assistant Treasurer;
Age 54; 27 years of Company service

Dear Reader:

To help us plan future communications designed to meet your needs, we would appreciate a minute of your time to complete the following survey. Please fill out this card, tear on the perforation and return to us. No postage is necessary. Thank you for your interest and help.

Which of the following best describes your interest in Iowa Resources?

Shareowner _____ Stockbroker _____ Customer _____
Employee _____ News Media _____ Government _____
Financial _____ Institutional _____ Other _____
Analyst _____ Investor _____ (Please specify)

Do you feel the information given in this annual report and our previous quarterly reports is sufficient to keep you informed of Company activities?

Yes _____ No _____ Not entirely _____

How could we do better? _____

How would you rate the 1979 annual report?

Excellent _____ Average _____ Poor _____ Good _____
Marginal _____ Unsatisfactory _____

Which sections do you find most helpful? Please list your 1st, 2nd and 3rd preferences.

_____ Highlights _____ Photographs
_____ President's Letter _____ Graphs
_____ Review of Activities _____ Management's Dis-
(main narrative section) cussion and Analysis
_____ Financial Statements _____ Other (_____)

Which sections do you find least helpful?

_____ Highlights _____ Photographs
_____ President's Letter _____ Graphs
_____ Review of Activities _____ Management's Dis-
(main narrative section) cussion and Analysis
_____ Financial Statements _____ Other (_____)

If a shareowner, how long have you held your shares?

Less than 1 year _____ 1—2 years _____ 3—5 years _____
6—10 years _____ More than 10 years _____

Legislative activity concerning energy can have an important effect on Company operations and your interests as shareowners. Nearly 300 shareowners have expressed a desire to be informed and active when such legislation surfaces. As a shareowner, would you like to be included on this list?

Yes _____ No _____

Do you think American corporations have the right to express their views to the public in advertising?

Yes _____ No _____

If yes, do you feel the management of Iowa Resources Inc. should speak out on issues affecting our business, such as energy policy and free enterprise?

Yes _____ No _____

What other issues, if any, do you feel we should address through our advertising and public information programs?

Optional:

Name _____

Address _____

City _____ State _____ Zip _____



IOWA POWER

666 Grand Avenue / P. O. Box 657
Des Moines, Iowa 50303
515-281-2349

P. D. Ehm
Vice President and Treasurer

July 17, 1980

Mr. T. M. Kyster
Assistant General Manager
Nebraska Public Power District
P.O. Box 466
Columbus, Nebraska 68601

Dear Mr. Kyster:

In accordance with the requirements of the Price Anderson Act (Public Law 94-197) related to retrospective insurance premiums assessable against existing nuclear plants, Iowa Power hereby acknowledges its responsibility under the power purchase contract for one-half the capacity of Cooper Nuclear Station, to assume one-half of the retrospective premium requirements which the Federal government may assess in the event of a major nuclear incident.

It is our understanding that under present law each nuclear plant must show a financial responsibility to provide cash in an amount not to exceed \$10 million in one year. Iowa Power's responsibility with respect to the Cooper Nuclear Station would then be an amount not to exceed \$5 million in one year.

As required by Docket No. 50-298 of the Nuclear Regulatory Commission, Iowa Power has chosen Alternate No. 5 as the means to demonstrate its financial integrity and responsibility. Alternate No. 5 requires the submission of annual certified financial statements and cash flow projections which would indicate and support that cash would be available to satisfy any requirements under this guarantee. Iowa Power is submitting herewith three copies of the 1979 audited financial statements as contained in the annual report to stockholders on pages 14 through 24 and a Uniform Forecast form for utility analysts dated February 15, 1980. In connection therewith Iowa Power states that as shown in Note 7, Financings, of the Notes to Financial Statements, Iowa Power has established lines of credit with various banks totaling \$44.65 million. Iowa Power also states that as shown on the Uniform Forecast that construction expenditures for the 5 year period ended 1984 will total some \$384 million (excluding AFUDC) and that of such total the Company forecasts that 55% of the cash requirements will be generated internally leaving 45% of such total cash requirements to be obtained from external sources.

Mr. T. M. Kyster
Nebraska Public Power District
Page Two

Based on the above information, Iowa Power states that it can meet the requirement of an assessment not to exceed \$5 million in one year from either funds to be generated internally or in the alternative from funds to be acquired by exercising a portion of its call on established lines of credit.

Yours truly,

A handwritten signature in dark ink, appearing to be "J. E. ...", is written over the typed name "J. E. ...".

Enclosures