EXHIBIT E

INCOME STATEMENT

Attached as Exhibit E are the statements of Income for IES Utilities Inc. and Interstate Power Company at December 31, 1999, and Pro Forma Statements of Income combining the entities in an accounting treatment similar to that of pooling of interest accounting. There are no other adjustments made to arrive at the Pro Forma Statement of Income.

Exhibit E also includes the Notes to Financial Statements for each Applicant as included in their respective FERC Form No. 1

APPLICATION OF IES UTILITIES AND INTERSTATE POWER COMPANY
FOR AUTHORIZATION AND APPROVAL OF MERGER
INCOME STATEMENTS AT DECEMBER 31,1999
AND PRO FORMA INCOME STATEMENT AT DECEMBER 31, 1999

	IES Utilities	IPC	Pro Forma
ELECTRIC			
Operating Revenues (400)	$ 628,944,895	$ 294,988,632	$ 923,933,527
Operating Expenses			
Operation Expenses (401)	300,525,207	178,049,373	478,574,580
Maintenance Expenses (402)	44,608,117	15,811,812	60,419,929
Depreciation Expense (403)	84,424,683	30,266,012	114,690,695
Amort. & Depl. of Utility Plant (404-405)	5,432,114	476,072	5,908,186
Amor of Utility Plant Acq Adj	279,084		279,084
Amort Property Losses, Unrec Plant and Reg. Study Costs	895,584		895,584
Regulatory Debits	168,096	121,390	289,486
(Less) Regulatory Credits	(168,096)	(121,390)	(289,486)
Taxes Other Than Income Taxes (408.1)	43,351,668	14,281,355	57,633,023
Income Taxes - Federal (409.1)	39,758,519	14,055,906	53,814,425
- Other (409.1)	11,872,409	3,703,862	15,576,271
Provision for Deferred Income Taxes (410.1)	10,303,381	4,467,458	14,770,839
(Less) Provision for Deferred Income Taxes Cr	(10,028,645)	(3,816,720)	(13,845,365)
Investment Tax Credit Adj. - Net (411.4)	(2,436,756)	(984,045)	(3,420,801)
(Less) Gains from Disposition of Allowances	(168,096)	(121,390)	(289,486)
Total Operating Expenses	528,817,269	256,189,695	785,006,964
Net Operating Income - Electric	100,127,626	38,798,937	138,926,563
GAS			
Operating Revenues (400)	148,835,561	48,243,587	197,079,148
Operating Expenses			
Operation Expenses (401)	125,092,110	38,477,712	163,569,822
Maintenance Expenses (402)	2,559,775	907,509	3,467,284
Depreciation Expense (403)	7,669,210	2,495,721	10,164,931
Amort. & Depl. of Utility Plant (404-405)	483,471	21,602	505,073
Taxes Other Than Income Taxes (408.1)	4,664,268	1,203,233	5,867,501
Income Taxes - Federal (409.1)	3,513,594	2,399,936	5,913,530
- Other (409.1)	(358,606)	437,579	78,973
Provision for Deferred Income Taxes (410.1)	431,241	399,001	830,242
(Less) Provision for Deferred Income Taxes Cr	(3,392,998)	(1,387,909)	(4,780,907)
Investment Tax Credit Adj. - Net (411.4)	(121,200)	(51,545)	(172,745)
Total Operating Expenses	140,540,865	44,902,839	185,443,704
Net Operating Income - Gas	8,294,696	3,340,748	11,635,444
STEAM AND OTHER			
Operating Revenues (400)	23,702,645	-	23,702,645
Operating Expenses			
Operation Expenses (401)	15,735,653	-	15,735,653
Maintenance Expenses (402)	1,336,393	-	1,336,393
Depreciation Expense (403)	1,724,222	-	1,724,222
Amort. & Depl. of Utility Plant (404-405)	131,645	-	131,645
Taxes Other Than Income Taxes (408.1)	1,238,760		1,238,760
Income Taxes - Federal (409.1)	274,211	(620,196)	(345,985)
- Other (409.1)	5,197	(279,421)	(274,224)
Provision for Deferred Income Taxes (410.1)	904,880		904,880
(Less) Provision for Deferred Income Taxes Cr	(3,285,797)	(94,768)	
Investment Tax Credit Adj. - Net (411.4)	(3,084)	1	(3,083)
Total Operating Expenses	18,062,080	(994,384)	17,067,696
Net Operating Income - Steam and Other	5,640,565	994,384	6,634,949
Net Utility Operating Income	$ 114,062,887	$ 43,134,069	$ 157,196,956

APPLICATION OF IES UTILITIES AND INTERSTATE POWER COMPANY
FOR AUTHORIZATION AND APPROVAL OF MERGER
INCOME STATEMENTS AT DECEMBER 31,1999
AND PRO FORMA INCOME STATEMENT AT DECEMBER 31, 1999

	IES Utilities	IPC	Pro Forma
Net Utility Operating Income	$ 114,062,887	$ 43,134,069	$ 157,196,956
OTHER INCOME AND DEDUCTIONS			
Other Income			
Nonutility Operating Income			
Revenues From Merchandising, Jobbing and Contract Work (415)	-	86,523	86,523
(Less) Costs and Exp. of Merchandising, Job. & Contract Work (416)	(317,114)	(44,817)	(361,931
Revenues from Nonutility Operations (417)	19,205,756	2,917,427	22,123,183
(Less) Expenses of Nonutility Operations (417.1)	(16,630,351)	(2,689,149)	(19,319,500
Nonoperating Rental Income (418)	-	71,693	71,693
Equity in Earnings of Subsidiary Companies (418.1)	(65)	-	(65
Interest and Dividend Income (419)	5,745,488	463,353	6,208,841
Allowance for Other Funds Used During Construction (419.1)	1,159,436	(71,047)	1,088,389
Miscellaneous Nonoperating Income (421)	1,772,920	1,744,290	3,517,210
Gain on Disposition of Property (421.1)	32,863	2,196,669	2,229,532
TOTAL Other Income	10,968,933	4,674,942	15,643,875
Other Income Deductions			
Loss on Disposition of Property (421.2)	3,777	-	3,777
Miscellaneous Amortization (425)	929,460	-	929,460
Miscellaneous Income Deductions (426.1-426.5)	4,991,374	627,197	5,618,571
TOTAL Other Income Deductions	5,924,611	627,197	6,551,808
TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS			
Taxes Other Than Income Taxes (408.2)	67,560	24,066	91,626
Income Taxes-Federal (409.2)	446,323	1,302,093	1,748,416
Income Taxes-Other (409.2)	272,363	374,460	646,823
Provision for Deferred Income Taxes (410.2)	3,530,804	-	3,530,804
(Less) Provision for Deferred Income Taxes-Cr. (411.2)	(2,300,920)	-	(2,300,920
TOTAL Taxes on Other Income and Deductions	2,016,130	1,700,619	3,716,749
Net Other Income and Deductions	3,028,192	2,347,126	5,375,318
INTEREST CHARGES			
Interest on Long-Term Debt (427)	43,287,032	12,882,166	56,169,198
Amortization of Debt Discount and Expense (428)	606,592	152,513	759,105
Amortization of Loss on Reacquired Debt (428.1)	645,852	161,334	807,186
Interest on Debt to Associated Companies (430)	826,497	1,387,449	2,213,946
Other Interest Expense (431)	6,485,662	538,241	7,023,903
(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)	(1,206,835)	(486,298)	(1,693,133
Net Interest Charges	50,644,800	14,635,405	65,280,205
Income Before Extraordinary Items	66,446,279	30,845,790	97,292,069
Extraordinary Items			
Net Income	$ 66,446,279	$ 30,845,790	$ 97,292,069

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
IES Utilities Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec. 31, 1999

STATEMENT OF INCOME FOR THE YEAR

1. Report amounts for accounts 412 and 413, Revenue and Expenses from Utility Plant Leased to Others, in another Utility column (i, k, m, o) in a similar manner to a utility department. Spread the amount(s) over Lines 02 thru 24 as appropriate. Include these amounts in columns (c) and (d) totals.
2. Report amounts in account 414, Other Utility Operating income, in the same manner as accounts 412 and 413 above.
3. Report data for lines 7,9, and 10 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1 and 407.2.
4. Use pages 122-123 for important notes regarding the statement of income or any account thereof.
5. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in a material refund to the utility with respect to power or gas purchases. State for each year affected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power and gas purchases.
6. Give concise explanations concerning significant amounts of any refunds made or received during the year

Line No.	Account (a)	(Ref.) Page No. (b)	TOTAL Current Year (c)	TOTAL Previous Year (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	300-301	801,483,101	806,589,901
3	Operating Expenses			
4	Operation Expenses (401)	320-323	441,352,970	457,192,064
5	Maintenance Expenses (402)	320-323	48,504,285	52,039,533
6	Depreciation Expense (403)	336-337	93,818,115	89,564,224
7	Amort. & Depl. of Utility Plant (404-405)	336-337	6,047,230	3,328,642
8	Amort. of Utility Plant Acq. Adj. (406)	336-337	279,084	279,084
9	Amort. Property Losses, Unrecov Plant and Regulatory Study Costs (407)		895,584	760,270
10	Amort. of Conversion Expenses (407)			
11	Regulatory Debits (407.3)		168,096	97,614
12	(Less) Regulatory Credits (407.4)		168,096	97,614
13	Taxes Other Than Income Taxes (408.1)	262-263	49,254,696	48,526,970
14	Income Taxes - Federal (409.1)	262-263	43,546,324	45,923,271
15	- Other (409.1)	262-263	11,519,000	14,138,424
16	Provision for Deferred Income Taxes (410.1)	234, 272-277	11,639,501	16,992,075
17	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277	16,707,439	32,126,882
18	Investment Tax Credit Adj. - Net (411.4)	266	-2,561,040	-2,594,602
19	(Less) Gains from Disp. of Utility Plant (411.6)			
20	Losses from Disp. of Utility Plant (411.7)			101,276
21	(Less) Gains from Disposition of Allowances (411.8)		168,096	97,614
22	Losses from Disposition of Allowances (411.9)			
23	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 22)		687,420,214	694,026,735
24	Net Util Oper Inc (Enter Tot line 2 less 23) Carry fwd to P117,line 25		114,062,887	112,563,166

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
IES Utilities Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec. 31, 1999

STATEMENT OF INCOME FOR THE YEAR (Continued)

resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and a ...mmary of the adjustments made to balance sheet, income, and expense accounts.
...If any notes appearing in the report to stockholders are applicable to this Statement of Income, such notes may be included on pages 122-123.
B. Enter on pages 122-123 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.
9. Explain in a footnote if the previous year's figures are different from that reported in prior reports.
10. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles, lines 2 to 23, and report the information in the blank space on pages.122-123 or in a footnote.

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY		Line No.
Current Year (e)	Previous Year (f)	Current Year (g)	Previous Year (h)	Current Year (i)	Previous Year (j)	
						1
628,944,895	639,422,572	148,835,561	144,137,054	26,713,081	25,888,540	2
						3
300,525,207	319,622,480	125,092,110	122,532,847	18,746,089	17,895,002	4
44,608,117	48,679,030	2,559,775	2,095,067	1,336,393	1,265,436	5
84,424,683	80,758,253	7,669,210	7,182,299	1,724,222	1,623,672	6
5,432,114	2,867,610	483,471	402,694	131,645	58,338	7
279,084	279,084					8
895,584	760,270					9
						10
168,096	97,614					11
168,096	97,614					12
43,351,668	43,161,131	4,664,268	4,293,932	1,238,760	1,071,907	13
39,758,519	43,127,956	3,513,594	3,534,031	325,042	113,584	14
11,872,409	13,269,661	-358,606	1,076,486	21,661	66,231	15
10,303,381	14,691,366	431,241	1,618,352	4,312	682,357	16
10,028,645	26,525,906	3,392,998	5,458,321	-818,152	142,655	17
-2,436,756	-2,466,914	-121,200	-124,606	-3,084	-3,082	18
						19
	101,276					20
168,096	97,614					21
						22
528,817,269	538,227,683	140,540,865	137,152,781	24,343,192	22,630,790	23
100,127,626	101,194,889	8,294,696	6,984,273	2,369,889	3,257,750	24

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
IES Utilities Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec. 31, 1999

STATEMENT OF INCOME FOR THE YEAR (Continued)

Line No.	OTHER UTILITY		OTHER UTILITY		OTHER UTILITY	
	Current Year (k)	Previous Year (l)	Current Year (m)	Previous Year (n)	Current Year (o)	Previous Year (p)
1						
2	-3,010,436	-2,858,265				
3						
4	-3,010,436	-2,858,265				
5						
6						
7						
8						
9						
10						
11						
12						
13						
14			-50,831	-852,300		
15			-16,464	-273,954		
16			900,568			
17			4,103,949			
18						
19						
20						
21						
22						
23	-3,010,436	-2,858,265	-3,270,676	-1,126,254		
24			3,270,676	1,126,254		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
IES Utilities Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec. 31, 1999

STATEMENT OF INCOME FOR THE YEAR (Continued)

Line No.	Account (a)	(Ref.) Page No. (b)	TOTAL Current Year (c)	TOTAL Previous Year (d)
25	Net Utility Operating Income (Carried forward from page 114)		114,062,887	112,563,166
26	Other Income and Deductions			
27	Other Income			
28	Nonutilty Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)			
30	(Less) Costs and Exp. of Merchandising, Job. & Contract Work (416)		317,114	-86,783
31	Revenues From Nonutility Operations (417)		19,205,756	14,326,002
32	(Less) Expenses of Nonutility Operations (417.1)		16,630,351	12,170,433
33	Nonoperating Rental Income (418)			-157
34	Equity in Earnings of Subsidiary Companies (418.1)	119	-65	4,723
35	Interest and Dividend Income (419)		5,745,488	5,432,671
36	Allowance for Other Funds Used During Construction (419.1)		1,159,436	1,973,383
37	Miscellaneous Nonoperating Income (421)		1,772,920	1,257,349
38	Gain on Disposition of Property (421.1)		32,863	1,261,252
39	TOTAL Other Income (Enter Total of lines 29 thru 38)		10,968,933	12,171,573
40	Other Income Deductions			
41	Loss on Disposition of Property (421.2)		3,777	15,397
42	Miscellaneous Amortization (425)	340	929,460	986,592
43	Miscellaneous Income Deductions (426.1-426.5)	340	4,991,374	11,608,935
44	TOTAL Other Income Deductions (Total of lines 41 thru 43)		5,924,611	12,610,924
45	Taxes Applic. to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)	262-263	67,560	63,680
47	Income Taxes-Federal (409.2)	262-263	446,323	-342,953
48	Income Taxes-Other (409.2)	262-263	272,363	-110,235
49	Provision for Deferred Inc. Taxes (410.2)	234, 272-277	3,530,804	605,075
50	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234, 272-277	2,300,920	978,394
51	Investment Tax Credit Adj.-Net (411.5)			
52	(Less) Investment Tax Credits (420)			
53	TOTAL Taxes on Other Income and Deduct. (Total of 46 thru 52)		2,016,130	-762,827
54	Net Other Income and Deductions (Enter Total lines 39, 44, 53)		3,028,192	323,476
55	Interest Charges			
56	Interest on Long-Term Debt (427)		43,287,032	46,678,108
57	Amort. of Debt Disc. and Expense (428)		606,592	648,669
58	Amortization of Loss on Reaquired Debt (428.1)		645,852	643,134
59	(Less) Amort. of Premium on Debt-Credit (429)			
60	(Less) Amortization of Gain on Reaquired Debt-Credit (429.1)			
61	Interest on Debt to Assoc. Companies (430)	340	826,497	-3,378
62	Other Interest Expense (431)	340	6,485,662	4,387,326
63	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)		1,206,835	1,377,280
64	Net Interest Charges (Enter Total of lines 56 thru 63)		50,644,800	50,976,579
65	Income Before Extraordinary Items (Total of lines 25, 54 and 64)		66,446,279	61,910,063
66	Extraordinary Items			
67	Extraordinary Income (434)			
68	(Less) Extraordinary Deductions (435)			
69	Net Extraordinary Items (Enter Total of line 67 less line 68)			
70	Income Taxes-Federal and Other (409.3)	262-263		
71	Extraordinary Items After Taxes (Enter Total of line 69 less line 70)			
72	Net Income (Enter Total of lines 65 and 71)		66,446,279	61,910,063

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Interstate Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec. 31, 1999

STATEMENT OF INCOME FOR THE YEAR

1. Report amounts for accounts 412 and 413, Revenue and Expenses from Utility Plant Leased to Others, in another Utility column (i, k, m, o) in a similar manner to a utility department. Spread the amount(s) over Lines 02 thru 24 as appropriate. Include these amounts in columns (c) and (d) totals.
2. Report amounts in account 414, Other Utility Operating income, in the same manner as accounts 412 and 413 above.
3. Report data for lines 7,9, and 10 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1 and 407.2.
4. Use pages 122-123 for important notes regarding the statement of income or any account thereof.
5. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in a material refund to the utility with respect to power or gas purchases. State for each year affected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power and gas purchases.
6. Give concise explanations concerning significant amounts of any refunds made or received during the year

Line No.	Account (a)	(Ref.) Page No. (b)	TOTAL Current Year (c)	TOTAL Previous Year (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	300-301	343,232,219	356,128,335
3	Operating Expenses			
4	Operation Expenses (401)	320-323	216,527,085	243,955,894
5	Maintenance Expenses (402)	320-323	16,719,321	16,867,418
6	Depreciation Expense (403)	336-337	32,761,733	32,052,768
7	Amort. & Depl. of Utility Plant (404-405)	336-337	497,674	430,753
8	Amort. of Utility Plant Acq. Adj. (406)	336-337		
9	Amort. Property Losses, Unrecov Plant and Regulatory Study Costs (407)			
10	Amort. of Conversion Expenses (407)			
11	Regulatory Debits (407.3)		121,390	
12	(Less) Regulatory Credits (407.4)		121,390	
13	Taxes Other Than Income Taxes (408.1)	262-263	15,484,588	17,395,319
14	Income Taxes - Federal (409.1)	262-263	15,835,646	14,769,057
15	- Other (409.1)	262-263	3,862,020	4,775,639
16	Provision for Deferred Income Taxes (410.1)	234, 272-277	4,866,459	4,336,813
17	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277	5,299,397	11,810,891
18	Investment Tax Credit Adj. - Net (411.4)	266	-1,035,589	-1,084,980
19	(Less) Gains from Disp. of Utility Plant (411.6)			
20	Losses from Disp. of Utility Plant (411.7)			
21	(Less) Gains from Disposition of Allowances (411.8)		121,390	64,278
22	Losses from Disposition of Allowances (411.9)			
23	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 22)		300,098,150	321,623,512
24	Net Util Oper Inc (Enter Tot line 2 less 23) Carry fwd to P117,line 25		43,134,069	34,504,823

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Interstate Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec. 31, 1999

STATEMENT OF INCOME FOR THE YEAR (Continued)

resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and a summary of the adjustments made to balance sheet, income, and expense accounts.
If any notes appearing in the report to stockholders are applicable to this Statement of Income, such notes may be included on pages 122-123.
B. Enter on pages 122-123 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.
9. Explain in a footnote if the previous year's figures are different from that reported in prior reports.
10. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles, lines 2 to 23, and report the information in the blank space on pages.122-123 or in a footnote.

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY		Line No.
Current Year (e)	Previous Year (f)	Current Year (g)	Previous Year (h)	Current Year (i)	Previous Year (j)	
						1
294,988,632	313,316,061	48,243,587	42,812,274			2
						3
178,049,373	211,744,366	38,477,712	32,211,528			4
15,811,812	15,658,837	907,509	1,208,581			5
30,266,012	29,551,321	2,495,721	2,501,447			6
476,072	416,593	21,602	14,160			7
						8
						9
						10
121,390						11
121,390						12
14,281,355	15,299,311	1,203,233	2,096,008			13
14,055,906	13,240,862	2,399,936	1,528,195	-620,196		14
3,703,862	4,281,490	437,579	494,149	-279,421		15
4,467,458	4,166,146	399,001	170,667			16
3,816,720	10,726,065	1,387,909	1,084,826	94,768		17
-984,045	-1,033,436	-51,545	-51,544	1		18
						19
						20
121,390	64,278					21
						22
256,189,695	282,535,147	44,902,839	39,088,365	-994,384		23
38,798,937	30,780,914	3,340,748	3,723,909	994,384		24

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Interstate Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec. 31, 1999

STATEMENT OF INCOME FOR THE YEAR (Continued)

Line No.	Account (a)	(Ref.) Page No. (b)	TOTAL Current Year (c)	TOTAL Previous Year (d)
25	Net Utility Operating Income (Carried forward from page 114)		43,134,069	34,504,823
26	Other Income and Deductions			
27	Other Income			
28	Nonutilty Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)		86,523	153,907
30	(Less) Costs and Exp. of Merchandising, Job. & Contract Work (416)		44,817	71,539
31	Revenues From Nonutility Operations (417)		2,917,427	525,560
32	(Less) Expenses of Nonutility Operations (417.1)		2,689,149	875,278
33	Nonoperating Rental Income (418)		71,693	
34	Equity in Earnings of Subsidiary Companies (418.1)	119		30,323
35	Interest and Dividend Income (419)		463,353	203,025
36	Allowance for Other Funds Used During Construction (419.1)		-71,047	169,279
37	Miscellaneous Nonoperating Income (421)		1,744,290	1,288,040
38	Gain on Disposition of Property (421.1)		2,196,669	1,772,637
39	TOTAL Other Income (Enter Total of lines 29 thru 38)		4,674,942	3,195,954
40	Other Income Deductions			
41	Loss on Disposition of Property (421.2)			
42	Miscellaneous Amortization (425)	340		
43	Miscellaneous Income Deductions (426.1-426.5)	340	627,197	4,242,346
44	TOTAL Other Income Deductions (Total of lines 41 thru 43)		627,197	4,242,346
45	Taxes Applic. to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)	262-263	24,066	17,285
47	Income Taxes-Federal (409.2)	262-263	1,302,093	77,906
48	Income Taxes-Other (409.2)	262-263	374,460	23,261
49	Provision for Deferred Inc. Taxes (410.2)	234, 272-277		
50	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234, 272-277		
51	Investment Tax Credit Adj.-Net (411.5)			
52	(Less) Investment Tax Credits (420)			
53	TOTAL Taxes on Other Income and Deduct. (Total of 46 thru 52)		1,700,619	118,452
54	Net Other Income and Deductions (Enter Total lines 39, 44, 53)		2,347,126	-1,164,844
55	Interest Charges			
56	Interest on Long-Term Debt (427)		12,882,166	13,197,320
57	Amort. of Debt Disc. and Expense (428)		152,513	142,974
58	Amortization of Loss on Reaquired Debt (428.1)		161,334	151,984
59	(Less) Amort. of Premium on Debt-Credit (429)			
60	(Less) Amortization of Gain on Reaquired Debt-Credit (429.1)			
61	Interest on Debt to Assoc. Companies (430)	340	1,387,449	242,587
62	Other Interest Expense (431)	340	538,241	1,090,865
63	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)		486,298	243,125
64	Net Interest Charges (Enter Total of lines 56 thru 63)		14,635,405	14,582,605
65	Income Before Extraordinary Items (Total of lines 25, 54 and 64)		30,845,790	18,757,374
66	Extraordinary Items			
67	Extraordinary Income (434)			
68	(Less) Extraordinary Deductions (435)			
69	Net Extraordinary Items (Enter Total of line 67 less line 68)			
70	Income Taxes-Federal and Other (409.3)	262-263		
	Extraordinary Items After Taxes (Enter Total of line 69 less line 70)			
72	Net Income (Enter Total of lines 65 and 71)		30,845,790	18,757,374

IES UTILITIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General - The Consolidated Financial Statements include the accounts of IES Utilities Inc. (IESU) and its consolidated subsidiaries. In the fourth quarter of 1999, IESU's subsidiaries were merged into IESU. IESU is a subsidiary of Alliant Energy Corporation (Alliant Energy) and is engaged principally in the generation, transmission, distribution and sale of electric energy; the purchase, distribution, transportation and sale of natural gas; and steam services. All of IESU's retail customers are located in Iowa.

The financial statements are prepared in conformity with generally accepted accounting principles, which give recognition to the rate making and accounting practices of the Federal Energy Regulatory Commission (FERC) and state commissions having regulatory jurisdiction. Certain prior period amounts have been reclassified on a basis consistent with the current year presentation.

The preparation of the financial statements requires management to make estimates and assumptions that affect: a) the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements; and b) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) Regulation - IESU is subject to regulation by the FERC and the Iowa Utilities Board (IUB).

(c) Regulatory Assets - IESU is subject to the provisions of Statement of Financial Accounting Standards (SFAS) 71, "Accounting for the Effects of Certain Types of Regulation." SFAS 71 provides that rate-regulated public utilities record certain costs and credits allowed in the rate making process in different periods than for unregulated entities. These are deferred as regulatory assets or regulatory liabilities and are recognized in the Consolidated Statements of Income at the time they are reflected in rates. At Decembe 31, 1999 and 1998, regulatory assets of $141.6 million and $161.4 million, respectively, were comprised of the following items (in millions):

	1999	1998
Tax-related (Note 1(d))	**$ 83.0**	$ 81.4
Energy efficiency program costs	**22.2**	39.8
Environmental liabilities (Note 9(f))	**32.4**	35.2
Other	**4.0**	5.0
	$141.6	$161.4

Refer to the individual notes referenced above for a further discussion of certain items reflected in regulatory assets. If a portion of IESU's operations becomes no longer subject to the provisions of SFAS 71 as a result of competitive restructuring or otherwise, a write-down of related regulatory assets would be required, unless some form of transition cost recovery is established by the appropriate regulatory body that would meet the requirements under generally accepted accounting principles for continued accounting as regulatory assets during such recovery period. In addition, IESU would be required to determine any impairment to other assets and write-down such assets to their fair value.

(d) Income Taxes - IESU follows the liability method of accounting for deferred income taxes, which requires the establishment of deferred tax assets and liabilities, as appropriate, for all temporary differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. Deferred taxes are recorded using currently enacted tax rates.

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

Consistent with Iowa rate making practices for IESU, deferred tax expense is not recorded for certain temporary differences (primarily related to utility property, plant and equipment). As the deferred taxes become payable (over periods exceeding 30 years for some generating plant differences) they are recovered through rates. Accordingly, IESU has recorded deferred tax liabilities and regulatory assets for certain temporary differences, as identified in Note 1(c).

Alliant Energy files a consolidated federal income tax return. Under the terms of an agreement between Alliant Energy and its subsidiaries (including IESU), the subsidiaries calculate their respective federal income tax provisions and make payments to or receive payments from Alliant Energy as if they were separate taxable entities.

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

(f) Depreciation of Utility Property, Plant and Equipment - IESU uses the remaining life method of depreciation as approved by the IUB. The remaining life of the Duane Arnold Energy Center (DAEC), of which IESU is a co-owner, is based on the Nuclear Regulatory Commission (NRC) license end-of-life of 2014. Depreciation expense related to the decommissioning of DAEC is discussed in Note 9(h). The average rates of depreciation for electric and gas properties of IESU, consistent with current rate making practices, were as follows:

	1999	1998	1997
Electric	**3.5%**	3.5%	3.5%
Gas	**3.5%**	3.5%	3.5%

(g) Property, Plant and Equipment - Utility plant (other than acquisition adjustments) is recorded at original cost, which includes overhead and administrative costs and Allowance for Funds Used During Construction (AFUDC). At December 31, 1999, IESU had $25.6 million of acquisition adjustments, net of accumulated amortization, included in utility plant ($6 million of such balance is currently being recovered in IESU's rates). AFUDC, which represents the cost during the construction period of funds used for construction purposes, is capitalized as a component of the cost of utility plant. The amount of AFUDC applicable to debt funds and to other (equity) funds, a non-cash item, is computed in accordance with the prescribed FERC formula. These capitalized costs are recovered in rates as the cost of the utility plant is depreciated. The aggregate gross rates used in 1999, 1998 and 1997 were 7.9%, 8.9% and 6.7%, respectively.

Other property, plant and equipment is recorded at original cost. Upon retirement or sale of other property and equipment, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in „Miscellaneous, net" in the *Consolidated Statements of Income. Normal repairs, maintenance and minor items of utility plant and other property, plant and* equipment are expensed. Ordinary retirements of utility plant, including removal costs less salvage value, are charged to accumulatec depreciation upon removal from utility plant accounts and no gain or loss is recognized.

(h) Operating Revenues - IESU accrues revenues for services rendered but unbilled at month-end in order to more properly match revenues with expenses.

(i) Utility Fuel Cost Recovery - IESU's tariffs provide for subsequent adjustments to its electric and natural gas rates for changes in the cost of fuel and purchased energy and in the cost of natural gas purchased for resale. Changes in the under/over collection of these costs are reflected in "Electric and steam production fuels" and "Cost of utility gas sold" in the Consolidated Statements of Income. The cumulative effects are reflected on the Consolidated Balance Sheets as a current asset or current liability, pending automatic reflection in future billings to customers. At IESU, purchased capacity costs are not recovered from electric customers through energy adjustment clauses. Recovery of these costs must be addressed in base rates in a formal rate proceeding.

(j) Nuclear Refueling Outage Costs - The IUB allows IESU to collect, as part of its base revenues, funds to offset other operation and maintenance expenditures incurred during refueling outages at DAEC. As these revenues are collected, an equivalent amount is charged to other operation and maintenance expenses with a corresponding credit to a reserve. During a refueling outage, the reserve is *reversed to offset the refueling outage expenditures.*

(k) Nuclear Fuel - Nuclear fuel for DAEC is leased. Annual nuclear fuel lease expenses include the cost of fuel, based on the quantity of heat produced for the generation of electric energy, plus the lessor's interest costs related to fuel in the reactor and administrative expenses.

(2) MERGER
On April 21, 1998, IES Industries Inc., WPL Holdings, Inc., and Interstate Power Company (IPC) completed a merger forming *Alliant Energy. The merger was accounted for as a pooling of interests.*

(3) LEASES
IESU has a capital lease covering its 70% undivided interest in nuclear fuel purchased for DAEC. Future purchases of fuel may also be added to the fuel lease. This lease provides for annual one-year extensions and IESU intends to continue exercising such extensions. Interest costs under the lease are based on commercial paper costs incurred by the lessor. IESU is responsible for the payment of taxes, maintenance, operating cost, risk of loss and insurance relating to the leased fuel. The lessor has a $45 million credit agreement with a bank supporting the nuclear fuel lease. The agreement continues on a year-to-year basis, unless either party provides at least a three-year notice of termination; no such notice of termination has been provided by either party. Annual nuclear fuel lease expenses (included in "Electric and steam production fuels" in the Consolidated Statements of Income) for 1999, 1998 and 1997 were $12.7 million, $14.2 million and $16.6 million, respectively.

IESU's operating lease rental expenses for 1999, 1998 and 1997 were $8.9 million, $9.0 million and $8.3 illion, respectively. IESU's future minimum lease payments by year are as follows (in millions):

Year	Capital Leases	Operating Leases
2000	$15.6	$ 8.8
2001	10.5	7.1
2002	8.7	5.7
2003	4.3	5.2
2004	3.9	4.7
Thereafter	1.3	10.2
	44.3	$41.7
Less: Amount representing interest	5.0	
Present value of net minimum capital lease payments	$39.3	

(4) UTILITY ACCOUNTS RECEIVABLE
Utility customer accounts receivable, including unbilled revenues, arise primarily from the sale of electricity and natural gas. At December 31, 1999, IESU was serving a diversified base of residential, commercial and industrial customers and did not have any significant concentrations of credit risk.

IESU has an accounts receivable financing agreement to sell up to a pre-determined maximum amount of accounts receivable to a financial institution on a limited recourse basis. Accounts receivable sold include receivables arising from sales to customers and to other public, municipal and cooperative utilities, as well as from billings to the co-owners of the jointly-owned electric generating plants operated by IESU. The amounts are discounted at the then-prevailing market rate and additional administrative fees are payable according to the activity levels undertaken. All billing and collection functions remain the responsibility of IESU. Specifics of the two agreements include (dollars in millions):

Year agreement expires	*2000*
Maximum amount of receivables that can be sold	$65
Effective 1999 all-in cost	5.58%
Average monthly sale of receivables - 1999	$55
- 1998	$63
Receivables sold at December 31, 1999	$59

(5) BENEFIT PLANS

IESU has a non-contributory defined benefit pension plan that covers substantially all of its employees who are subject to a collectiv bargaining agreement. Plan benefits are generally based on years of service and compensation during the employees' latter years of employment. Effective in 1998, eligible employees of IESU that are not subject to a collective bargaining agreement are covered by the Alliant Energy Cash Balance Pension Plan, a non-contributory defined benefit pension plan. The projected unit credit actuarial cost method was used to compute pension cost and the accumulated and projected benefit obligations. IESU's policy is to fund the pension plan at an amount that is at least equal to the minimum funding requirements mandated by the Employee Retirement Income Security Act of 1974, as amended, and that does not exceed the maximum tax deductible amount for the year.

IESU also provides certain other postretirement benefits to retirees, including medical benefits for retirees and their spouses and, in some cases, retiree life insurance. IESU's funding policy for other postretirement benefits is generally to fund an amount up to the cost calculated using SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions."

The weighted-average assumptions as of the measurement date of September 30 are as follows:

	Qualified Pension Benefits			Other Postretirement Benefits		
	1999	1998	1997	**1999**	1998	1997
Discount rate	**7.75%**	6.75%	7.25%	**7.75%**	6.75%	7.25%
Expected return on plan assets	**9%**	9%	9%	**9%**	9%	9%
Rate of compensation increase	**3.5%**	3.5%	4.75%	**N/A**	N/A	N/A
Medical cost trend on covered charges:						
Initial trend range	**N/A**	N/A	N/A	**7%**	8%	8%
Ultimate trend range	**N/A**	N/A	N/A	**5%**	6%	6.5%

The components of IESU's qualified pension benefits and other postretirement benefits costs are as follows (in millions):

	Qualified Pension Benefits			*Other Postretirement Benefits*		
	1999	1998	1997	**1999**	1998	1997
Service cost	**$ 2.6**	$ 2.9	$ 5.4	**$ 1.5**	$ 1.5	$ 1.5
Interest cost	**7.6**	8.0	14.1	**4.4**	4.2	3.5
Expected return on plan assets	**(10.3)**	(11.3)	(15.1)	**(2.0)**	(1.1)	(0.7)
Amortization of:						
Transition obligation (asset)	**(0.2)**	(0.2)	(0.3)	**1.8**	1.9	1.9
Prior service cost	**0.9**	0.9	1.8	**--**	--	--
Actuarial gain	**--**	(0.4)	--	**--**	--	--
Total	**$ 0.6**	($0.1)	$ 5.9	**$ 5.7**	$ 6.5	$ 6.2

During 1997, IESU recognized an additional $3.8 million of costs in accordance with SFAS 88 for severance and early retirement programs. In addition, during 1998, IESU recognized $1.2 million of curtailment charges relating to IESU's other postretirement benefits.

The pension benefit cost shown above (and in the following tables) for 1999 and 1998 represents only the pension benefit cost for bargaining unit employees of IESU covered under the bargaining unit pension plan that is sponsored by IESU. The pension benefit cost for IESU's non-bargaining employees who are now participants in other Alliant Energy plans was $0.9 million and $2.7 million for 1999 and 1998, respectively, including a special charge of $1.9 million in 1998 for severance and early retirement window programs. In addition, Corporate Services provides services to IESU. The allocated pension benefit costs associated with these services was $1.2 million and $0.5 million for 1999 and 1998, respectively. The other postretirement benefit cost shown above for each period (and in the following tables) represents the other postretirement benefit cost for all IESU employees. The allocated othe postretirement benefit cost associated with Corporate Services for IESU was $0.4 million and $0.2 million for 1999 and 1998, respectively.

The assumed medical trend rates are critical assumptions in determining the service and interest cost and accumulated postretirement benefit obligation related to postretirement benefit costs. A one percent change in the medical trend rates for 1999, holding all other assumptions constant, would have the following effects (in millions):

	1 Percent Increase	1 Percent Decrease
Effect on total of service and interest cost components	$1.3	($1.0)
Effect on postretirement benefit obligation	$8.4	($6.8)

A reconciliation of the funded status of IESU's plans to the amounts recognized on IESU's Consolidated Balance Sheets at Decembe 31 is presented below (in millions):

	Qualified Pension Benefits		Other Postretirement Benefits	
	1999	1998	1999	1998
Change in benefit obligation:				
Net benefit obligation at beginning of year	$113.1	$206.1	$ 65.2	$ 50.8
Transfer of obligation (to)/from other Alliant Energy plans	--	(99.1)	--	2.3
Service cost	2.6	2.9	1.5	1.5
Interest cost	7.6	8.0	4.4	4.2
Plan participants' contributions	--	--	0.4	0.4
Plan amendments	--	--	(1.0)	--
Actuarial loss (gain)	(14.3)	2.2	(20.1)	8.2
Curtailments	--	--	--	0.4
Gross benefits paid	(6.7)	(7.0)	(3.6)	(2.6)
Net benefit obligation at end of year	102.3	113.1	46.8	65.2
Change in plan assets:				
Fair value of plan assets at beginning of year	118.7	225.7	21.7	19.9
Transfer of assets to other Alliant Energy plans	--	(97.5)	--	--
Actual return on plan assets	14.1	(2.5)	5.6	0.1
Employer contributions	--	--	6.2	2.7
Plan participants' contributions	--	--	0.4	0.4
401(h) assets recognized	--	--	--	1.2
Gross benefits paid	(6.7)	(7.0)	(3.6)	(2.6)
Fair value of plan assets at end of year	126.1	118.7	30.3	21.7
Funded status at end of year	23.8	5.6	(16.5)	(43.5)
Unrecognized net actuarial loss (gain)	(25.4)	(7.3)	(18.6)	5.7
Unrecognized prior service cost	8.9	9.8	(0.3)	(0.3)
Unrecognized net transition obligation (asset)	(1.4)	(1.6)	23.6	25.9
Net amount recognized at end of year	$ 5.9	$ 6.5	($11.8)	($12.2)
Amounts recognized on the Consolidated Balance Sheets consist of:				
Prepaid benefit cost	$ 5.9	$ 6.5	$ --	$ --
Accrued benefit cost	--	--	(11.8)	(12.2)
Net amount recognized at measurement date	5.9	6.5	(11.8)	(12.2)
Contributions paid after 9/30 and prior to 12/31	--	--	3.4	3.6
Net amount recognized at 12/31	$ 5.9	$ 6.5	($8.4)	($8.6)

Alliant Energy sponsors several non-qualified pension plans which cover certain current and former officers. The pension expense allocated to IESU for these plans was $0.8 million, $1.4 million and $2.3 million in 1999, 1998 and 1997, respectively.

IESU employees also participate in defined contribution pension plans (401(k) plans) covering substantially all employees. IESU's contributions to the plans, which are based on the participants' level of contribution, were $2.0 million, $2.8 million and $1.2 million in 1999, 1998 and 1997, respectively.

(6) COMMON, PREFERRED AND PREFERENCE STOCK

(a) Common Stock - IESU has common stock dividend restrictions based on its bond indentures and articles of incorporation. IESU has restrictions on the payment of common stock dividends that are commonly found with preferred stock. In addition, at IESU, its ability to pay common stock dividends is restricted based on requirements associated with sinking funds.

(b) Preferred and Preference Stock - The carrying value of IESU's cumulative preferred stock at December 31, 1999 and 1998 was $18 million. The fair market value, based upon the market yield of similar securities and quoted market prices, at December 31, 1999 and 1998 was $12 million and $15 million, respectively.

(7) SHORT-TERM DEBT

IESU participates in a utility money pool with Wisconsin Power and Light Company (WP&L) and IPC that is funded, as needed, through the issuance of commercial paper by Alliant Energy. Interest expense and other fees are allocated based on borrowing amounts. Information regarding short-term debt is as follows (dollars in millions):

	1999	1998	1997
As of year end:			
Money pool borrowings	$ 56.9	$ --	$ --
Interest rate on money pool borrowings	5.84%	N/A	N/A
For the year ended:			
Average amount of short-term debt			
(based on daily outstanding balances)	$ 24.6	$ --	$ 88.4
Average interest rate on short-term debt	5.24%	N/A	5.58%

(8) LONG-TERM DEBT

IESU's Indentures and Deeds of Trust securing its First Mortgage Bonds constitute direct first mortgage liens upon substantially all tangible public utility property. IESU's Indenture and Deed of Trust securing its Collateral Trust Bonds constitutes a second lien on substantially all tangible public utility property while First Mortgage Bonds remain outstanding.

Debt maturities (excluding periodic sinking fund requirements, which will not require additional cash expenditures) for 2000 to 2004 are $51.2 million, $81.5 million, $0.6 million, $4.1 million and $0, respectively. Depending upon market conditions, it is currently anticipated that a majority of the maturing debt will be refinanced with the issuance of long-term securities.

The carrying value of IESU's long-term debt at December 31, 1999 and 1998 was $602 million and $652 million, respectively. The fair market value, based upon the market yield of similar securities and quoted market prices, at December 31, 1999 and 1998 was $573 million and $687 million, respectively.

(9) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

Information relating to other financial instruments held by IESU is as follows (in millions):

	December 31, 1999			December 31, 1998		
	Carrying Value	**Fair Value**	**Gross Unrealized Gains/(Losses)**	Carrying Value	Fair Value	Gross Unrealized Gains
Nuclear decommissioning trust funds:						
Equity securities	$47	$47	$35	$45	$45	$29
Debt securities	58	58	(1)	47	47	2
Total	$105	$105	$34	$92	$92	$31

The carrying amount of IESU's current assets and current liabilities approximates fair value because of the short maturity of such financial instruments. The nuclear decommissioning trust funds realized gains from the sales of securities of $2.5 million, $0.4 million and $0.1 million in 1999, 1998 and 1997, respectively (cost of the investments based on specific identification were $25.5 million, $14.3 million and $14.6 million, respectively). Since IESU is subject to regulation, any gains or losses related to the difference between the carrying amount and the fair value of its financial instruments may not be realized by IESU's parent.

(10) COMMITMENTS AND CONTINGENCIES

(a) Construction and Acquisition Program - IESU's construction and acquisition expenditures for the years ended December 31, 1999 and 1998 were $107 million and $115 million, respectively. IESU's anticipated construction and acquisition expenditures for 2000 are estimated to be approximately $115 million, of which 45% represents expenditures for electric transmission and distribution facilities, 26% represents generation expenditures, 15% represents information technology expenditures and the remaining 14% represents miscellaneous electric, gas, steam and general expenditures. IESU's levels of utility construction and acquisition expenditures are projected to be $127 million in 2001, $117 million in 2002, $118 million in 2003 and $123 million in 2004.

(b) Purchased-Power, Coal and Natural Gas Contracts – Alliant Energy Corporate Services, Inc. (Corporate Services) has entered into purchased-power capacity contracts as agent for IESU, WP&L and IPC. Based on the System Coordination and Operating Agreement, Alliant Energy annually allocates purchased-power contracts to the individual utilities. Such process considers factors such as resource mix, load growth and resource availability and as a result of that process, IESU was not allocated any of the purchased-power contracts for 2000 to 2004. IESU has entered into a contract for the purchase of $9.3 million of capacity in 2000 from IPC. In addition, Corporate Services has entered into various coal contracts as agent for IESU, WP&L and IPC. Contract quantities are allocated to specific plants at the individual utilities based on various factors including projected heat input requirements, combustion compatibility and efficiency. However, in 2000 and 2001, system-wide contracts of $24.6 million (6.5 million tons) and $12.5 million (3.6 million tons), respectively, have not yet been allocated to the individual utilities due to the need for additional analysis of combustion compatibility and efficiency. The minimum commitments directly assigned to IESU are as follows (dollars in millions, tons in thousands):

	Coal (including transportation costs)	
	Dollars	Tons
2000	$12.8	2,300
2001	10.4	1,556
2002	3.7	619
2003	3.3	520
2004	3.2	475

Corporate Services is in the process of negotiating several new coal contracts. In addition, it expects to supplement its coal contracts with spot market purchases to fulfill its future fossil fuel needs. IESU also has various natural gas supply, transportation and storage contracts outstanding. The minimum dekatherm commitments, in millions, for 2000-2004 are 93.8, 79.3, 72.1, 60.8 and 2.4, respectively. The minimum dollar commitments for 2000-2004, in millions, are $51.4, $39.0, $27.4, $23.5 and $1.3, respectively. The gas supply commitments are all index-based. IESU expects to supplement its natural gas supply with spot market purchases as needed.

(c) Information Technology Services - Alliant Energy has an agreement, expiring in 2004, with Electronic Data Systems Corporation (EDS) technology services. IESU's anticipated operating and capital expenditures under the agreement for 2000 are estimated to total approximately $13 million. Future costs under the agreement are variable and are dependent upon IESU's level of usage of technological services from EDS.

(d) Financial Guarantees and Commitments - IESU has financial guarantees, which were generally issued to support third-party borrowing arrangements and similar transactions, amounting to $17 million and $18 million outstanding at December 31, 1999 and 1998, respectively. Such guarantees are not reflected in the consolidated financial statements. Management believes that the likelihood of IESU having to make any material cash payments under these agreements is remote.

(e) Nuclear Insurance Programs - Public liability for nuclear accidents is governed by the Price Anderson Act of 1988, which sets a statutory limit of $9.5 billion for liability to the public for a single nuclear power plant incident and requires nuclear power plant operators to provide financial protection for this amount. As required, IESU provides this financial protection for a nuclear incident a DAEC through a combination of liability insurance ($200 million) and industry-wide retrospective payment plans ($9.3 billion). Under the industry-wide plan, each operating licensed nuclear reactor in the U.S. is subject to an assessment in the event of a nuclear incident at any nuclear plant in the U.S. The owners of DAEC could be assessed a maximum of $88.1 million per nuclear incident, with a maximum of $10 million per incident per year (of which IESU's 70% ownership portion would be approximately $61.7 millio and $7 million, respectively) if losses relating to the incident exceeded $200 million. These limits are subject to adjustments for changes in the number of participants and inflation in future years.

IESU is a member of Nuclear Electric Insurance Limited (NEIL), which provides $1.9 billion of insurance coverage for IESU on certain property losses for property damage, decontamination and premature decommissioning. The proceeds from such insurance, however, must first be used for reactor stabilization and site decontamination before they can be used for plant repair and premature decommissioning. NEIL also provides separate coverage for additional expense incurred during certain outages. Owners of nuclear generating stations insured through NEIL are subject to retroactive premium adjustments if losses exceed accumulated reserve funds. NEIL's accumulated reserve funds are currently sufficient to more than cover its exposure in the event of a single incident under the primary and excess property damage or additional expense coverages. However, IESU could be assessed annually a maximum of $1.9 million for NEIL primary property, $2.8 million for NEIL excess property and $0.5 million for NEIL additional expenses if losses exceed the accumulated reserve funds. IESU is not aware of any losses that it believes are likely to result in an assessment.

In the unlikely event of a catastrophic loss at DAEC, the amount of insurance available may not be adequate to cover property damage, decontamination and premature decommissioning. Uninsured losses, to the extent not recovered through rates, would be borne by IESU and could have a material adverse effect on IESU's financial condition and results of operations.

(f) Environmental Liabilities - IESU had recorded the following environmental liabilities, and regulatory assets associated with certain of these liabilities, as of December 31 (in millions):

Environmental liabilities	**1999**	1998	Regulatory assets	**1999**	1998
MGP* sites	**$24.5**	$26.6	MGP sites	**$24.5**	$26.6
NEPA**	**7.0**	7.8	NEPA	**7.7**	8.4
Other	**0.3**	0.4	Other	**0.2**	0.2
	$31.8	$34.8		**$32.4**	$35.2

* Manufactured Gas Plant (MGP)

** National Energy Policy Act of 1992 (NEPA)

IESU's significant environmental liabilities are discussed further below.

Manufactured Gas Plant Sites - IESU has current or previous ownership interests in 34 sites previously associated with the production of gas for which it may be liable for investigation, remediation and monitoring costs relating to the sites. IESU is working pursuant to the requirements of various federal and state agencies to investigate, mitigate, prevent and remediate, where necessary, the environmental impacts to property, including natural resources, at and around the sites in order to protect public health and the environment. IESU believes that it has completed the remediation at various sites, although it is still in the process of obtaining final approval from the applicable environmental agencies for some of these sites.

IESU records environmental liabilities based upon periodic studies, most recently updated in the third quarter of 1999, related to the MGP sites. Such amounts are based on the best current estimate of the remaining amount to be incurred for investigation, remediation and monitoring costs for those sites where the investigation process has been or is substantially completed, and the minimum of the estimated cost range for those sites where the investigation is in its earlier stages. It is possible that future cost estimates will be greater than current estimates as the investigation process proceeds and as additional facts become known. The amounts recognized as liabilities are reduced for expenditures made and are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their fair value.

Management currently estimates the range of remaining costs to be incurred for the investigation, remediation and monitoring of IESU's sites to be approximately $16 million to $33 million.

The IUB has permitted utilities to recover prudently incurred MGP-related costs. As a result, regulatory assets have been recorded by IESU which reflect the probable future rate recovery, where applicable. Considering the current rate treatment, and assuming no material change therein, IESU believes that the clean-up costs incurred for these MGP sites will not have a material adverse effect on its financial condition or results of operations.

Settlement has been reached with all of IESU's insurance carriers regarding reimbursement for its MGP-related costs and all issues have been resolved. Insurance recoveries of $18.5 million were available as of December 31, 1999 and 1998.

Pursuant to the applicable rate making treatment, IESU has recorded its recoveries in "Other long-term liabilities and deferred credits."

National Energy Policy Act of 1992 - NEPA requires owners of nuclear power plants to pay a special assessment into a "Uranium Enrichment Decontamination and Decommissioning Fund." The assessment is based upon prior nuclear fuel purchases. IESU is recovering the costs associated with this assessment through its electric fuel adjustment clauses over the period the costs are assessed. IESU continues to pursue relief from this assessment through litigation.

(g) Spent Nuclear Fuel - Nuclear Waste Policy Act of 1982 assigned responsibility to the Department of Energy (DOE) to establish a facility for the ultimate disposition of high level waste and spent nuclear fuel and authorized the DOE to enter into contracts with parties for the disposal of such material beginning in January 1998. IESU entered into such contracts and has made the agreed payments to the Nuclear Waste Fund held by the U.S. Treasury. IESU was subsequently notified by the DOE that it was not able to begin acceptance of spent nuclear fuel by the January 31, 1998 deadline. Furthermore, the DOE has experienced significant delays in its efforts and material acceptance is now expected to occur no earlier than 2010 with the possibility of further delay being likely. IESU has participated in several litigation proceedings against the DOE on this issue and the respective courts have affirmed the DOE's responsibility for spent nuclear fuel acceptance. IESU is evaluating its options for recovery of damages due to the DOE's delay in accepting spent nuclear fuel.

The Nuclear Waste Policy Act of 1982 assigns responsibility for interim storage of spent nuclear fuel to generators of such spent nuclear fuel, such as IESU. In accordance with this responsibility, IESU has been storing spent nuclear fuel on site at DAEC since plant operations began. IESU will have to increase its spent fuel storage capacity at DAEC to store all of the spent fuel that will be produced before the current license expires in 2014. To provide assurance that both the operating and post-shutdown storage needs are satisfied, construction of a dry cask storage facility is being planned. Legislation is being considered on the federal level that would, among other provisions, expand the DOE's permanent spent nuclear fuel storage to include interim storage for spent nuclear fuel as early as 2003. This legislation has been passed in the U.S. Senate and submitted in the U.S. House. The prospects for the legislation being approved by the U.S. Senate and the President, and subsequent successful implementation by the DOE, are uncertain at this time.

(h) Decommissioning of DAEC - Pursuant to the most recent electric rate case order, the IUB allows IESU to recover $6 million annually for its share of the cost to decommission DAEC. Decommissioning expense is included in "Depreciation and amortization" in the Consolidated Statements of Income and the cumulative amount is included in "Accumulated depreciation" on the Consolidated Balance Sheets to the extent recovered through rates.

Additional information relating to the decommissioning of DAEC included in the most recent electric rate order (dollars in millions):

Assumptions relating to current rate recovery figures:	
IESU's share of estimated decommissioning cost	$252.8
Year dollars in	1993
Method to develop estimate	NRC minimum formula
Annual inflation rate	4.91%
Decommissioning method	Prompt dismantling and removal
Year decommissioning to commence	2014
After-tax return on external investments:	
Qualified	7.34%
Non-qualified	5.98%
External trust fund balance at December 31, 1999	$105.1
Internal reserve at December 31, 1999	$21.7
After-tax earnings on external trust funds in 1999	$4.8

The rate recovery figures for DAEC included an inflation estimate through 1997. IESU is funding all rate recoveries for decommissioning into external trust funds and funding on a tax-qualified basis to the extent possible. All of the rate recovery assumptions are subject to change in future regulatory proceedings. In accordance with its regulatory requirements, IESU records the earnings on the external trust funds as interest income with a corresponding entry to interest expense. The earnings accumulate in the external trust fund balances and in accumulated depreciation on utility plant.

IESU's 70% share of the estimated cost to decommission DAEC based on the most recent site-specific study completed in 1998 is $334.2 million, in 1998 dollars. This study includes the costs to terminate DAEC's NRC license and to return the site to a greenfield condition. IESU's 70% share of the estimated cost to decommission DAEC based on the most recent NRC minimum formula, using the direct disposal method, is $351.2 million in 1998 dollars. The NRC minimum formula is intended to apply only to the cost of terminating DAEC's NRC license. The additional decommissioning expense funding requirements which should result from these updated studies are not reflected in IESU's rates.

(i) Legal Proceedings - IESU is involved in legal and administrative proceedings before various courts and agencies with respect to matters arising in the ordinary course of business. Although unable to predict the outcome of these matters, IESU believes that appropriate reserves have been established and final disposition of these actions will not have a material adverse effect on its financial condition or results of operations.

(11) JOINTLY-OWNED ELECTRIC UTILITY PLANT

Under joint ownership agreements with other Iowa utilities, IESU has undivided ownership interests in jointly-owned electric generating stations and related transmission facilities. Each of the respective owners is responsible for the financing of its portion of the construction costs. Kilowatt-hour generation and operating expenses are divided on the same basis as ownership with each owner reflecting its respective costs in its Consolidated Statements of Income. Information relative to IESU's ownership interest in these facilities at December 31, 1999 is as follows (dollars in millions):

	Ownership Interest %	In-service Date	Plant Name-plate MW Capacity	1999 Plant in Service	1999 Accumulated Provision for Depreciation	1999 CWIP	1998 Plant in Service	1998 Accumulated Provision for Depreciation	1998 CWIP
Coal:									
Ottumwa Unit 1	48.0	1981	716	**$195.3**	**$107.8**	**$0.5**	$193.1	$102.7	$0.8
Neal Unit 3	28.0	1975	515	**59.2**	**32.1**	**--**	59.0	32.4	0.1
Nuclear:									
DAEC	70.0	1974	520	**515.8**	**264.4**	**8.6**	507.1	247.2	1.4
Total				**$770.3**	**$404.3**	**$9.1**	$759.2	$382.3	$2.3

(12) RELATED PARTY ISSUES

In association with the merger, IESU, WP&L and IPC entered into a System Coordination and Operating Agreement which became effective with the merger. The agreement, which has been approved by FERC, provides a contractual basis for coordinated planning, construction, operation and maintenance of the interconnected electric generation and transmission systems of the three utility companies. In addition, the agreement allows the interconnected system to be operated as a single entity with off-system capacity sales and purchases made to market excess system capability or to meet system capability deficiencies. Such sales and purchases are allocated among the three utility companies based on procedures included in the agreement. The sales amounts allocated to IESU were $18.1 million and $18.0 million for 1999 and 1998, respectively. The purchases allocated to IESU were $71.3 million and $56.(million for 1999 and 1998, respectively. The procedures were approved by both FERC and all state regulatory bodies having jurisdiction over these sales. Under the agreement, IESU, WP&L and IPC are fully reimbursed for any generation expense incurred tc support the sale to an affiliate or to a non-affiliate. Any margins on sales to non-affiliates are distributed to the three utilities in proportion to each utility's share of electric production at the time of sale.

Pursuant to a service agreement approved by the Securities and Exchange Commission under Public Utilities Holding Company Act of 1935, IESU receives various administrative and general services from an affiliate, Corporate Services. These services are billed to IESU at cost based on payroll and other expenses incurred by Corporate Services for the benefit of IESU. These costs totaled $93.9 million and $59.3 million for 1999 and 1998, respectively, and consisted primarily of employee compensation, benefits and fees associated with various professional services. Corporate Services began operations in May 1998 upon the consummation of the merger.

At December 31, 1999 and 1998, IESU had an intercompany payable to Corporate Services of $16.4 million and $20.9 million, respectively.