ALLIANT ENERGY CORP
Form U-1/A
October 11, 2001

(As filed October 11, 2001)

File No. 70-9837

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM U-1/A

AMENDMENT NO. 2
TO
APPLICATION OR DECLARATION
UNDER THE
PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

ALLIANT ENERGY CORPORATION
222 West Washington Avenue
Madison, Wisconsin 53703

INTERSTATE POWER COMPANY
1000 Main Street
P.O. Box 759
Dubuque, Iowa 52004

IES UTILITIES INC.
Alliant Energy Tower
200 First Street SE
Cedar Rapids, Iowa 52401

(Names of companies filing this statement
and addresses of principal executive offices)

ALLIANT ENERGY CORPORATION
222 West Washington Avenue
Madison, Wisconsin 53703

(Name of top registered holding company parent)

Edward M. Gleason, Vice President-Treasurer
and Corporate Secretary
Alliant Energy Corporation
222 West Washington Avenue
Madison, Wisconsin 53703

(Name and address of agent for service)

The Commission is requested to send copies of all notices, orders and communications in connection with this Application/Declaration to:

Barbara J. Swan, General Counsel
Alliant Energy Corporation
222 West Washington Avenue
Madison, Wisconsin 53703

William T. Baker, Jr., Esq.
Thelen Reid & Priest LLP
40 West 57th Street
New York, New York 10019

Kent Ragsdale, Managing Attorney
Alliant Energy Tower
Alliant Energy Corporate Services, Inc.
200 First Street SE
Cedar Rapids, Iowa 52401

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The Application/Declaration filed in this proceeding on January 22, 2001, as amended by Amendment No. 1, filed February 14, 2001, is hereby amended and restated in its entirety to read as follows:

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTION.

Alliant Energy Corporation ("Alliant Energy"), a registered holding company under the Public Utility Holding Company Act of 1935, as amended (the "Act"), and its wholly-owned public-utility subsidiaries, Interstate Power Company ("IPC") and IES Utilities Inc. ("IESU"), request authorization for the merger of IPC into IESU (the "Merger") and for certain other transactions that are incidental thereto. Alliant Energy, IPC and IESU are collectively referred to herein as the "Applicants." The Merger will be governed by the Agreement and Plan of Merger, as amended, between IESU and IPC, dated as of March 15, 2000 ("Merger Agreement"), which is filed herewith as Exhibit B.

On February 14, 2001, the Commission issued a notice of the filing of the Application/Declaration in this proceeding and an order authorizing IESU to solicit proxies from the holders of the outstanding shares of IESU's preferred stock ("Proxy Solicitation"), which were voted in favor of the Merger at a special meeting of shareholders held on April 23, 2001.1 The form of proxy statement used in the Proxy Solicitation is included in Exhibit C hereto.

1.1 Background.

IPC was incorporated in 1925 under the laws of the State of Delaware. Currently, IPC is a public utility engaged principally in the generation, transmission, distribution and sale of electric energy. At December 31, 2000, IPC served approximately 169,000 customers in 234 communities in portions of 25 counties in northern and northeastern Iowa, portions of 22 counties in southern Minnesota, and portions of four counties in northwestern Illinois. IPC also served approximately 51,000 natural gas customers in 41 communities in Illinois, Minnesota and Iowa. At December 31, 2000, IPC owned interests in 12 principal fossil-fueled electric generating stations having a total generating capacity of 1,067.7 MW. IPC also owns approximately 2,600 miles of electric transmission lines and 222 substations. Its gas transportation and distribution system consists of approximately 91 miles of 4-inch to 20-inch pipelines and 916 miles of distribution mains. For the twelve months ended June 30, 2001, IPC had operating revenues of $380,047,374, of which $304,958,840 (approximately 80%) were derived from electric utility operations and $75,088,534 (approximately

20%) from gas operations. At June 30, 2001, IPC had total assets of $656,120,000, including property, plant and equipment net of accumulated depreciation totaling $527,135,000.

IPC is subject to regulation as a public utility by the Iowa Utilities Board ("IUB"), the Minnesota Public Utilities Commission ("MPUC"), and the Illinois Commerce Commission ("ICC") as to its retail electric and gas rates, and by the Federal Energy Regulatory Commission ("FERC") as to wholesale electric rates.

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1 Alliant Energy Corporation, et al., Holding Co. Act Release No. 27346 (Feb. 14, 2001).

IESU was incorporated in 1925 under the laws of the State of Iowa as Iowa Railway and Light Corporation. As of December 31, 2000, IESU provided retail electric service to approximately 347,000 customers in 525 communities and retail natural gas service to approximately 182,000 customers in 212 communities in Iowa, wholesale electric service to five customers, and steam for heat and industrial purposes in Cedar Rapids, Iowa. At December 31, 2000, IESU owned interests in 13 principal fossil-fueled generating stations and one nuclear generating station having a combined generating capacity of 1,945.7 MW. IESU also owns approximately 4,448 miles of electric transmission lines and 577 substations, substantially all of which are in Iowa. Its gas distribution system consists of approximately 139 miles of 4-inch to 10-inch pipelines and approximately 3,836 miles of distribution mains. For the twelve months ended June 30, 2001, IESU had operating revenues of $997,613,503, of which $697,649,623 (approximately 70%) were derived from electric operations, $267,735,564 (approximately 26.8%) from gas operations, and $32,228,316 (approximately 3.2%) from steam operations. At June 30, 2001, IESU had total assets of $1,793,929,000, including property, plant and equipment net of accumulated depreciation equal to $1,416,740,000.

IESU is subject to regulation by the IUB with respect to its retail electric and gas rates and service and by the FERC with respect to its wholesale electric rates. IESU is also subject to regulation by the Nuclear Regulatory Commission.

As a result of the three-way business combination in 1998 of IPC, IESU, and Wisconsin Power and Light Company ("WPL"), another wholly-owned public-utility subsidiary of Alliant Energy, the electric utility facilities of IPC, IES and WPL are operated as an interconnected and coordinated electric utility system. The electric generation facilities of IPC, IESU and WPL are jointly dispatched using the principles of economic dispatch. A System Coordination and Operating Agreement ("SCOA") on file at the FERC establishes the procedures for the dispatch of the generation facilities of IPC, IESU and WPL and the allocation of costs among them. Certain transmission services are available over their combined transmission systems at a single rate in accordance with an open access transmission tariff that has been filed with the FERC.

1.2 Summary of Proposed Transaction.

Under the terms of the Merger Agreement, IPC will be merged into IESU. Upon the consummation of the Merger, the surviving company will be renamed

"Interstate Power and Light Company." As a result of the Merger, all of IPC's assets and liabilities will, by operation of law, become the assets and liabilities of IESU, and IESU (under its new name) will operate as an electric and gas utility company in portions of Iowa, Minnesota and Illinois.

At the time of the Merger, each share of IPC common stock that is issued and outstanding or held in treasury immediately before the effective date of the Merger will be canceled without payment. Shares of IESU common stock issued and outstanding at the time of the Merger will be unaffected by the Merger and will remain outstanding as issued and outstanding shares of common stock of the surviving corporation.

The Merger has been approved by a majority of the votes entitled to be cast by the holder of IESU common stock (all of which are held by Alliant Energy) and by the holders of a majority of the outstanding shares of each class of IESU preferred stock voting as individual classes. IESU currently has outstanding

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366,406 shares of cumulative preferred stock, par value $50 per share, issued in three series (4.30%, 4.80% and 6.10%) ("IESU Preferred Stock"). In addition, an amendment to IESU's Amended and Restated Articles of Incorporation, as described below, that is necessary in order to consummate the Merger was approved by the holders of IESU's common stock and of each class of the IESU Preferred Stock, all voting as separate classes.

The Merger has also been approved by the affirmative vote of holders of a majority of the outstanding IPC common stock (all of which are held by Alliant Energy) and IPC preferred stock entitled to vote, voting together as one class. IPC currently has outstanding 761,381 shares of cumulative preferred stock, par value $50 per share, issued in four series (4.36%, 4.68%, 7.76% and 6.40%) ("IPC Preferred Stock"). Because Alliant Energy beneficially owns 92.8% of the aggregate voting power of all IPC shareowners, its vote in favor of the Merger assured approval of the Merger by IPC's shareholders.

At the time of the Merger, each share of IPC Preferred Stock will cease to be outstanding and will be converted into and become the right to receive one share of new Class A preferred stock ("New Class A Preferred Stock") of IESU, the surviving corporation, to be issued in series that will correspond with each series of the IPC Preferred Stock so converted. As indicated above, IESU's shareholders also approved an amendment to IESU's Amended and Restated Articles of Incorporation that authorizes the New Class A Preferred Stock. (See Exhibit A-3 hereto). The New Class A Preferred Stock will be issued in series and each series will have rights, designations and preferences that are substantially identical to the corresponding series of IPC Preferred Stock that are currently outstanding. The amendment only authorized enough shares of New Class A Preferred Stock (namely, 761,381 shares) as are necessary in order to carry out the exchange for the existing shares of IPC Preferred Stock.2

Shares of IESU Preferred Stock issued and outstanding prior to the effective time of the Merger will be unaffected by the Merger and will remain outstanding as shares of preferred stock of IESU following the Merger. Under Iowa law (as applicable to IESU) and Delaware law (as applicable to IPC), holders of IPC Preferred Stock and/or IESU Preferred Stock will have the right to assert dissenters' rights and receive appropriate consideration for their shares.

All debt currently issued and outstanding by IESU and IPC will remain outstanding after the Merger. As of June 30, 2001, IESU had a total of

$692,740,000 of outstanding long term debt, which included $234,400,000 of collateral trust bonds, $51,000,000 of first mortgage bonds, $22,340,000 of pollution control obligations, $50,000,000 of subordinated deferrable interest debentures, and $335,000,000 of senior debentures, plus $28 million of capital lease obligations, which are classified as long-term debt for financial reporting purposes. As of June 30, 2001, IPC had a total of $173,150,000 of long term debt outstanding, which included $144,000,000 of first mortgage bonds and $29,150,000 of pollution control revenue bonds. IESU will assume all existing debt, liabilities and other obligations of IPC. Following the Merger, bondholders of the two companies will continue to be secured by the liens created under their respective mortgage indentures.

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2 IESU's shareholders also approved a second amendment to IESU's Amended and Restated Articles of Incorporation to change IESU's name to "Interstate Power and Light Company."

The Merger has been structured to qualify for tax purposes as a tax-free "reorganization" under Section 368(a) of the Internal Revenue Code. As a result, no gain or loss will be recognized by IESU or IPC and the holders of IPC Preferred Stock who exchange their shares for shares of New Class A Preferred Stock will also not recognize any gain or loss. IPC and IESU expect that the Merger will qualify as a common control merger for accounting and financial reporting purposes. The accounting for a common control merger is similar to a pooling of interests. Under this accounting treatment, the combination of the ownership interests of the two companies is recognized and the recorded assets, liabilities, and capital accounts are carried forward at existing historical balances to the consolidated financial statements of IESU (as the surviving company) following the Merger.

On a pro forma basis, giving effect to the Merger as of June 30, 2001, IESU will have total assets of approximately $2,449,982,000, including net utility plant of $1,937,620,000. IESU's pro forma consolidated capitalization as of June 30, 2001 (assuming conversion of all IPC Preferred Stock to New Class A Preferred Stock) will be as follows:

Common Equity	$ 795,203,000	44.7%
Preferred Stock	$ 53,908,000	3.0%
Long-term Debt (excl. current maturities)	$ 867,316,000	48.8%
Short-term Debt (incl. current maturities and borrowings from Utility Money Pool)	$ 61,412,000	3.5%
Total	$1,777,839,000	100%

The Merger is conditioned upon the receipt of all necessary regulatory approvals from various state utility commissions, the FERC, and this Commission. With the exception of the approval of the Commission, all regulatory approvals have been obtained (see Items 4 and 6).

After consummation of the Merger, IESU (under its new name - Interstate Power and Light Company) will continue to provide electric and gas service to retail customers previously served by IPC under the same rates, terms and conditions as those previously applicable to service by IPC. Moreover, costs allocated to IPC's and IESU's customers will not change as a result of the Merger. Specifically, IESU and IPC intend that all generation-related costs that are allocated to IPC under the SCOA will not change as a result of the Merger. Consequently, IPC's retail customers receiving bundled electric service will not experience any rate changes solely due to the Merger. Fuel costs allocated to IPC under the SCOA and charged through appropriate fuel cost adjustment clauses in IPC's rates will not change as a result of the Merger. It is also expected that following the Merger, non-fuel costs previously allocated to IPC under the Alliant Energy system service company agreement will be allocated to IESU.

1.3 Purpose and Effect of the Merger.

By merging IPC into IESU, the Applicants will simplify the corporate structure of Alliant Energy's holding company system and reduce costs related to redundant reporting requirements. In addition, the Applicants believe that the Merger offers the following significant benefits to IESU and IPC and their respective stockholders, employees and customers:

- Integration of Corporate and Administrative Functions--the Merger will consolidate certain administrative functions of IESU and IPC, thereby reducing non-labor corporate and administrative expenses. IESU and IPC also expect to realize savings by eliminating certain redundant maintenance contracts and eliminating some redundant operations personnel. In addition, some savings in areas such as regulatory costs, legal, audit and consulting fees are expected to be realized.

- Maintenance of competitive rates--following the Merger, IESU (as the surviving company) will be better able to meet the challenges of the increasingly competitive environment in the utility industry than either IESU or IPC standing alone. The Merger will create the opportunity for financial and operational benefits for customers in the form of more competitive rates over the long term. The Merger also offers shareholders greater financial strength and financial flexibility.

The Applicants believe that synergies from the Merger will generate cost savings which would not be available absent the Merger, with no adverse consequences for either customers or shareholders. Although there can be no assurances that such results will be achieved, preliminary estimates by the Applicants indicate that the Merger could result in potential net cost savings (that is, after taking into account the costs incurred to achieve such savings) of approximately $4.4 million during the ten-year period following the Merger. The Merger will not have any negative impact on competition or on effective local regulation. Accordingly, the Applicants believe that the Merger is in accordance with the applicable standards of the Act and the rules and regulations thereunder.

1.4 Other Related Matters.

IESU and IPC participate with WPL and Alliant Energy Corporate Services, Inc., in the Alliant Energy system utility money pool arrangement ("Utility

Money Pool") that is funded, as needed, through the issuance of commercial paper by Alliant Energy and surplus funds invested by the money pool participants (other than WPL). See File No. 70-9317; Holding Co. Act Release Nos. 26956 (Dec. 18, 1998) and 27304 (Dec. 15, 2000). IESU and IPC are currently authorized to incur short-term borrowings from Alliant Energy and each other under the terms of the Utility Money Pool in an aggregate principal amount at any time outstanding not to exceed $150 million and $100 million, respectively, through the remainder of the current authorization period (June 30, 2004). As of June 30, 2001, IESU had approximately $42 million loaned to the Utility Money Pool and IPC had approximately $40 million in outstanding borrowings under the Utility Money Pool. Following the Merger, it is proposed that the limit on borrowings by IESU, as the surviving company, be increased to $250 million,

which is equal to the sum of the current limits on borrowings by IPC and IESU.3 All other terms, conditions and limitations under the Utility Money Pool order will continue to apply without change.

IESU and IPC are also currently authorized to issue and sell long-term secured and unsecured debt securities from time to time through June 30, 2004. IESU is authorized to issue and sell in one or more transactions any combination of collateral trust bonds, senior unsecured debentures, and unsecured subordinated debentures, and to enter into agreements with respect to tax-exempt bonds, in an aggregate principal amount at any time outstanding not to exceed $200 million. See File No. 70-9375; Holding Co. Act Release Nos. 26945 (Nov. 25, 1998) and 27306 (Dec. 15, 2000). IPC is authorized to issue and sell in one or more transactions any combination of first mortgage bonds, senior unsecured debentures, and unsecured subordinated debentures, and to enter into agreements with respect to tax-exempt bonds, in an aggregate principal amount at any time outstanding not to exceed $80 million. See File No. 70-9377; Holding Co. Act Release Nos. 26946 (Nov. 25, 1998) and 27305 (Dec. 15, 2000). Following the Merger, it is proposed that IESU's long-term debt limitation in File No. 70-9375 be increased to $300 million.4 All other terms, conditions and limitations on IESU's authorization in File No. 70-9375 will continue to apply without change.

ITEM 2. FEES, COMMISSIONS AND EXPENSES.

The total fees, commissions and expenses paid or incurred in connection with the Proxy Solicitation were approximately $206,518, as follows:

Filing fee under 1934 Act	$ 9,518
Printing and mailing	20,000
Proxy solicitation agent	15,000
Attorneys fees and expenses	95,000
Accountants fees and expenses	65,000
Miscellaneous	2,000
Total	$206,518

Other fees, commissions and expenses incurred or to be incurred in connection with the transactions proposed herein, which consist primarily of attorneys' fees, are estimated at not more than $245,000.

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3 IPC's separate borrowing authorization under the Utility Money Pool order will expire effective upon its merger into IESU.

4 IPC's authorization in File No. 70-9377 will expire effective upon its merger into IESU.

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ITEM 3. APPLICABLE STATUTORY PROVISIONS.

3.1 General. Sections 6, 7, 9, 10, and 12 of the Act and Rules 43, 44, 45 and 54 thereunder are applicable to the transactions. The proposed transactions involve the merger of two wholly-owned public utility subsidiaries of Alliant Energy and certain other related transactions. The electric and gas utility operations of these two companies will be unaffected by the Merger. The Merger will allow the companies to achieve a greater level of coordination in both electric and gas operations and enable the companies to achieve greater economies in capital costs, among other benefits. In addition, the Merger will simplify the Alliant Energy corporate structure.

Section 12(e) of the Act and Rules 62 and 65 thereunder are applicable to the Proxy Solicitation. As indicated, the holders of IESU Preferred Stock were asked to approve the Merger and a related amendment to IESU's Amended and Restated Articles of Incorporation to authorize the New Class A Preferred Stock to be issued in the Merger. The designations, rights and preferences of each series of the New Class A Preferred Stock will be substantially identical to the corresponding series of IPC Preferred Stock for which it will be exchanged.

3.2 Rule 54 Analysis. The transactions proposed herein are also subject to Section 32(h)(4) of the Act and Rule 54 thereunder. Rule 54 provides that, in determining whether to approve any transaction that does not relate to an "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), as defined in Sections 32 and 33, respectively, the Commission shall not consider the effect of the capitalization or earnings of any subsidiary which is an EWG or FUCO upon the registered holding company system if paragraphs (a), (b) and (c) of Rule 53 are satisfied.

Alliant Energy is in compliance with all requirements of Rule 53(a). Alliant Energy's "aggregate investment" (as defined in Rule 53(a)(1)(i)) in all EWGs and FUCOs is currently $355.5 million, or about 36.5% of Alliant Energy's "consolidated retained earnings" (also as defined in Rule 53(a)(1)(ii) and including Alliant Energy's accumulated other comprehensive income) for the four quarters ended June 30, 2001 ($972.7 million). In addition, Alliant Energy has complied and will comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of the personnel of Alliant Energy's domestic operating utilities to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail regulatory commissions. Finally, none of the circumstances described in Rule 53(b) has occurred or is continuing. Rule 53(c) is by its terms inapplicable, as the proposed transaction does not involve the issuance of securities to finance an investment in any EWG.

ITEM 4. REGULATORY APPROVALS.

Various aspects of the Merger have been approved by the IUB, the ICC and the MPUC. In addition, IPC has made a notice filing with the ICC with respect to the transfer of its electric properties to IES. Copies of the petitions and notice to the IUB, the ICC and the MPUC are filed herewith as Exhibits D-1, D-2, D-3 and D-4. Copies of the approval orders issued by these commissions are filed as Exhibits D-5, D-6, and D-8 hereto.

The Merger is also subject to approval by the FERC under section 203 of the Federal Power Act. On March 31, 2000, IESU and IPC filed a joint application with the FERC for approval of the Merger, and on July 7, 2000, the FERC issued its order approving the Merger. Copies of the joint application and FERC order are filed as Exhibits D-9 and D-10 hereto.

ITEM 5. PROCEDURE.

The Applicants request that the Commission's Order with respect to the Merger be issued as soon as practicable and that such Order remain effective through January 31, 2002. The Applicants further request that there should not be a 30-day waiting period between issuance of the Commission's orders and the date on which the orders are to become effective, hereby waive a recommended decision by a hearing officer or any other responsible officer of the Commission, and consent that the Division of Investment Management may assist in the preparation of the Commission's decision and/or orders, unless the Division opposes the matters proposed herein.

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

A. - EXHIBITS.

A-1 Amended and Restated Articles of Incorporation of IESU. (Incorporated by reference to Exhibit 3.5 of IESU's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, in File No. 0-4117-1.)

A-2 Bylaws of IESU, as amended, effective as of January 30, 2001. (Incorporated by reference to Exhibit 3.6 to IESU's Annual Report on Form 10-K for the year ended December 31, 2000).

A-3 Proposed Articles of Amendment to Amended and Restated Articles of Incorporation of IESU. (See Appendix D to Exhibit C).

B Agreement and Plan of Merger, as amended, dated as of March 15, 2000, between IESU and IPC. (See Appendix A to Exhibit C).

C Registration Statement on Form S-4 of IESU, as amended, including Proxy Statement/Prospectus to be used in connection with Merger. (Incorporated by reference to File No. 333-53846).

D-1 Copy of Petition to the IUB. (Form SE - Paper Format).

D-2 Copy of Petition to the ICC for approval of transfer of gas properties. (Previously filed).

D-3 Notice to the ICC of transfer of electric properties.

D-4 Copy of Petition to the MPUC. (Previously filed).

D-5 Copy of Order of the IUB. (Previously filed).

D-6 Copy of Order of the ICC approving transfer of gas properties.

D-7 Deleted.5

D-8 Copy of Order of the MPUC. (Form SE - Paper Format).

D-9 Copy of Petition to the FERC. (Previously filed).

D-10 Copy of Order of the FERC. (Previously filed).

E Map of IESU and IPC Service Areas. (Form SE - Previously filed).

F Opinion of Counsel.

G Form of Federal Register Notice. (Previously filed).

B. FINANCIAL STATEMENTS.

FS-1 Consolidated Balance Sheet of IES Utilities Inc., as of June 30, 2001. (Incorporated by reference to IES Utilities Inc.'s Quarterly Report on Form 10-Q for the six months ended June 30, 2001, File No. 0-4117-1).

FS-2 Consolidated Statement of Income of IES Utilities Inc. for the twelve months ended June 30, 2001.

FS-3 Consolidated Balance Sheet of Interstate Power Company, as of June 30, 2001.

FS-4 Consolidated Income Statement of Interstate Power Company for the twelve months ended June 30, 2001.

FS-5 Unaudited Pro Forma Combined Balance Sheet of IES Utilities Inc. (Interstate Power and Light Company), as of June 30, 2001.

ITEM 7. INFORMATION AS TO ENVIRONMENTAL EFFECTS.

The transaction that is the subject of this Application/Declaration does not involve a "major federal action" nor does it "significantly affect the quality of the human environment" as those terms are used in section 102(2)(C) of the National Environmental Policy Act. Such transaction will not result in changes in the operation of the Applicants that will have an impact on the environment. The Applicants are not aware of any federal agency that has

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5 The transfer of IPC's electric properties to IES, as described in the Notice filed as Exhibit D-3, is permitted to take place without formal action by the ICC upon expiration of the statutory notice period.

prepared or is preparing an environmental impact statement with respect to the transaction that is the subject of this Application/Declaration.

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, as amended, the undersigned companies have duly caused this Application/Declaration filed herein, as amended, to be signed on their behalf by the undersigned thereunto duly authorized.

ALLIANT ENERGY CORPORATION

By: /s/ Edward M. Gleason

Name: Edward M. Gleason
Title: Vice President-Treasurer and Corporate Secretary

INTERSTATE POWER COMPANY

By: /s/ Edward M. Gleason

Name: Edward M. Gleason
Title: Vice President-Treasurer and Corporate Secretary

IES UTILITIES INC.

By: /s/ Edward M. Gleason

Name: Edward M. Gleason
Title: Vice President-Treasurer and Corporate Secretary

Date: October 11, 2001

IES UTILITIES INC.
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	For the Twelve Months Ended June 30, 2001	2000
OPERATING REVENUES:		
Electric utility	$697,649,623	$639,758,928
Gas utility	267,735,564	149,391,405
Steam	32,228,316	25,450,610
Other	-	117,588
	997,613,503	814,718,531
OPERATING EXPENSES:		
Electric production fuels	100,333,922	102,793,490
Steam production fuels	21,319,652	15,213,856
Purchased power	128,877,756	73,250,680
Cost of gas sold	206,536,551	93,811,681
Other operation	171,560,510	169,103,008
Maintenance	51,015,108	49,439,640
Depreciation and amortization	109,441,295	103,788,392
Taxes other than income taxes	45,390,982	48,114,600
	834,475,776	655,515,347
OPERATING INCOME	163,137,727	159,203,184
INTEREST EXPENSE AND OTHER:		
Interest expense	47,709,827	47,461,635
Interest expense - intercompany	3,692,521	2,347,226
Interest income	(4,116,389)	(7,044,009)
Interest income - intercompany	(914,511)	-
Dividend income	(9,816)	(10,245)
Allowance for equity funds used during construction	(1,073,536)	(482,956)
Allowance for borrowed funds used during construction	(3,014,605)	(1,562,665)
Equity income from unconsolidated investments	-	(1,779)
Other deductions	1,748,879	427,501
	44,022,370	41,134,708
INCOME BEFORE INCOME TAXES	119,115,357	118,068,476
INCOME TAXES	46,475,256	50,468,293

NET INCOME	72,640,101	67,600,183
PREFERRED DIVIDEND REQUIREMENTS	914,376	914,376
EARNINGS AVAILABLE FOR COMMON STOCK	$ 71,725,725	$ 66,685,807

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INTERSTATE POWER COMPANY
CONSOLIDATED BALANCE SHEET (Unaudited)
AS OF JUNE 30, 2001

ASSETS:	
Property, plant and equipment:	
Utility:	
Plant in service:	
Electric	$ 952,820,412
Gas	80,088,971
Other	15,105,164
Subtotal	1,048,014,547
Less - Accumulated depreciation	(541,419,626)
Total net plant in service	506,594,921
Construction work in progress	20,327,060
Total utility plant, net	526,921,981
Other property, plant and equipment, net	212,781
Total property, plant and equipment	527,134,762
Current assets:	
Cash and cash equivalents	1,288,652
Accounts receivable - customers	5,595,252
Accounts receivable - other	1,712,899
Unbilled utility revenues	10,177,689
Current notes receivable	819,598
Allowance for doubtful accounts (accounts receivable - customers)	(346,367)
Intercompany receivables (accounts, notes, dividends, taxes, etc.)	1,033,208
Income taxes receivable	1,656,649
Production fuel, at average cost	16,217,519
Materials and supplies, at average cost	6,051,025
Gas stored underground, at average cost	1,884,328
Regulatory assets	5,631,256
Restricted cash	918,043
Prepayments and other	3,334,295

Total current assets	55,974,046
Investments:	
Cash surrender value - life insurance policies	2,265,486
Other	4,896,111
Total investments	7,161,597
Other assets:	
Regulatory assets	64,520,519
Non-current notes receivable	576,667
Unamortized debt expenses	1,108,221
Deferred charges and other	(356,169)
Total other assets	65,849,238
Total assets	$ 656,119,643

INTERSTATE POWER COMPANY
CONSOLIDATED BALANCE SHEET (Unaudited) (Continued)
AS OF JUNE 30, 2001

CAPITALIZATION AND LIABILITIES:	
Capitalization:	
Common stock and additional paid-in capital	$ 142,880,189
Retained earnings	80,926,877
Total common equity	223,807,066
Preferred stock (optional sinking fund)	10,819,050
Preferred stock (mandatory sinking fund)	24,768,940
Long-term debt (excluding current portion)	170,445,526
Total capitalization	429,840,582
Current liabilities:	
Notes payable to associated companies	39,851,613
Capital lease obligation	13,814
Accounts payable	9,796,964
Dividends payable - preferred	598,570
Intercompany payables (accounts, notes, dividends, taxes, etc.)	11,688,974
Accrued payroll and vacations	2,903,665
Accrued interest	2,506,255
Accrued other taxes (property, payroll, etc.)	13,333,190
Environmental liabilities	1,112,000
Current derivative liability	1,363,985
Other current liabilities	2,389,438
Total current liabilities	85,558,468

Deferred credits and other non-current liabilities:	
Accumulated deferred income taxes	92,639,793
Accumulated deferred investments tax credit	12,310,886
Pension and other benefit obligations	8,974,086
Capital lease obligation	47,895
Environmental liabilities	14,164,035
Customer advances	432,052
Other	12,151,846
Total long-term liabilities	140,720,593
Total liabilities and capitalization	$ 656,119,643

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INTERSTATE POWER COMPANY
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	For the Twelve Months Ended June 30, 2001	2000
OPERATING REVENUES:		
Electric utility	$304,958,840	$297,513,760
Gas utility	75,088,534	41,409,493
	380,047,374	338,923,253
OPERATING EXPENSES:		
Electric production fuels	60,755,266	51,276,988
Purchased power	60,366,551	67,832,842
Cost of gas sold	54,298,625	24,620,448
Other operation	74,984,223	71,976,150
Maintenance	16,767,352	17,881,602
Depreciation and amortization	36,770,425	33,208,304
Taxes other than income taxes	17,739,652	14,864,582
	321,682,094	281,660,916
OPERATING INCOME	58,365,280	57,262,337
INTEREST EXPENSE AND OTHER:		
Interest expense	13,697,244	13,579,261
Interest expense - intercompany	3,295,851	1,895,675
Interest income	(790,824)	(539,940)
Allowance for equity funds used during construction	566	276,180
Allowance for borrowed funds used		

during construction	(851,461)	(816,981)
Other income	(1,578,783)	(1,540,163)
	13,772,593	12,854,032
INCOME BEFORE INCOME TAXES	44,592,687	44,408,305
INCOME TAXES	15,564,426	17,433,475
NET INCOME	29,028,261	26,974,830
PREFERRED DIVIDEND REQUIREMENTS	2,491,932	2,484,882
EARNINGS AVAILABLE FOR COMMON STOCK	$ 26,536,329	$ 24,489,948

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INTERSTATE POWER AND LIGHT COMPANY
UNAUDITED PRO FORMA COMBINED BALANCE SHEET
JUNE 30, 2001
(IN THOUSANDS)

	IESU	IPC	PRO FORMA ADJUSTMENTS (SEE NOTE 1)	PRO FORMA COMBINED
ASSETS				
PROPERTY, PLANT AND EQUIPMENT:				
Utility -				
Plant in service -				
Electric	$2,278,922	$ 952,821	$ -	$3,231,743
Gas	225,888	80,089	-	305,977
Steam	59,554	-	-	59,554
Common	164,146	15,104	-	179,250
	2,728,510	1,048,014	-	3,776,524
Less - Accumulated depreciation	1,449,731	541,419	-	1,991,150
	1,278,779	506,595	-	1,785,374
Construction work in progress	87,782	20,327	-	108,109
Leased nuclear fuel, net	44,137	-	-	44,137

	1,410,698	526,922	-	1,937,620
Other property, plant and equipment, net	6,042	213	-	6,255
	1,416,740	527,135	-	1,943,875
CURRENT ASSETS:				
Cash and temporary cash investments	9,478	1,288	-	10,766
Temporary cash investments with associated companies	41,840	-	-	41,840
Accounts receivable:				
Customer, net	9,975	15,427	-	25,402
Associated companies	1,528	1,034	(67)	2,495
Other, net	8,521	1,713	-	10,234
Production fuel, at average cost	11,022	16,218	-	27,240
Materials and supplies, at average cost	24,302	6,051	-	30,353
Gas stored underground, at average cost	7,187	1,884	-	9,071
Regulatory assets	6,306	5,631	-	11,937
Prepayments and other	2,805	6,727	-	9,532
	122,964	55,973	(67)	178,870
INVESTMENTS:				
Nuclear decommissioning trust funds	115,558	-	-	115,558
Other	6,281	7,162	-	13,443
	121,839	7,162	-	129,001
OTHER ASSETS:				
Regulatory assets	115,697	64,521	-	180,218
Deferred charges and other	16,689	1,329	-	18,018
	132,386	65,850	-	198,236
TOTAL ASSETS	$1,793,929	$ 656,120	($67)	$2,449,982

THE ACCOMPANYING NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

INTERSTATE POWER AND LIGHT COMPANY
UNAUDITED PRO FORMA COMBINED BALANCE SHEET
JUNE 30, 2001
(In thousands)

			PRO FORMA ADJUSTMENTS	PRO FORMA

	IESU	IPC	(SEE NOTE 1)	COMBINED
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION:				
Common stock	$ 33,427	$ 34,221	($34,221)	$ 33,427
Additional paid-in capital	279,042	108,659	34,221	421,922
Retained earnings	258,927	80,927	-	339,854
Total common equity	571,396	223,807	-	795,203
Cumulative preferred stock, not mandatorily redeemable	18,320	10,819	-	29,139
Cumulative preferred stock, mandatorily redeemable	-	24,769	-	24,769
Long-term debt (excluding current portion)	696,870	170,446	-	867,316
	1,286,586	429,841	-	1,716,427
CURRENT LIABILITIES:				
Current maturities and sinking funds	21,560	-	-	21,560
Capital lease obligations	16,620	14	-	16,634
Notes payable to associated companies	-	39,852	-	39,852
Accounts payable	29,996	9,797	-	39,793
Accounts payable to associated companies	30,101	11,690	(67)	41,724
Accrued interest	14,303	2,507	-	16,810
Accrued taxes	45,457	13,333	-	58,790
Other	22,297	8,365	-	30,662
	180,334	85,558	(67)	265,825
OTHER LONG-TERM LIABILITIES AND DEFERRED CREDITS:				
Accumulated deferred income taxes	212,330	92,639	-	304,969
Accumulated deferred investment tax credits	23,607	12,310	-	35,917
Environmental liabilities	27,601	14,164	-	41,765
Pension and other benefit obligations	25,162	8,974	-	34,136
Capital lease obligations	27,517	48	-	27,565
Other	10,792	12,586	-	23,378
	327,009	140,721	-	467,730
TOTAL CAPITALIZATION AND LIABILITIES	$1,793,929	$ 656,120	($67)	$2,449,982

THE ACCOMPANYING NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

INTERSTATE POWER AND LIGHT COMPANY

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

The unaudited pro forma combined financial statements for the surviving company, Interstate Power and Light Company (IP&L), combine the historical consolidated balance sheets and statements of income of IES Utilities Inc. (IESU) and Interstate Power Company (IPC) as adjusted by various balance sheet pro forma adjustments identified in Note 1. Pro forma income statement adjustments were not required. We have included all material adjustments known to us at this time which impact the reporting periods shown.

These pro forma combined financial statements set forth the restated combined financial data that will be presented for future comparative financial data for the merged company. These statements are prepared on the basis of accounting for the merger as a common control merger and are based on the assumptions set forth in the notes hereto.

THE FOLLOWING INFORMATION IS NOT NECESSARILY INDICATIVE OF THE FINANCIAL POSITION OR OPERATING RESULTS THAT WOULD HAVE OCCURRED HAD THE MERGER BEEN CONSUMMATED ON THE DATE, OR AT THE BEGINNING OF THE PERIODS, FOR WHICH THE MERGER IS BEING GIVEN EFFECT NOR IS IT NECESSARILY INDICATIVE OF FUTURE OPERATING RESULTS OR FINANCIAL POSITION.