INTERSTATE POWER & LIGHT CO
Form 10-Q
August 06, 2008
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **June 30, 2008**

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______ to _______

Commission File Number	Name of Registrant, State of Incorporation, Address of Principal Executive Offices and Telephone Number	IRS Employer Identification Number
1-9894	ALLIANT ENERGY CORPORATION (a Wisconsin corporation) 4902 N. Biltmore Lane Madison, Wisconsin 53718 Telephone (608)458-3311	39-1380265
0-4117-1	INTERSTATE POWER AND LIGHT COMPANY (an Iowa corporation) Alliant Energy Tower Cedar Rapids, Iowa 52401 Telephone (319)786-4411	42-0331370
0-337	WISCONSIN POWER AND LIGHT COMPANY (a Wisconsin corporation) 4902 N. Biltmore Lane Madison, Wisconsin 53718 Telephone (608)458-3311	39-0714890

This combined Form 10-Q is separately filed by Alliant Energy Corporation, Interstate Power and Light Company and Wisconsin Power and Light Company. Information contained in the Form 10-Q relating to Interstate Power and Light Company and Wisconsin Power and Light Company is filed by such registrant on its own behalf. Each of Interstate Power and Light Company and Wisconsin Power and Light Company makes no representation as to information relating to registrants other than itself.

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers, or smaller reporting companies. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Alliant Energy Corporation - Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o

Interstate Power and Light Company - Large accelerated filer o Accelerated filer o Non-accelerated filer x Smaller reporting company o

Wisconsin Power and Light Company - Large accelerated filer o Accelerated filer o Non-accelerated filer x Smaller reporting company o

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

Number of shares outstanding of each class of common stock as of July 31, 2008:

Alliant Energy Corporation	Common stock, $0.01 par value, 110,450,391 shares outstanding
Interstate Power and Light Company	Common stock, $2.50 par value, 13,370,788 shares outstanding (all of which are owned beneficially and of record by Alliant Energy Corporation)
Wisconsin Power and Light Company	Common stock, $5 par value, 13,236,601 shares outstanding (all of which are owned beneficially and of record by Alliant Energy Corporation)

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FORWARD-LOOKING STATEMENTS

Statements contained in this report that are not of historical fact are forward-looking statements intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, such statements. Some, but not all, of the risks and uncertainties of Alliant Energy Corporation (Alliant Energy), Interstate Power and Light Company (IPL) and Wisconsin Power and Light Company (WPL) include: federal and state regulatory or governmental actions, including the impact of energy-related and tax legislation and regulatory agency orders; their ability to obtain adequate and timely rate relief to allow for, among other things, the recovery of operating costs, capital expenditures and deferred expenditures, the earning of reasonable rates of return and the payment of expected levels of dividends; current or future litigation, regulatory investigations, proceedings or inquiries; developments that adversely impact their ability to implement their strategic plans including unanticipated issues in connection with construction of their new generating facilities and WPL s potential purchases of the Riverside Energy Center (Riverside) and Alliant Energy Resources, Inc. s (Resources) electric generating facility in Neenah, Wisconsin; issues related to the availability of their generating facilities and the supply and delivery of fuel and purchased electricity and price thereof, including the ability to recover and retain purchased power, fuel and fuel-related costs through rates in a timely manner; the impact fuel and fuel-related prices and other economic conditions may have on their customers demand for utility services; issues associated with environmental remediation efforts and with environmental compliance generally, including changing environmental laws and regulations and the ability to recover through rates all environmental compliance costs; potential impacts of any future laws or regulations regarding global climate change or carbon emissions reductions; weather effects on results of operations; financial impacts of hedging strategies, including the impact of weather hedges on their earnings; unplanned outages at their generating facilities and risks related to recovery of incremental costs through rates; the direct or indirect effects resulting from terrorist incidents or responses to such incidents; unanticipated impacts that storms or natural disasters in their service territories may have on their operations, including uncertainties associated with efforts to remediate the effects of the June 2008 Midwest flooding, reimbursement of storm-related costs covered by insurance, rate relief for costs associated with restoration, and the impact of the flooding on the economic conditions of the affected service territories; economic and political conditions in their service territories; the growth rate of ethanol and biodiesel production in their service territories; Alliant Energy s ability to achieve and/or sustain its dividend payout ratio goal; any material post-closing adjustments related to any of their past asset divestitures; employee workforce factors, including changes in key executives, collective bargaining agreements or work stoppages; continued access to the capital markets under competitive terms and rates; access to technological developments; issues related to electric transmission, including operating in the Midwest Independent Transmission System Operator (MISO) energy market, the impacts of potential future billing adjustments from MISO and recovery of costs incurred; inflation and interest rates; the impact of necessary accruals for the terms of their incentive compensation plans; the effect of accounting pronouncements issued periodically by standard-setting bodies; their ability to continue cost controls and operational efficiencies; their ability to utilize tax capital losses generated to date, and those that may be generated in the future, before they expire; their ability to successfully complete ongoing tax audits and appeals with no material impact on their earnings and cash flows; and factors listed in Risk Factors in Item 1A and Other Matters - Other Future Considerations. Alliant Energy, IPL and WPL assume no obligation, and disclaim any duty, to update the forward-looking statements in this report.

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

ALLIANT ENERGY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2007	**2008**	2007
	(dollars in millions, except per share amounts)			
Operating revenues:				
Utility:				
Electric	**$576.7**	$565.5	**$1,144.4**	$1,119.0
Gas	**121.1**	94.0	**429.6**	382.3

Other	**15.6**	15.4	**33.5**	33.4
Non-regulated	**114.0**	71.3	**211.9**	124.2
	827.4	746.2	**1,819.4**	1,658.9
Operating expenses:				
Utility:				
Electric production fuel and purchased power	**305.2**	292.9	**606.7**	573.2
Cost of gas sold	**86.8**	60.9	**318.9**	272.8
Other operation and maintenance	**169.0**	142.3	**333.8**	306.9
Non-regulated operation and maintenance	**96.5**	60.1	**177.3**	101.4
Depreciation and amortization	**61.7**	66.0	**123.3**	132.0
Taxes other than income taxes	**26.2**	27.0	**52.3**	54.8
	745.4	649.2	**1,612.3**	1,441.1
Operating income	**82.0**	97.0	**207.1**	217.8
Interest expense and other:				
Interest expense	**30.3**	27.7	**60.0**	57.3
Equity income from unconsolidated investments, net	**(7.2)**	(7.0)	**(14.7)**	(14.5)
Allowance for funds used during construction	**(4.2)**	(1.9)	**(7.4)**	(3.4)
Preferred dividend requirements of subsidiaries	**4.7**	4.7	**9.4**	9.4
Interest income and other	**(4.2)**	(2.4)	**(11.3)**	(10.9)
	19.4	21.1	**36.0**	37.9
Income from continuing operations before income taxes	**62.6**	75.9	**171.1**	179.9
Income taxes	**10.8**	30.9	**51.2**	69.7
Income from continuing operations	**51.8**	45.0	**119.9**	110.2
Income from discontinued operations, net of tax	**9.0**	3.6	**9.0**	2.3
Net income	**$60.8**	$48.6	**$128.9**	$112.5
Weighted average number of common shares outstanding (basic) (000s)	**110,168**	112,778	**110,158**	114,099
Earnings per weighted average common share (basic):				
Income from continuing operations	**$0.47**	$0.40	**$1.09**	$0.97
Income from discontinued operations	**0.08**	0.03	**0.08**	0.02
Net income	**$0.55**	$0.43	**$1.17**	$0.99

Weighted average number of common shares outstanding (diluted) (000s)	**110,322**	113,026	**110,313**	114,390
Earnings per weighted average common share (diluted):				
Income from continuing operations	**$0.47**	$0.40	**$1.09**	$0.96
Income from discontinued operations	**0.08**	0.03	**0.08**	0.02
Net income	**$0.55**	$0.43	**$1.17**	$0.98
Dividends declared per common share	**$0.35**	$0.3175	**$0.70**	$0.635

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

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ALLIANT ENERGY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

ASSETS	June 30, 2008	December 31, 2007
	(in millions)	
Property, plant and equipment:		
Utility:		
Electric plant in service	**$5,670.4**	$5,633.7
Gas plant in service	**741.0**	726.3
Other plant in service	**468.4**	466.8
Accumulated depreciation (accum. depr.)	**(2,689.8)**	(2,692.5)
Net plant	**4,190.0**	4,134.3
Construction work in progress:		
Whispering Willow - East Wind Farm	**151.2**	-
Cedar Ridge Wind Farm	**109.5**	41.8
Other	**179.5**	153.6
Other, less accum. depr.	**22.5**	4.6
Total utility	**4,652.7**	4,334.3
Non-regulated and other:		
Non-regulated Generation, less accum. depr.	**234.9**	240.5
Other non-regulated investments, less accum. depr.	**63.9**	66.1
Alliant Energy Corporate Services, Inc. and other, less accum. depr.	**40.9**	39.0
Total non-regulated and other	**339.7**	345.6
	4,992.4	4,679.9
Current assets:		
Cash and cash equivalents	**573.9**	745.6

Accounts receivable:		
Customer, less allowance for doubtful accounts	**141.2**	154.7
Unbilled utility revenues	**102.3**	151.6
Other, less allowance for doubtful accounts	**75.8**	40.6
Income tax refunds receivable	**74.5**	13.5
Production fuel, at weighted average cost	**90.2**	92.2
Materials and supplies, at weighted average cost	**49.0**	45.6
Gas stored underground, at weighted average cost	**37.1**	70.5
Regulatory assets	**28.7**	58.5
Derivative assets	**108.1**	34.1
Other	**95.3**	65.4
	1,376.1	1,472.3
Investments:		
Investment in American Transmission Company LLC	**181.6**	172.2
Other	**68.5**	65.7
	250.1	237.9
Other assets:		
Regulatory assets	**478.5**	491.7
Deferred charges and other	**306.8**	307.9
	785.3	799.6
Total assets	**$7,403.9**	$7,189.7

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

ALLIANT ENERGY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED) (Continued)

CAPITALIZATION AND LIABILITIES	**June 30, 2008**	December 31, 2007
	(in millions, except per share and share amounts)	
Capitalization:		
Common stock - $0.01 par value - authorized 240,000,000 shares; outstanding 110,455,511 and 110,359,314 shares	**$1.1**	$1.1
Additional paid-in capital	**1,494.2**	1,483.4
Retained earnings	**1,254.3**	1,205.2
Accumulated other comprehensive income	**2.8**	0.2
Shares in deferred compensation trust - 245,095 and 294,196 shares at a weighted average cost of $30.93 and $29.65 per share	**(7.6)**	(8.7)
Total common equity	**2,744.8**	2,681.2
Cumulative preferred stock of subsidiaries, net	**243.8**	243.8
Long-term debt, net (excluding current portion)	**1,403.2**	1,404.5

	4,391.8	4,329.5
Current liabilities:		
Current maturities	**138.5**	140.1
Commercial paper	**207.0**	81.8
Other short-term borrowings	**0.1**	29.5
Accounts payable	**355.5**	346.7
Regulatory liabilities	**125.1**	86.5
Accrued taxes	**51.6**	74.7
Other	**197.9**	177.7
	1,075.7	937.0
Other long-term liabilities and deferred credits:		
Deferred income taxes	**856.1**	822.9
Regulatory liabilities	**673.1**	656.4
Pension and other benefit obligations	**200.1**	206.4
Other	**205.0**	233.6
	1,934.3	1,919.3
Minority interest	**2.1**	3.9
Total capitalization and liabilities	**$7,403.9**	$7,189.7

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

ALLIANT ENERGY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Six Months Ended June 30,	
	2008	2007
	(in millions)	
Cash flows from operating activities:		
Net income	**$128.9**	$112.5
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	**123.3**	132.0
Other amortizations	**23.2**	24.0
Deferred tax expense (benefit) and investment tax credits	**(5.7)**	18.6
Equity income from unconsolidated investments, net	**(14.7)**	(14.5)
Distributions from equity method investments	**12.8**	9.9
Other	**2.4**	(13.7)
Other changes in assets and liabilities:		
Accounts receivable	**(9.7)**	95.1
Sale of accounts receivable	**40.0**	-
Income tax refunds receivable	**(61.0)**	(13.6)

Gas stored underground	**33.4**	1.9
Derivative assets	**(90.7)**	2.1
Regulatory assets	**15.8**	81.9
Accounts payable	**34.9**	4.7
Accrued taxes	**(22.9)**	1.9
Derivative liabilities	**(4.5)**	(56.3)
Regulatory liabilities	**52.3**	(21.1)
Accrued incentive compensation and other	**(7.3)**	(64.7)
Net cash flows from operating activities	**250.5**	300.7
Cash flows used for investing activities:		
Construction and acquisition expenditures:		
Utility business	**(429.5)**	(230.3)
Alliant Energy Corporate Services, Inc. and non-regulated businesses	**(14.3)**	(10.5)
Proceeds from asset sales	**2.4**	124.1
Purchases of emission allowances	**-**	(23.9)
Other	**18.0**	22.8
Net cash flows used for investing activities	**(423.4)**	(117.8)
Cash flows from (used for) financing activities:		
Common stock dividends	**(77.1)**	(72.8)
Repurchase of common stock	**(1.5)**	(235.6)
Proceeds from issuance of common stock	**1.3**	32.6
Reductions in long-term debt	**(3.1)**	(222.5)
Net change in short-term borrowings	**95.8**	165.7
Other	**(14.2)**	9.0
Net cash flows from (used for) financing activities	**1.2**	(323.6)
Net decrease in cash and cash equivalents	**(171.7)**	(140.7)
Cash and cash equivalents at beginning of period	**745.6**	266.0
Cash and cash equivalents at end of period	**$573.9**	$125.3

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

ALLIANT ENERGY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General - The interim condensed consolidated financial statements included herein have been prepared by Alliant Energy, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S.) (GAAP) have been condensed or omitted, although management believes that the disclosures are adequate to make the information presented not misleading. The condensed consolidated financial statements include Alliant Energy and its consolidated subsidiaries (including IPL, WPL, Resources and Alliant Energy Corporate Services, Inc. (Corporate Services)). These financial statements should be read in conjunction with the financial statements and the notes thereto included in Alliant Energy s, IPL s and WPL s latest combined Annual Report on

Form 10-K.

In the opinion of management, all adjustments, which unless otherwise noted are normal and recurring in nature, necessary for a fair presentation of the condensed consolidated results of operations for the three and six months ended June 30, 2008 and 2007, the condensed consolidated financial position at June 30, 2008 and Dec. 31, 2007, and the condensed consolidated statements of cash flows for the six months ended June 30, 2008 and 2007 have been made. Results for the three and six months ended June 30, 2008 are not necessarily indicative of results that may be expected for the year ending Dec. 31, 2008. A change in management s estimates or assumptions could have a material impact on Alliant Energy s financial condition and results of operations during the period in which such change occurred. Certain prior period amounts have been reclassified on a basis consistent with the current period financial statement presentation. Unless otherwise noted, the notes herein have been revised to exclude discontinued operations for all periods presented.

(b) Regulatory Assets and Liabilities -

Derivatives - IPL and WPL generally record regulatory assets or liabilities to offset the changes in fair value of derivatives. Refer to Note 11(a) for information regarding the fair value of derivatives at June 30, 2008 and Dec. 31, 2007.

Costs for Proposed Base-load, Clean Air Compliance and Wind Projects - IPL and WPL have incurred expenditures required for the planning and siting (commonly referred to as pre-certification or pre-construction costs) of certain proposed base-load, clean air compliance and wind projects. Cumulative costs for these projects were primarily recorded in Other assets - regulatory assets as follows (in millions):

	Alliant Energy		IPL		WPL	
	June 30, 2008	Dec. 31, 2007	**June 30, 2008**	Dec. 31, 2007	**June 30, 2008**	Dec. 31, 2007
WPL s base-load project (a)	**$23.2**	$17.3	**$--**	$--	**$23.2**	$17.3
IPL s base-load project (b)	**20.3**	12.0	**20.3**	12.0	**--**	--
Clean air compliance projects	**13.7**	12.2	**7.4**	7.5	**6.3**	4.7
Wind projects (c)	**1.4**	28.6	**--**	27.2	**1.4**	1.4
	$58.6	$70.1	**$27.7**	$46.7	**$30.9**	$23.4

(a) WPL s proposed 300 megawatt (MW) coal-fired electric generating facility with a preferred location in Cassville, Wisconsin, which WPL expects to be in service in 2013. Costs include certain items that benefit existing units.
(b) IPL s proposed 630 MW coal-fired electric generating facility in Marshalltown, Iowa, which IPL expects to be in service in 2013.
(c) Includes IPL s proposed 200 MW Whispering Willow - East wind farm in Franklin County, Iowa, expected to be in service in 2010. In February 2008, IPL received approval from the Iowa Utilities Board (IUB) to construct the project. Upon approval, the related cumulative pre-certification and pre-construction costs were transferred from Other assets - regulatory assets to Property, plant and equipment on Alliant Energy s and IPL s Condensed Consolidated Balance Sheets.

(c) Common Shares Outstanding - A reconciliation of the weighted average common shares outstanding used in the basic and diluted earnings per weighted average common share (EPS) calculation for the three and six months ended June 30 was as follows (in thousands):

	Three Months		Six Months	
	2008	2007	**2008**	2007
Weighted average common shares outstanding:				
Basic EPS calculation	**110,168**	112,778	**110,158**	114,099
Effect of dilutive securities	**154**	248	**155**	291

Diluted EPS calculation	**110,322**	113,026	**110,313**	114,390

(d) Cash and Cash Equivalents - At June 30, 2008 and Dec. 31, 2007, the majority of Alliant Energy s cash and cash equivalents were invested in money market funds providing daily liquidity. The yield on these funds can fluctuate daily. Information on Alliant Energy s cash and cash equivalents was as follows (dollars in millions):

	June 30, 2008	Dec. 31, 2007
Total cash and cash equivalents	**$574**	$746
Money market fund investments	**$556**	$737
Interest rates on money market fund investments	**2.57 2.70%**	4.83 - 4.99%

(e) Utility Property, Plant and Equipment -

Utility Plant Retirements Related to Severe Flooding **-** During the second quarter of 2008, severe flooding in Cedar Rapids, Iowa caused significant damage at several facilities owned by IPL, including its Prairie Creek and Sixth Street generating stations, certain office and operating buildings and several distribution substations. Based on an initial assessment of the damage at these facilities, Alliant Energy and IPL recorded approximately $68 million of estimated retirements of utility plant. These retirements were recorded as reductions to Utility plant in service and Accumulated depreciation on Alliant Energy s and IPL s Condensed Consolidated Balance Sheets at June 30, 2008. Alliant Energy and IPL plan to complete a more formal assessment of the damage to the Prairie Creek and Sixth Street generating stations in the third quarter of 2008, after which they will update, if required, their initial estimate of retirements related to utility plant damaged by the severe flooding.

Construction Work in Progress for Whispering Willow - East Wind Farm - During the second quarter of 2008, Corporate Services, as agent for IPL and WPL, entered into a master supply agreement with Vestas-American Wind Technology, Inc. (Vestas) for the purchase of 500 MW of wind turbine generator sets and related equipment to support IPL s and WPL s wind generation plan. Upon execution of the master supply agreement, IPL made an initial payment of $138 million for 200 MW of wind turbine generator sets and related equipment to be utilized in its Whispering Willow - East wind farm. This initial payment by IPL was included in Construction work in progress - Whispering Willow - East Wind Farm on Alliant Energy s and IPL s Condensed Consolidated Balance Sheets at June 30, 2008. Refer to Note 12(a) for additional information regarding the master supply agreement executed in the second quarter of 2008.

(f) Supplemental Financial Information - The other (income) and deductions included in Interest income and other in Alliant Energy s Condensed Consolidated Statements of Income for the three and six months ended June 30 were as follows (in millions):

	Three Months		Six Months	
	2008	2007	**2008**	2007
Interest income	**($4.3)**	($2.4)	**($11.2)**	($7.2)
Gains on investment sales, net	**--**	(0.2)	**--**	(3.8)
Other	**0.1**	0.2	**(0.1)**	0.1
	($4.2)	($2.4)	**($11.3)**	($10.9)

The supplemental cash flows information for Alliant Energy s Condensed Consolidated Statements of Cash Flows for the six months ended June 30 was as follows (in millions):

	2008	2007
Cash paid during the period for:		
Income taxes, net of refunds	**$133.3**	$63.2
Interest, net of capitalized interest	**72.1**	63.3
Noncash investing and financing activities:		
Debt assumed by buyer of Mexico business	**--**	5.0

(g) New Accounting Pronouncements - In May 2008, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 162, The Hierarchy of Generally Accepted Accounting Principles. SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. SFAS No. 162 will be effective for Alliant Energy, IPL and WPL 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles. SFAS 162 is not expected to have any impact on their financial condition or results of operations.

In April 2008, the FASB issued FASB Staff Position (FSP) No. SFAS 142-3, Determination of the Useful Life of Intangible Assets. FSP SFAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under SFAS 142, Goodwill and Other Intangible Assets, and requires expanded disclosures related to intangible assets. Alliant Energy, IPL and WPL are required to adopt FSP SFAS 142-3 on Jan. 1, 2009. FSP SFAS 142-3 is not expected to have a material impact on their financial condition or results of operations.

In March 2008, the FASB issued SFAS 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133. SFAS 161 requires enhanced qualitative and quantitative disclosures about an entity s derivative and hedging activities. Alliant Energy, IPL and WPL are required to adopt SFAS 161 by Jan. 1, 2009. SFAS 161 is not expected to have any impact on their financial condition or results of operations.

In December 2007, the FASB issued SFAS 141(R), Business Combinations. SFAS 141(R) establishes principles and requirements for how the acquiring entity in a business combination: recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. Alliant Energy, IPL and WPL are required to adopt SFAS 141(R) on Jan. 1, 2009. Because the provisions of SFAS 141(R) are only applied prospectively to business combinations after adoption, the impact to Alliant Energy, IPL and WPL cannot be determined until any business combinations occur.

In December 2007, the FASB issued SFAS 160, Noncontrolling Interests in Consolidated Financial Statements - Including an amendment of Accounting Research Bulletin (ARB) No. 51. SFAS 160 amends ARB No. 51, Consolidated Financial Statements, to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 also clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 also changes the way the consolidated income statement is presented, establishes a single method of accounting for changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation, requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated and requires expanded disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of the parent s owners and the interests of the noncontrolling owners of a subsidiary. Alliant Energy, IPL and WPL are required to adopt SFAS 160 by Jan. 1, 2009 and are evaluating the implications of SFAS 160 on their financial condition and results of operations.

In April 2007, the FASB issued FSP No. FASB Interpretation No. (FIN) 39-1, Amendment of FIN 39, Offsetting of Amounts Related to Certain Contracts. FSP FIN 39-1 amends FIN 39 to permit the offsetting of amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral against amounts recognized for derivative instruments executed with the same counterparty under the same master netting arrangement that have been offset. Alliant Energy, IPL and WPL adopted FSP FIN 39-1 on Jan. 1, 2008 with no material impact on their financial condition and results of operations.

In February 2007, the FASB issued SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115, which provides companies with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. Alliant Energy, IPL and WPL concluded as of Jan. 1, 2008 that they would not record any eligible items at fair value in accordance with SFAS 159 and therefore there was no impact on their financial condition and results of operations.

In September 2006, the FASB issued SFAS 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosures about fair value measurements. Alliant Energy, IPL and WPL adopted SFAS 157 on Jan. 1, 2008 for financial instruments with no material impact on their financial condition and results of operations. In February 2008, the FASB issued FSP SFAS 157-1, Application of SFAS 157 to SFAS 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13, and FSP SFAS 157-2, Effective Date of SFAS 157. FSP SFAS 157-1 removes leasing transactions accounted for under SFAS 13 and related guidance from the scope of SFAS 157. FSP SFAS 157-2 delays the effective date of SFAS 157 for all nonrecurring fair value measurements of nonfinancial assets and nonfinancial liabilities until Jan. 1, 2009. Refer to Note 10 for expanded disclosures about fair value measurements required by SFAS 157.

In September 2006, the FASB issued SFAS 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R), which requires an employer to recognize the overfunded or underfunded status of its benefit plans as an asset or liability on its balance sheet and to recognize the changes in the funded status of its benefit plans in the year in which they occur as a component of other comprehensive income. Alliant Energy, IPL and WPL adopted the recognition provision of SFAS 158 in 2006. SFAS 158 also requires an employer to measure benefit plan assets and obligations as of the end of its fiscal year. Alliant Energy, IPL and WPL adopted the measurement date transition provision of SFAS 158 in 2008, which resulted in reductions to their Jan. 1, 2008 balance of retained earnings of $2.7 million, $1.3 million and $1.2 million, respectively.

(2) UTILITY RATE REFUNDS

WPL and its wholesale customers reached a settlement of the issues identified in the filing with the Federal Energy Regulatory Commission (FERC) requesting approval to implement a formula rate structure. Final written agreements with WPL s wholesale customers were filed with FERC in February 2008 and, if the settlement is approved, will result in an over-collection of wholesale electric revenues beginning June 1, 2007. WPL will refund the over-collection, with interest, upon approval in accordance with FERC requirements. In May 2008, WPL received authorization from FERC to implement the settlement rates on an interim basis effective June 1, 2008 pending FERC consideration of the filed settlement. As of June 30, 2008, WPL has fully accrued anticipated refunds, including interest, of $10 million related to revenues collected during June 1, 2007 through May 31, 2008. Assuming FERC approval of the settlement, no refunds are expected for revenues collected after May 31, 2008.

In August 2007, WPL received approval from the Public Service Commission of Wisconsin (PSCW) to refund to its retail electric customers any over-recovery of retail fuel-related costs during the period June 1, 2007 through Dec. 31, 2007. As of June 30, 2008, WPL estimated the over-recovery of retail fuel-related costs during this period to be $21 million, including interest. WPL refunded to its retail electric customers $4 million in 2007 and $3 million during the first quarter of 2008. In March 2008, WPL filed a request for approval with the PSCW to refund to its retail electric customers the remaining amount, including interest. As of June 30, 2008, the total refund amount anticipated to be paid to retail electric customers was $14 million, including interest. WPL expects to receive the PSCW s decision in the third quarter of 2008. As of June 30, 2008, WPL reserved for the refund amounts, including interest, anticipated to be paid to retail electric customers related to these refunds.

(3) COMPREHENSIVE INCOME

Alliant Energy s comprehensive income, and the components of other comprehensive income (loss), net of taxes, for the three and six months ended June 30 were as follows (in millions):

	Three Months		Six Months	
	2008	2007	**2008**	2007
Net income	**$60.8**	$48.6	**$128.9**	$112.5
Unrealized gains (losses) on securities, net of tax	**1.9**	--	**2.5**	(0.1)
Pension and other postretirement benefits amortizations, net of tax	**0.1**	0.1	**0.1**	0.3
Unrealized holding gains (losses) on qualifying derivatives, net of tax	**--**	--	**--**	--
Less: reclassification adjustment for gains included in net income, net of tax	**--**	--	**--**	0.5
Net unrealized losses on qualifying derivatives	**--**	--	**--**	(0.5)
Other comprehensive income (loss)	**2.0**	0.1	**2.6**	(0.3)
Comprehensive income	**$62.8**	$48.7	**$131.5**	$112.2

(4) SALES OF ACCOUNTS RECEIVABLE

At June 30, 2008 and Dec. 31, 2007, IPL had sold in the aggregate $140 million and $100 million, respectively, of accounts receivable.

(5) INCOME TAXES

The provision for income taxes for earnings from continuing operations is based on an estimated annual effective tax rate that excludes the impact of significant unusual or infrequently occurring items, discontinued operations or extraordinary items. The effective tax rate differs from the federal statutory rate of 35% generally due to state income taxes, tax credits, effects of utility rate making and certain non-deductible expenses.

In the second quarter of 2008, Alliant Energy reached a settlement with the Internal Revenue Service (IRS) which finalized the audit of its U.S. federal income tax returns for calendar years 2002 through 2004. As a result of completing the audit and recording known adjustments for the tax returns for calendar years 2005 and 2006, Alliant Energy and IPL recorded decreases in their liabilities for unrecognized tax benefits and related interest, net of tax, and changes to their provision for income taxes, including the impacts of $12.6 million and $7.8 million, respectively, of income tax benefits allocated to continuing operations in the second quarter of 2008.

Alliant Energy reduced its liability for unrecognized tax benefits by $12.3 million ($3.2 million allocated to continuing operations and $9.1 million allocated to discontinued operations) in the second quarter of 2008 upon the completion of the audit of its U.S. federal income tax returns for calendar years 2002 through 2004. The completion of the audit of Alliant Energy s U.S. federal income tax returns for calendar years 2002 through 2004 did not result in any material changes to the unrecognized tax benefits of IPL or WPL. Alliant Energy, IPL and WPL do not anticipate any material changes will be made to their unrecognized tax benefits during the 12 months ended June 30, 2009.

Refer to Note 12(e) for discussion of a tax contingency related to capital gains from the sale of IPL s electric transmission assets and capital losses from Alliant Energy s former Brazil investments.

(6) BENEFIT PLANS

(a) Pension and Other Postretirement Benefits Plans - The components of Alliant Energy s qualified and non-qualified pension benefits and other postretirement benefits costs for the three and six months ended June 30 were as follows (in millions):

	Pension Benefits				Other Postretirement Benefits			
	Three Months		Six Months		Three Months		Six Months	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
Service cost	**$4.0**	$5.0	**$8.1**	$10.0	**$2.1**	$2.0	**$4.2**	$4.1
Interest cost	**13.6**	12.6	**27.3**	25.2	**3.8**	3.5	**7.6**	6.9
Expected return on plan assets	**(18.6)**	(16.6)	**(37.3)**	(33.3)	**(2.2)**	(1.9)	**(4.5)**	(3.8)
Amortization of:								
Transition obligation	**--**	--	**--**	--	**0.1**	--	**0.1**	0.1
Prior service cost (credit)	**0.8**	0.7	**1.5**	1.5	**(0.9)**	(1.0)	**(1.8)**	(1.9)
Actuarial loss	**1.1**	2.3	**2.1**	4.5	**0.8**	1.1	**1.7**	2.1
Settlement loss	**--**	2.1	**--**	2.1	**--**	--	**--**	--
	$0.9	$6.1	**$1.7**	$10.0	**$3.7**	$3.7	**$7.3**	$7.5

In the above table, the settlement loss of $2.1 million for the three and six months ended June 30, 2007 related to payments made to a retired executive.

Alliant Energy estimates that funding for the qualified pension, non-qualified pension and other postretirement benefits plans during 2008 will be $0, $3 million and $15 million, respectively, of which $0, $0 and $7 million, respectively, have been contributed through June 30, 2008.

In 2008, Alliant Energy, IPL and WPL adopted the measurement date transition provision of SFAS 158, which resulted in reductions to their Jan. 1, 2008 balance of retained earnings of $2.7 million, $1.3 million and $1.2 million, respectively. Refer to Note 1(g) for additional information.

(b) Equity Incentive Plans - A summary of share-based compensation expense related to grants under Alliant Energy s 2002 Equity Incentive Plan (EIP) and the related income tax benefits (expenses) recognized for the three and six months ended June 30 was as follows (in millions):

	Alliant Energy		IPL		WPL	
	2008	2007	**2008**	2007	**2008**	2007
<u>Three Months Ended June 30:</u>						
Share-based compensation expense (credit)	**$0.1**	($0.2)	**$0.1**	($0.1)	**$--**	($0.1)
Income tax expenses	**--**	(0.1)	**--**	(0.1)	**--**	(0.1)
<u>Six Months Ended June 30:</u>						
Share-based compensation expense	**$1.0**	$4.3	**$0.6**	$2.2	**$0.4**	$1.6
Income tax benefits	**0.4**	1.7	**0.2**	0.8	**0.1**	0.6

As of June 30, 2008, total unrecognized compensation cost related to all share-based compensation awards was $8.6 million, which is expected to be recognized over a weighted average period of two years. Share-based compensation expense is recognized on a straight-line basis over the requisite service periods.

Performance Shares - Alliant Energy anticipates making future payouts of its performance shares in cash; therefore, performance shares were accounted for as liability awards at June 30, 2008 and Dec. 31, 2007. A summary of the performance shares activity for the six months ended June 30 was as follows:

	2008	2007
	Shares (a)	Shares (a)
Nonvested shares at Jan. 1	**221,834**	277,530
Granted	**65,516**	58,669
Vested	**(78,532)**	(104,074)
Forfeited	**--**	(10,291)
Nonvested shares at June 30	**208,818**	221,834

(a) Share amounts represent the target number of performance shares. The actual number of shares that will be paid out upon vesting is dependent upon actual performance and may range from zero to 200% of the target number of shares.

Information related to nonvested performance shares and their fair values at June 30, 2008, by year of grant, was as follows:

	2008	2007	2006
Nonvested performance shares	65,516	58,669	84,633
Alliant Energy common stock closing price on June 30, 2008	$34.26	$34.26	$34.26
Estimated payout percentage based on performance criteria	71%	83%	131%
Fair value of each nonvested performance share	$24.32	$28.44	$44.88

At June 30, 2008, fair values of nonvested performance shares were calculated using a Monte Carlo simulation to determine the anticipated total shareowner returns of Alliant Energy and its investor-owned utility peer group. Expected volatility was based on historical volatilities using daily stock prices over the past three years. Expected dividend yields were calculated based on the most recent quarterly dividend rates announced prior to the measurement date and stock prices at the measurement date. The risk-free interest rate was based on the three-year U.S. Treasury rate in effect as of the measurement date.

In the first quarter of 2008 and 2007, Alliant Energy s performance share payouts were valued at $5.0 million and $5.9 million, respectively, and consisted of a combination of cash and common stock (3,835 shares and 8,641 shares, respectively).

Restricted Stock - Restricted stock issued under the EIP consists of time-based and performance-contingent restricted stock.

Time-based restricted stock - A summary of the time-based restricted stock activity for the six months ended June 30 was as follows:

	2008		2007	
	Shares	**Weighted Average Fair Value**	Shares	Weighted Average Fair Value
Nonvested shares at Jan. 1	**165,832**	**$30.66**	182,886	$27.89
Granted	**46,226**	**35.63**	41,700	36.66
Vested	**(38,850)**	**28.06**	(51,379)	25.81
Forfeited	**(1,625)**	**33.44**	--	--
Nonvested shares at June 30	**171,583**	**32.56**	173,207	30.61

The weighted average fair value of time-based restricted stock granted during the three months ended June 30, 2008 was $35.89. There were no grants of time-based restricted stock during the three months ended June 30, 2007.

Performance-contingent restricted stock - A summary of the performance-contingent restricted stock activity for the six months ended June 30 was as follows:

	2008		2007	
	Shares	**Weighted Average Fair Value**	Shares	Weighted Average Fair Value
Nonvested shares at Jan. 1	**135,348**	**$32.42**	149,563	$28.12
Granted during first quarter	**65,516**	**40.49**	58,669	37.94
Vested	**(54,991)**	**28.20**	(58,015)	28.04
Forfeited	**(21,688)**	**28.19**	(14,869)	28.06
Nonvested shares at June 30	**124,185**	**39.28**	135,348	32.42

Non-qualified Stock Options - A summary of the stock option activity for the six months ended June 30 was as follows:

	2008		2007	
	Shares	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price
Outstanding at Jan. 1	**542,844**	**$27.45**	1,768,236	$27.70
Exercised	**(45,661)**	**29.02**	(1,169,041)	27.89
Outstanding at June 30	**497,183**	**27.30**	599,195	27.32
Exercisable at June 30	**497,183**	**27.30**	599,195	27.32

The weighted average remaining contractual term for options outstanding and exercisable at June 30, 2008 was three years. The aggregate intrinsic value of options outstanding and exercisable at June 30, 2008 was $3.5 million.

Other information related to stock option activity for the three and six months ended June 30 was as follows (in millions):

	Three Months		Six Months	
	2008	2007	**2008**	2007
Cash received from stock options exercised	**$0.6**	$7.2	**$1.3**	$32.6

Aggregate intrinsic value of stock options exercised	**0.1**	4.5	**0.3**	15.5
Income tax benefit from the exercise of stock options	**--**	1.8	**0.1**	6.3
Total fair value of stock options vested during period	**--**	--	**--**	0.4

(7) COMMON STOCK

A summary of Alliant Energy s common stock activity during the first half of 2008 was as follows:

Shares outstanding at Jan. 1, 2008	110,359,314
Equity incentive plans (Note 6(b))	137,925
Other (a)	(41,728)
Shares outstanding at June 30, 2008	110,455,511

(a) Includes shares transferred from employees to Alliant Energy to satisfy tax withholding requirements in connection with the vesting of certain restricted stock under the EIP.

In the second quarter of 2008, common stock dividend payments from each of IPL and WPL to their parent, Alliant Energy, were suspended due to Alliant Energy having sufficient cash reserves to make common stock dividend payments to its shareowners. IPL and WPL expect to make common stock dividend payments in the fourth quarter of 2008 in the amount of three regular quarterly dividend payments, consistent with current rate case dividend assumptions and capital structures approved by their respective state regulatory commissions.

In the first quarter of 2008, IPL received a capital contribution of $100 million from its parent, Alliant Energy.

(8) DEBT

(a) Short-term Debt - At June 30, 2008, commercial paper issued under Alliant Energy s, IPL s and WPL s credit facilities was as follows (dollars in millions; Not Applicable (N/A)):

	Alliant Energy (Consolidated)	Parent Company	IPL	WPL
Commercial paper:				
Amount outstanding	$207	$--	$69	$138
Maturity	1 day	N/A	1 day	1 day
Interest rates	3.10-3.15%	N/A	3.15%	3.10%
Available credit facility capacity	$443	$100	$231	$112

(b) Long-term Debt - In March 2008, IPL and WPL converted certain pollution control revenue bonds from variable interest rates to fixed interest rates as follows (dollars in millions):

	Amount Converted	Due Dates	Fixed Interest Rate
IPL	$38.4	2014	5%
WPL	24.5	2014 and 2015	5%
WPL	14.6	2015	5.375%

(9) UNCONSOLIDATED EQUITY INVESTMENTS

Equity (income) loss from Alliant Energy s unconsolidated investments accounted for under the equity method of accounting for the three and six months ended June 30 was as follows (in millions):

	Three Months		Six Months	
	2008	2007	**2008**	2007
American Transmission Company LLC (ATC)	**($7.7)**	($6.6)	**($15.0)**	($13.0)
Other	**0.5**			