WISCONSIN POWER & LIGHT CO
Form 10-Q
November 02, 2007
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 **September 30, 2007**

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, or non-accelerated filers. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Alliant Energy Corporation	Large accelerated filer x	Accelerated filer o	Non-accelerated filer o
Interstate Power and Light Company	Large accelerated filer o	Accelerated filer o	Non-accelerated filer x
Wisconsin Power and Light Company	Large accelerated filer o	Accelerated filer o	Non-accelerated filer x

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 October 31, 2007:

Alliant Energy Corporation	Common stock, $0.01 par value, 110,315,565 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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ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

ALLIANT ENERGY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2007	2006	**2007**	2006
	(dollars in millions, except per share amounts)			
Operating revenues:				
Utility:				
Electric	**$733.5**	$747.7	**$1,852.5**	$1,890.4
Gas	**56.3**	68.0	**438.6**	441.6
Other	**16.2**	15.9	**49.6**	53.2
Non-regulated	**101.3**	58.8	**225.5**	132.9
	907.3	890.4	**2,566.2**	2,518.1
Operating expenses:				
Utility:				
Electric production fuel and purchased power	**343.8**	400.4	**917.0**	993.6
Cost of gas sold	**31.7**	36.3	**304.5**	300.3
Other operation and maintenance	**152.2**	144.7	**459.1**	450.4
Non-regulated operation and maintenance	**83.9**	47.6	**185.3**	109.3
Depreciation and amortization	**65.3**	64.4	**197.3**	195.9
Taxes other than income taxes	**26.8**	26.5	**81.6**	80.4
	703.7	719.9	**2,144.8**	2,129.9
Operating income	**203.6**	170.5	**421.4**	388.2
Interest expense and other:				
Interest expense	**29.0**	33.2	**86.3**	107.6
Loss on early extinguishment of debt	**-**	-	**-**	90.8
Equity income from unconsolidated investments	**(7.2)**	(12.3)	**(21.7)**	(35.4)
Allowance for funds used during construction	**(2.1)**	(2.4)	**(5.5)**	(7.0)
Preferred dividend requirements of subsidiaries	**4.6**	4.6	**14.0**	14.0
Interest income and other	**(2.1)**	9.7	**(13.0)**	(12.2)
	22.2	32.8	**60.1**	157.8
Income from continuing operations before income taxes	**181.4**	137.7	**361.3**	230.4
Income taxes	**65.2**	49.9	**134.9**	83.4
Income from continuing operations	**116.2**	87.8	**226.4**	147.0

Income (loss) from discontinued operations, net of tax	**3.4**	(9.0)	**5.7**	(24.4)
Net income	**$119.6**	$78.8	**$232.1**	$122.6
Weighted average number of common shares outstanding (basic) (000s)	**110,881**	117,110	**113,026**	117,151
Earnings per weighted average common share (basic):				
Income from continuing operations	**$1.05**	$0.75	**$2.00**	$1.26
Income (loss) from discontinued operations	**0.03**	(0.08)	**0.05**	(0.21)
Net income	**$1.08**	$0.67	**$2.05**	$1.05
Weighted average number of common shares outstanding (diluted) (000s)	**111,056**	117,498	**113,279**	117,526
Earnings per weighted average common share (diluted):				
Income from continuing operations	**$1.05**	$0.75	**$2.00**	$1.25
Income (loss) from discontinued operations	**0.03**	(0.08)	**0.05**	(0.21)
Net income	**$1.08**	$0.67	**$2.05**	$1.04
Dividends declared per common share	**$0.3175**	$0.2875	**$0.9525**	$0.8625

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	**September 30, 2007**	December 31, 2006
	(in millions)	
Property, plant and equipment:		
Utility:		
Electric plant in service	**$6,283.4**	$6,079.7
Gas plant in service	**714.4**	696.7
Other plant in service	**463.8**	459.1
Accumulated depreciation	**(2,906.1)**	(2,811.6)
Net plant	**4,555.5**	4,423.9
Construction work in progress	**185.6**	153.2
Other, less accumulated depreciation (accum. depr.)	**4.4**	4.4
Total utility	**4,745.5**	4,581.5

Non-regulated and other:		
Non-regulated Generation, less accum. depr.	**243.3**	252.2
Other non-regulated investments, less accum. depr.	**66.9**	69.2
Alliant Energy Corporate Services, Inc. and other, less accum. depr.	**33.8**	42.0
Total non-regulated and other	**344.0**	363.4
	5,089.5	4,944.9
Current assets:		
Cash and cash equivalents	**108.1**	265.2
Accounts receivable:		
Customer, less allowance for doubtful accounts	**229.9**	127.4
Unbilled utility revenues	**107.9**	120.5
Other, less allowance for doubtful accounts	**44.3**	101.9
Production fuel, at weighted average cost	**92.5**	73.2
Materials and supplies, at weighted average cost	**50.4**	42.2
Gas stored underground, at weighted average cost	**74.0**	63.9
Regulatory assets	**63.0**	133.7
Assets held for sale	**-**	124.6
Other	**79.8**	121.2
	849.9	1,173.8
Investments:		
Investment in American Transmission Company LLC	**170.7**	166.2
Other	**63.8**	61.7
	234.5	227.9
Other assets:		
Regulatory assets	**520.4**	508.7
Deferred charges and other	**232.9**	228.8
	753.3	737.5
Total assets	**$6,927.2**	$7,084.1

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) (Continued)

CAPITALIZATION AND LIABILITIES	**September 30, 2007**	December 31, 2006
	(in millions, except per share and share amounts)	

Capitalization:		
Common stock - $0.01 par value - authorized 240,000,000 shares; outstanding 110,315,604 and 116,126,599 shares	**$1.1**	$1.2
Additional paid-in capital	**1,481.1**	1,743.0
Retained earnings	**1,047.0**	923.6
Accumulated other comprehensive loss	**(8.8)**	(8.7)
Shares in deferred compensation trust - 290,918 and 276,995 shares at a weighted average cost of $29.52 and $28.15 per share	**(8.6)**	(7.8)
Total common equity	**2,511.8**	2,651.3
Cumulative preferred stock of subsidiaries, net	**243.8**	243.8
Long-term debt, net (excluding current portion)	**1,593.9**	1,323.3
	4,349.5	4,218.4
Current liabilities:		
Current maturities	**1.2**	194.6
Commercial paper	**159.8**	178.8
Accounts payable	**298.4**	296.6
Regulatory liabilities	**38.0**	67.8
Accrued taxes	**78.3**	94.2
Derivative liabilities	**34.7**	88.0
Liabilities held for sale	**-**	11.4
Other	**143.9**	170.7
	754.3	1,102.1
Other long-term liabilities and deferred credits:		
Deferred income taxes	**770.8**	758.3
Regulatory liabilities	**618.6**	608.8
Pension and other benefit obligations	**209.6**	198.6
Other	**219.8**	193.0
	1,818.8	1,758.7
Minority interest	**4.6**	4.9
Total capitalization and liabilities	**$6,927.2**	$7,084.1

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 Nine Months Ended September 30,	
	2007	2006

	(in millions)	
<u>Continuing Operations:</u>		
Cash flows from operating activities:		
Net income	**$232.1**	$122.6
Adjustments to reconcile net income to net cash flows from operating activities:		
(Income) loss from discontinued operations, net of tax	**(5.7)**	24.4
Depreciation and amortization	**197.3**	195.9
Other amortizations	**35.2**	33.2
Deferred tax expense and investment tax credits	**41.9**	78.7
Equity income from unconsolidated investments, net	**(21.7)**	(35.4)
Distributions from equity method investments	**16.4**	22.5
Loss on early extinguishment of debt	**-**	90.8
Other	**(6.1)**	(15.9)
Other changes in assets and liabilities:		
Accounts receivable	**42.7**	52.9
Sale of utility accounts receivable	**(75.0)**	-
Production fuel	**(19.3)**	(14.9)
Gas stored underground	**(10.1)**	24.4
Regulatory assets	**52.9**	(46.1)
Derivative assets	**3.1**	18.5
Accounts payable	**(6.2)**	(105.9)
Accrued interest	**(8.6)**	(20.7)
Accrued taxes	**5.2**	(90.8)
Regulatory liabilities	**(31.9)**	(20.1)
Derivative liabilities	**(53.7)**	74.5
Pension and other benefit obligations	**2.4**	(52.5)
Other	**(1.3)**	8.9
Net cash flows from operating activities	**389.6**	345.0
Cash flows from (used for) investing activities:		
Construction and acquisition expenditures:		
Utility business	**(353.6)**	(239.5)
Alliant Energy Corporate Services, Inc. and non-regulated businesses	**(17.5)**	(24.1)
Purchases of emission allowances	**(23.9)**	-
Proceeds from asset sales	**127.8**	599.4
Changes in restricted cash	**11.9**	1.0
Purchases of securities within nuclear decommissioning trusts	**-**	(3.5)
Sales of securities within nuclear decommissioning trusts	**-**	51.7
Changes in restricted cash within nuclear decommissioning trusts	**-**	(19.0)
Other	**13.6**	1.5
Net cash flows from (used for) investing activities	**(241.7)**	367.5
Cash flows used for financing activities:		
Common stock dividends	**(108.2)**	(101.2)
Repurchase of common stock	**(296.7)**	(105.1)
Proceeds from issuance of common stock	**32.9**	48.2
Proceeds from issuance of long-term debt	**300.0**	39.1
Reductions in long-term debt	**(221.5)**	(402.2)
Net change in short-term borrowings	**(19.0)**	(156.7)
Debt repayment premiums	**-**	(83.0)
Principal payments under capital lease obligations	**-**	(40.2)
Net change in loans with discontinued operations	**(11.8)**	(10.5)
Other	**19.3**	13.7
Net cash flows used for financing activities	**(305.0)**	(797.9)
Net decrease in cash and cash equivalents	**(157.1)**	(85.4)
Cash and cash equivalents at beginning of period	**265.2**	205.3

Cash and cash equivalents at end of period	**$108.1**	$119.9
Discontinued Operations:		
Net cash flows used for operating activities	**($11.7)**	($12.0)
Net cash flows from (used for) investing activities	**0.1**	(2.8)
Net cash flows from financing activities	**10.8**	8.4
Net decrease in cash and cash equivalents	**(0.8)**	(6.4)
Cash and cash equivalents classified as held for sale at beginning of period	**0.8**	10.7
Cash and cash equivalents classified as held for sale at end of period	**$-**	$4.3

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

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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 Corporation (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 (U.S.) of America (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 Interstate Power and Light Company (IPL), Wisconsin Power and Light Company (WPL), Alliant Energy Resources, Inc. (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 nine months ended Sep. 30, 2007 and 2006, the condensed consolidated financial position at Sep. 30, 2007 and Dec. 31, 2006, and the condensed consolidated statements of cash flows for the nine months ended Sep. 30, 2007 and 2006 have been made. Results for the three and nine months ended Sep. 30, 2007 are not necessarily indicative of results that may be expected for the year ending Dec. 31, 2007. 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 and assets and liabilities held for sale 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 10(a) for information regarding the fair value of derivatives at Sep. 30, 2007 and Dec. 31, 2006.

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. At Sep. 30, 2007 and Dec. 31, 2006, the cumulative costs for these projects were recorded in Other assets - regulatory assets as follows (in millions):

	Alliant Energy		IPL		WPL	
	Sep. 30, 2007	Dec. 31, 2006	**Sep. 30, 2007**	Dec. 31, 2006	**Sep. 30, 2007**	Dec. 31, 2006
IPL s base-load project (a)	**$12.9**	$1.0	**$12.9**	$1.0	**$--**	$--
WPL s base-load project (b)	**12.5**	6.7	**--**	--	**12.5**	6.7
Clean air compliance projects	**6.3**	0.8	**3.5**	0.6	**2.8**	0.2
Wind projects	**3.0**	0.9	**1.7**	0.2	**1.3**	0.7
	$34.7	$9.4	**$18.1**	$1.8	**$16.6**	$7.6

(a) IPL s proposed 649 megawatt (MW) coal-fired electric generating facility, which IPL expects to be in service in 2013 with a preferred location in Marshalltown, Iowa.
(b) WPL s proposed 300 MW coal-fired electric generating facility, which WPL expects to be in service in 2013 with a preferred location in Cassville, Wisconsin.

(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 nine months ended Sep. 30 was as follows (in thousands):

	Three Months		Nine Months	
	2007	2006	**2007**	2006
Weighted average common shares outstanding:				
Basic EPS calculation	**110,881**	117,110	**113,026**	117,151
Effect of dilutive securities	**175**	388	**253**	375
Diluted EPS calculation	**111,056**	117,498	**113,279**	117,526

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(d) Restricted Cash - For the nine months ended Sep. 30, 2007, Alliant Energy s non-current restricted cash decreased $12 million, largely due to the retirement of Alliant Energy Neenah, LLC s (Neenah s) remaining borrowings under its credit facility in March 2007. Refer to Note 8(b) for details of Neenah s debt retirement.

(e) Utility Fuel Cost Recovery - In January 2007, the Public Service Commission of Wisconsin (PSCW) approved WPL s 2007 retail rate order, which included modifications to WPL s gas performance incentive sharing mechanism. Starting in January 2007, 35% of all gains and losses from WPL s gas performance incentive sharing mechanism were retained by WPL, with 65% refunded to or recovered from customers. In January 2007, the PSCW also directed WPL to work with PSCW staff to help the PSCW determine if it may be necessary to reevaluate the current benchmarks for WPL s gas performance incentive sharing mechanism or explore a modified one-for-one pass through of gas costs to retail customers. In October 2007, the PSCW issued an order providing WPL the option to choose to utilize a modified gas performance incentive sharing mechanism or switch to a modified one-for-one pass through of gas costs to retail customers using benchmarks. WPL evaluated the alternatives and chose to implement the modified one-for-one pass through of gas costs. This change was effective Nov. 1, 2007.

(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 nine months ended Sep. 30 were as follows (in millions):

	Three Months		Nine Months	
	2007	2006	**2007**	2006
Interest income:				
From loans to discontinued operations	**$--**	($1.4)	**($1.4)**	($6.3)

Other	**(2.1)**	(3.1)	**(7.9)**	(11.1)
Currency transaction losses, net	**--**	14.1	**0.1**	0.3
Loss on sale of Brazil investments	**--**	--	**--**	4.8
Losses (gains) on other investment sales, net	**--**	--	**(3.8)**	0.5
Other	**--**	0.1	**--**	(0.4)
	($2.1)	$9.7	**($13.0)**	($12.2)

The supplemental cash flows information related to continuing operations for Alliant Energy s Condensed Consolidated Statements of Cash Flows for the nine months ended Sep. 30 was as follows (in millions):

	2007	2006
Cash paid during the period for:		
Interest, net of capitalized interest	**$92.8**	$124.4
Income taxes, net of refunds	**75.4**	89.3
Noncash investing and financing activities:		
Debt assumed by buyer of Mexico business	**5.0**	--
Debt assumed by buyer of China generating facilities	**--**	13.7

(g) New Accounting Pronouncements - In April 2007, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FIN 39-1, Amendment of FASB Interpretation No. (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 are required to adopt FSP FIN 39-1 on Jan. 1, 2008 and must apply it retroactively to all financial statements presented, unless it is impracticable to do so. Alliant Energy, IPL and WPL do not expect FSP FIN 39-1 to have a material impact on their results of operations or cash flows and are currently evaluating the impact that FSP FIN 39-1 may have on their financial condition.

In February 2007, the FASB issued Statement of Financial Accounting Standards (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 are required to adopt SFAS 159 on Jan. 1, 2008 and are evaluating the implications of SFAS 159 on their financial condition and results of operations.

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 these provisions on Dec. 31, 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 are required to adopt this provision of SFAS 158 by Dec. 31, 2008 and are evaluating its implications 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 GAAP and expands disclosures about fair value measurements. Alliant Energy, IPL and WPL are required to adopt SFAS 157 on Jan. 1, 2008 and are evaluating the implications of SFAS 157 on their financial condition and results of operations.

In July 2006, the FASB issued FIN 48, Accounting for Uncertainty in Income Taxes, which clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with SFAS 109, Accounting for Income Taxes. FIN 48 establishes standards for measurement and recognition in financial statements of tax positions taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Refer to Note 5 for additional details of the impacts of the adoption by Alliant Energy, IPL and WPL of FIN 48 on Jan. 1, 2007.

(2) COMPREHENSIVE INCOME

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

	Three Months		Nine Months	
	2007	2006	**2007**	2006
Net income	**$119.6**	$78.8	**$232.1**	$122.6
Unrealized gains (losses) on securities, net of tax	**0.1**	--	**--**	(0.4)
Foreign currency translation adjustments, net of tax	**--**	2.7	**--**	0.6
Less: reclassification adjustment for gains (losses) included in net income, net of tax	**--**	0.1	**--**	(51.7)
Net foreign currency translation adjustments	**--**	2.6	**--**	52.3
Pension and other postretirement benefits amortizations, net of tax	**0.1**	--	**0.4**	--
Minimum pension liability adjustments, net of tax	**--**	--	**--**	13.0
Unrealized holding losses on qualifying derivatives, net of tax	**--**	(0.2)	**--**	--
Less: reclassification adjustment for gains (losses) included in net income, net of tax	**--**	--	**0.5**	(0.2)
Net unrealized gains (losses) on qualifying derivatives	**--**	(0.2)	**(0.5)**	0.2
Other comprehensive income (loss)	**0.2**	2.4	**(0.1)**	65.1
Comprehensive income	**$119.8**	$81.2	**$232.0**	$187.7

(3) OPERATING LEASES

In April 2007, Alliant Energy extended its synthetic lease related to the financing of its corporate headquarters. At Sep. 30, 2007, future minimum operating lease payments for this synthetic lease, including the guaranteed residual value, were $0.7 million, $2.8 million, $2.8 million, $2.8 million, $2.8 million and $42.0 million for the remainder of 2007, 2008, 2009, 2010, 2011 and 2012, respectively. The entity that leases this asset to Alliant Energy does not meet the consolidation requirements under FIN 46R, Consolidation of Variable Interest Entities, and is not included on Alliant Energy s Condensed Consolidated Balance Sheets. Alliant Energy has guaranteed the residual value of the building which is $41 million.

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(4) SALES OF ACCOUNTS RECEIVABLE

In March 2007, IPL extended its utility accounts receivable sale program agreement through March 2012 and increased the maximum amount of receivables it can sell under the agreement to $300 million. At Sep. 30, 2007 and Dec. 31, 2006, IPL had sold in the aggregate $50 million and $125 million, respectively, of utility 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% principally due to state income taxes, the impact of foreign income and associated tax, tax credits, effects of utility rate making and certain non-deductible expenses. In addition, the provisions for income taxes for earnings from continuing operations for the three and nine months ended Sep. 30, 2007 included $5 million ($4 million at IPL) of income tax benefits recorded as a result of Alliant Energy reaching a settlement with the Internal Revenue Service (IRS) in the third quarter of 2007 related to the audit of its U.S. federal income tax returns for calendar years 1999 through 2001 and recording the impact of known adjustments for its tax returns for the calendar years 2002 through 2005. The income tax benefit was primarily related to interest impacts from the timing of mixed service costs tax deductions recognized in IPL s tax returns for calendar years 1999 through 2001. Refer to Note 11(e) for additional information regarding IPL s mixed service costs tax deductions. The provision for income taxes for earnings from continuing operations for the nine months ended Sep. 30, 2006 included $7 million ($7 million at IPL) of income tax benefits related to the sale of IPL s interest in the Duane Arnold Energy Center (DAEC).

Alliant Energy adopted the provisions of FIN 48 on Jan. 1, 2007. Alliant Energy s cumulative effect of adopting FIN 48 was an increase in its net liability for unrecognized tax benefits and a reduction to its Jan. 1, 2007 balance of retained earnings of $0.5 million. The $0.5 million increase in the net liability for unrecognized tax benefits was recorded as a $28.4 million increase in other long-term liabilities, a $21.1 million decrease in accrued taxes, a $6.5 million decrease in deferred income taxes and a $0.3 million increase in non-current regulatory assets on Alliant Energy s Condensed Consolidated Balance Sheet. At the date of adoption, Alliant Energy s unrecognized tax benefits were $31.5 million including $11.9 million of unrecognized tax benefits that, if recognized, would favorably impact Alliant Energy s effective income tax rate for continuing operations. At Sep. 30, 2007, Alliant Energy s unrecognized tax benefits were $28.0 million including $11.9 million of unrecognized tax benefits that, if recognized, would favorably impact Alliant Energy s effective income tax rate for continuing operations. The decrease in Alliant Energy s unrecognized tax benefits during the nine months ended Sep. 30, 2007 was largely due to impacts of the settlement of the audit of its U.S. federal income tax returns for calendar years 1999 through 2001 in the third quarter of 2007.

Alliant Energy and its subsidiaries are subject to U.S. federal income tax as well as income tax in multiple state jurisdictions. Alliant Energy has concluded all U.S. federal and state income tax matters for calendar years through 1998 and has reached settlement with the IRS regarding the audit of its U.S. federal income tax returns for calendar years 1999 through 2001. The IRS is currently auditing Alliant Energy s U.S. federal income tax returns for calendar years 2002 through 2004.

During the 12 months ending Sep. 30, 2008, statutes of limitations will expire for Alliant Energy s tax returns in multiple state jurisdictions. Alliant Energy does not anticipate any significant changes to its unrecognized tax benefits for these events.

Alliant Energy recognizes net interest and penalties related to unrecognized tax benefits in Income taxes in its Condensed Consolidated Statements of Income. At Sep. 30, 2007 and Jan. 1, 2007, accrued interest, net of tax, was $2.5 million and $3.0 million, respectively. There were no penalties accrued by Alliant Energy as of Sep. 30, 2007 or Jan. 1, 2007.

Refer to Note 11(h) for discussion of a tax contingency related to capital losses from Alliant Energy s former Brazil investments.

(6) BENEFIT PLANS

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

Pension Benefits	Other Postretirement Benefits

	Three Months		Nine Months		Three Months		Nine Months	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Service cost	**$5.0**	$5.3	**$15.0**	$16.9	**$2.1**	$2.5	**$6.2**	$7.8
Interest cost	**12.6**	12.4	**37.8**	37.4	**3.4**	3.4	**10.3**	10.5
Expected return on plan assets	**(16.7)**	(14.4)	**(50.0)**	(43.3)	**(1.9)**	(1.9)	**(5.7)**	(5.6)
Amortization of:								
Transition obligation (asset)	**--**	--	**--**	(0.1)	**--**	0.3	**0.1**	1.0
Prior service cost (credit)	**0.8**	0.8	**2.3**	2.4	**(0.9)**	(0.5)	**(2.8)**	(1.3)
Actuarial loss	**2.2**	3.0	**6.7**	9.3	**1.0**	1.0	**3.1**	3.2
Settlement loss	**--**	--	**2.1**	--	**--**	--	**--**	--
Income statement impacts	**3.9**	7.1	**13.9**	22.6	**3.7**	4.8	**11.2**	15.6
DAEC curtailment loss (gain)	**--**	--	**--**	0.7	**--**	--	**--**	(0.3)
DAEC settlement gain, net	**--**	--	**--**	(5.4)	**--**	--	**--**	(4.1)
	$3.9	$7.1	**$13.9**	$17.9	**$3.7**	$4.8	**$11.2**	$11.2

In the above table, the settlement loss of $2.1 million for the nine months ended Sep. 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 2007 will be $0, $8 million and $15 million, respectively, of which $0, $7 million and $12 million, respectively, have been contributed through Sep. 30, 2007.

(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 recognized for the three and nine months ended Sep. 30 was as follows (in millions):

	Alliant Energy		IPL		WPL	
	2007	2006	**2007**	2006	**2007**	2006
<u>Three Months Ended Sep. 30:</u>						
Share-based compensation expense	**$1.3**	$2.2	**$0.7**	$1.2	**$0.5**	$0.9
Income tax benefits	**0.5**	0.8	**0.3**	0.5	**0.2**	0.4
<u>Nine Months Ended Sep. 30:</u>						
Share-based compensation expense	**$5.6**	$10.7	**$2.9**	$5.4	**$2.1**	$4.0
Income tax benefits	**2.2**	4.0	**1.1**	2.2	**0.8**	1.6

As of Sep. 30, 2007, total unrecognized compensation cost related to all share-based compensation awards was $9.4 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.

<u>Performance Shares</u> - Alliant Energy anticipates future payouts of its performance shares to be in the form of cash; therefore, performance shares were accounted for as liability awards at Sep. 30, 2007 and Dec. 31, 2006. A summary of the performance shares activity for the nine months ended Sep. 30 was as follows:

	2007	2006
	Shares (a)	Shares (a)
Nonvested shares at Jan. 1	**277,530**	380,168
Granted	**58,669**	122,166
Vested	**(104,074)**	(133,552)
Forfeited	**(10,291)**	(91,252)
Nonvested shares at Sep. 30	**221,834**	277,530

(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 number of target shares.

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Information related to nonvested performance shares and their fair values at Sep. 30, 2007, by year of grant, was as follows:

	2007	2006	2005
Nonvested performance shares	58,669	84,633	78,532
Alliant Energy common stock closing price on Sep. 28, 2007	$38.32	$38.32	$38.32
Estimated payout percentage based on anticipated performance	107%	150%	144%
Fair values of each nonvested performance share	$40.86	$57.53	$55.09

At Sep. 30, 2007, 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 2007 and 2006, Alliant Energy paid out $5.9 million and $6.5 million, respectively, in a combination of cash and common stock related to performance shares.

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 nine months ended Sep. 30 was as follows:

	2007		2006	
	Shares	**Weighted Average Fair Value**	Shares	Weighted Average Fair Value
Nonvested shares at Jan. 1	**182,886**	**$27.89**	166,624	$27.11
Granted	**42,600**	**36.71**	45,375	29.90
Vested	**(52,679)**	**25.94**	(24,038)	26.40
Forfeited	**(3,000)**	**33.05**	(3,125)	27.59
Nonvested shares at Sep. 30	**169,807**	**30.61**	184,836	27.88

The weighted average fair value of time-based restricted stock granted during the three months ended Sep. 30, 2007 and 2006 was $38.98 and $35.06, respectively.

Performance-contingent restricted stock - A summary of the performance-contingent restricted stock activity for the nine months ended Sep. 30 was as follows:

	2007		2006	
		Weighted Average		Weighted Average
	Shares	**Fair Value**	Shares	Fair Value
Nonvested shares at Jan. 1	**149,563**	**$28.12**	70,489	$28.04
Granted during first quarter	**58,669**	**37.94**	79,074	28.19
Vested	**(58,015)**	**28.04**	--	--
Forfeited	**(14,869)**	**28.06**	--	--
Nonvested shares at Sep. 30	**135,348**	**32.42**	149,563	28.12

Non-qualified Stock Options **-** A summary of the stock option activity for the nine months ended Sep. 30 was as follows:

	2007		2006	
		Weighted Average Exercise		Weighted Average Exercise
	Shares	**Price**	Shares	Price
Outstanding at Jan. 1	**1,768,236**	**$27.70**	3,663,813	$27.08
Exercised	**(1,181,104)**	**27.89**	(1,806,183)	26.34
Expired	**--**	**--**	(41,650)	30.75
Outstanding at Sep. 30	**587,132**	**27.32**	1,815,980	27.74
Exercisable at Sep. 30	**587,132**	**27.32**	1,713,156	27.90

The weighted average remaining contractual term for options outstanding and exercisable at Sep. 30, 2007 was 4 years. The aggregate intrinsic value of options outstanding and exercisable at Sep. 30, 2007 was $6.5 million.

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

	Three Months		Nine Months	
	2007	2006	**2007**	2006
Cash received from stock options exercised	**$0.3**	$35.5	**$32.9**	$47.6
Aggregate intrinsic value of stock options exercised	**0.2**	11.6	**15.7**	14.9
Income tax benefit from the exercise of stock options	**0.1**	4.7	**6.4**	6.0
Total fair value of stock options vested during period	**--**	--	**0.4**	1.3

(7) COMMON STOCK

A summary of Alliant Energy s common stock activity during the nine months ended Sep. 30, 2007 was as follows:

Shares outstanding at Jan. 1, 2007	116,126,599
Share repurchase program (a)	(7,043,474)
Equity incentive plans (Note 6(b))	1,273,145
Other (b)	(40,666)
Shares outstanding at Sep. 30, 2007	110,315,604

(a)

In August 2006, Alliant Energy announced that its Board of Directors approved a plan to repurchase up to $200 million of its common stock. In February 2007, Alliant Energy announced that its Board of Directors approved a plan to repurchase an additional $200 million of its common stock, for a total of $400 million in repurchase authorizations. For the nine months ended Sep. 30, 2007, Alliant Energy repurchased 7.0 million shares of its common stock on the open market for $295 million. At Sep. 30, 2007, Alliant Energy had completed the entire $400 million share repurchase program previously authorized by its Board of Directors.

(b) 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 third quarter of 2007, WPL paid a special dividend of $100 million to Alliant Energy to realign WPL s capital structure.

(8) DEBT

(a) Short-term Debt - In October 2007, Alliant Energy, IPL and WPL completed the re-syndication of their respective revolving credit facilities and extended the terms to November 2012. At Sep. 30, 2007, credit facility information was as follows (dollars in millions; Not Applicable (N/A)):

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	Alliant Energy (Consolidated)	Parent Company	IPL	WPL
Commercial paper:				
Amount outstanding	$159.8	$--	$133.4	$26.4
Weighted average maturity	1 day	N/A	1 day	1 day
Interest rates	5.4-5.7%	N/A	5.7%	5.4%
Letters of credit outstanding	$11.0 (a)	$11.0 (a)	$--	$--
Available credit facility capacity	$479.2 (a)	$89.0 (a)	$166.6	$223.6

(a) In March 2007, a $10.8 million letter of credit was issued under Alliant Energy s credit agreement on behalf of Neenah. This letter of credit provides security for Neenah s performance of its obligations under the purchased power agreement (PPA) with We Energies through May 2008. This letter of credit reduced Alliant Energy s available borrowing capacity under its credit agreement.

(b) Long-term Debt - In August 2007, WPL issued $300.0 million of 6.375% debentures due 2037 and used the proceeds to repay short-term debt, to pay a $100.0 million common stock dividend to Alliant Energy to realign WPL s capital structure and for working capital purposes. In June 2007, WPL repaid at maturity its $105.0 million, 7% debentures with proceeds from the issuance of short-term debt. In May 2007, IPL repaid at maturity its $55.0 million, 6.875% collateral trust bonds with proceeds from the issuance of short-term debt. In February 2007, IPL repaid at maturity the remaining $24.8 million of its 8% first mortgage bonds with proceeds from the issuance of short-term debt.

In March 2007, Neenah, Resources wholly-owned subsidiary, retired early the remaining $36.3 million of borrowings supported by its credit facility with available cash and restricted cash released upon the debt retirement. Refer to Note 1(d) for details of the decrease in Neenah s restricted cash associated with this debt retirement.

Resources completed the following debt retirements during the nine months ended Sep. 30, 2006 and incurred pre-tax debt repayment premiums and charges for unamortized debt expenses related to these debt retirements that are recorded in Loss on early extinguishment of debt in Alliant Energy s Condensed Consolidated Statements of Income as follows (dollars in millions):

Loss on Early

Retirement Date	Debt Issuance	Principal Retired	Extinguishment of Debt
March 2006	9.75% senior notes due 2013	$275	$80.2
January 2006	7% senior notes due 2011	83	10.6
		$358	$90.8

(9) INVESTMENTS

Unconsolidated Equity Investments - Equity (income) loss from Alliant Energy s unconsolidated investments accounted for under the equity method of accounting for the three and nine months ended Sep. 30 was as follows (in millions):

	Three Months		Nine Months	
	2007	2006	**2007**	2006
American Transmission Company LLC	**($6.8)**	($6.1)	**($19.8)**	($17.9)
TrustPower Ltd. (TrustPower) (a)	**--**	(5.4)	**--**	(10.8)
Brazil (b)	**--**	--	**--**	(3.4)
Other	**(0.4)**	(0.8)	**(1.9)**	(3.3)
	($7.2)	($12.3)	**($21.7)**	($35.4)

(a) In December 2006, Alliant Energy completed the sale of its interest in Alliant Energy New Zealand Ltd. (AENZ), which owned its TrustPower investment.

(b) In January 2006, Alliant Energy completed the sale of all of its Brazil investments and received net proceeds of $150 million (after transaction costs), which it used for debt reduction at Resources. At the date of the sale, the carrying value of the assets and liabilities related to the sale, which included the effects of equity earnings recorded in January 2006, exceeded the net proceeds by $4.8 million, resulting in a pre-tax loss on the sale recorded in Interest income and other in Alliant Energy s Condensed Consolidated Statement of Income in the first quarter of 2006.

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(10) DERIVATIVE FINANCIAL INSTRUMENTS

(a) Accounting for Derivative Instruments - Alliant Energy records derivative instruments at fair value on the balance sheet as assets or liabilities. IPL and WPL generally record changes in the derivatives fair values with offsets to regulatory assets or liabilities. At Sep. 30, 2007 and Dec. 31, 2006, current derivative assets were included in Other current assets, non-current derivative assets were included in Deferred charges and other, current derivative liabilities were included in Derivative liabilities and non-current derivative liabilities were included in Other long-term liabilities and deferred credits on the Condensed Consolidated Balance Sheets as follows (in millions):

	Alliant Energy		IPL		WPL	
	Sep. 30, 2007	Dec. 31, 2006	**Sep. 30, 2007**	Dec. 31, 2006	**Sep. 30, 2007**	Dec. 31, 2006
Current derivative assets	**$3.8**	$7.2	**$1.0**	$1.0	**$2.8**	$6.2
Non-current derivative assets	**2.0**	1.7	**1.8**	0.5	**--**	0.4
Current derivative liabilities	**34.7**	88.0	**20.4**	41.1	**14.3**	44.4
Non-current derivative liabilities	**3.9**	4.3	**3.9**	2.2	**--**	2.1

IPL and WPL have entered into several purchase contracts to supply fixed-price natural gas for their respective natural gas-fired electric generating facilities and several swap contracts to mitigate pricing volatility for natural gas supplied to their retail customers. During the nine months ended Sep. 30, 2007, changes in the terms of contracts and changes to the fair value of existing contracts caused by changes in natural gas prices resulted in decreases in current derivative liabilities. At Dec. 31, 2006, the counterparties to certain of these contracts required IPL and

WPL to provide $27 million and $22 million of cash collateral, respectively, which collateral was primarily recorded in Other accounts receivable on the respective Condensed Consolidated Balance Sheets. At Sep. 30, 2007, the counterparties to these contracts did not require IPL or WPL to provide cash collateral due to the decreases in the value of the derivative liabilities during the nine months ended Sep. 30, 2007.

(b) Weather Derivatives - In October 2007, IPL and WPL each entered into separate non-exchange traded swap agreements based on heating degree days (HDD) measured in Cedar Rapids, Iowa and Madison, Wisconsin, respectively, to reduce the impact of weather volatility on IPL s and WPL s margins for the period Nov. 1, 2007 to March 31, 2008. Alliant Energy will receive/pay up to $3.6 million ($2.2 million for IPL and $1.4 million for WPL) from/to the counterparty in the first quarter of 2008 if actual HDD for November 2007 and December 2007 are less/greater than the HDD specified in the contracts. In addition, Alliant Energy will receive/pay up to $5.4 million ($3.2 million for IPL and $2.2 million for WPL) from/to the counterparty in the second quarter of 2008 if actual HDD for January 2008 through March 2008 are less/greater than the HDD specified in the contracts.

In the second quarter of 2007, Corporate Services, as agent for IPL and WPL, entered into separate non-exchange traded electric weather derivative agreements based on cooling degree days (CDD) measured in Cedar Rapids, Iowa and Madison, Wisconsin, respectively, to reduce the impact of weather volatility on IPL s and WPL s electric margins for the period June 1, 2007 to Aug. 31, 2007. The actual CDD for the period June 1, 2007 to Aug. 31, 2007 compared to those specified in the contracts were lower for IPL and higher for WPL, resulting in Alliant Energy paying to the counterparties under the agreements a net $0.6 million (IPL receiving $1.4 million and WPL paying $2.0 million) in September 2007.

In 2006, IPL and WPL each entered into separate non-exchange traded swap agreements based on HDD measured in Cedar Rapids, Iowa and Madison, Wisconsin, respectively, to reduce the impact of weather volatility on IPL s and WPL s margins for the period Nov. 1, 2006 to March 31, 2007. The actual HDD for the period Nov. 1, 2006 to Dec. 31, 2006 were lower than those specified in the contracts, resulting in Alliant Energy receiving from the counterparty the maximum amount under the agreements of $3.6 million ($2.2 million for IPL and $1.4 million for WPL) in January 2007. In addition, the actual HDD for the period Jan. 1, 2007 to March 31, 2007 were higher than those specified in the contracts, resulting in Alliant Energy paying the counterparty $4.4 million ($2.9 million for IPL and $1.5 million for WPL) in April 2007.

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A summary of the gains (losses) resulting from changes in the value of weather derivatives for the three and nine months ended Sep. 30 was as follows (in millions):

	Electric Utility Operating Revenues				Gas Utility Operating Revenues			
	Three Months		Nine Months		Three Months		Nine Months	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Alliant Energy	**($3.0)**	($12.7)	**($2.8)**	($6.2)	**$--**	$--	**($2.2)**	$5.6
IPL	**(0.9)**	(8.6)	**(0.3)**	(4.3)	**--**	--	**(1.2)**	2.7
WPL	**(2.1)**	(4.1)	**(2.5)**	(1.9)	**--**	--	**(1.0)**	2.9

(11) COMMITMENTS AND CONTINGENCIES

(a) Construction and Acquisition Expenditures - At Sep. 30, 2007, WPL had commitments of $81 million for 2008 related to the agreement it entered into during the second quarter of 2007 to purchase wind turbines for its wind farm project located in Fond du Lac County, Wisconsin.

(b) Purchase Obligations - Alliant Energy, through its subsidiaries Corporate Services, IPL and WPL, has entered into commodity supply, transportation and storage contracts. At Sep. 30, 2007, Alliant Energy s minimum future commitments related to its utility business for purchased power (excluding operating leases), coal and natural gas were $1.9 billion, $320 million and $538 million, respectively.

Also, at Sep. 30, 2007, Alliant Energy s other purchase obligations, which represent individual commitments incurred during the normal course of business that exceeded $1 million at Sep. 30, 2007, were $47 million for the remainder of 2007, $11 million for 2008, $0 for 2009, $4 million for 2010, $0 for 2011 and $14 million thereafter. This excludes lease obligations which are included in Note 3.

(c) Guarantees and Indemnifications - Alliant Energy provided indemnifications associated with various sales of its non-regulated and utility businesses/assets for losses resulting from potential breach of the representations and warranties made by Alliant Energy on the sale dates and for the breach of its obligations under the sale agreements. Alliant Energy believes the likelihood of having to make any material cash payments under these indemnifications is remote. Alliant Energy recorded liabilities of $1 million related to these indemnifications as of Sep. 30, 2007. The terms of the indemnifications provided by Alliant Energy at Sep. 30, 2007 for the various sales were generally as follows (in millions):

Businesses/Assets Sold	Disposal Date	Maximum Limit	Expiration Date
Australia	Second quarter of 2003	$75 (a)	October 2007
Synfuel	Fourth quarter of 2005	33 (b)	None identified
Three generating facilities in China	First quarter of 2006	37	February 2009
DAEC	First quarter of 2006	30 (c)	January 2009
Brazil	First quarter of 2006	10	January 2011
Gas gathering pipeline systems	Second quarter of 2006	None identified	None identified
Water utility in South Beloit, Illinois	Third quarter of 2006	1 (d)	July 2008
New Zealand	Fourth quarter of 2006	317 (a)(e)	March 2012
Steam turbine equipment	Fourth quarter of 2006	5	December 2007
IPL electric and gas utility assets in Illinois	First quarter of 2007	4 (c)	February 2008
WPL electric and gas utility assets in Illinois	First quarter of 2007	3 (d)	February 2008
Mexico	Second quarter of 2007	20	June 2012

(a) Based on exchange rates at Sep. 30, 2007
(b) Indemnification maximum became fixed at $33 million following a change in ownership in the first quarter of 2007
(c) Indemnification provided by IPL
(d) Indemnification provided by WPL
(e) Indemnification is limited to $317 million until December 2007 and will then be reduced to $159 million until March 2012

WPL also issued an indemnity to the buyer of the Kewaunee Nuclear Power Plant (Kewaunee) to cover certain potential costs the buyer may incur related to the outage at Kewaunee in 2005. At Sep. 30, 2007, WPL had a $3 million obligation recognized related to this indemnity, which represents WPL s remaining maximum exposure.

Alliant Energy also continues to guarantee the abandonment obligations of Whiting Petroleum Corporation under the Point Arguello partnership agreements. The guarantee does not include a maximum limit. As of Sep. 30, 2007, the present value of the abandonment obligations is estimated at $9 million. Alliant Energy believes that no payments will be made under this guarantee.

(d) Environmental Liabilities -

Manufactured Gas Plants (MGP) Sites - IPL and WPL have current or previous ownership interests in 40 and 14 sites, respectively, previously associated with the production of gas for which they may be liable for investigation, remediation and monitoring costs relating to the sites. IPL and WPL have received letters from state environmental agencies requiring no further action at eight and seven sites, respectively.

Additionally, IPL has met state environmental agency expectations at three additional sites requiring no further action for soil remediation. IPL and WPL are 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. IPL and WPL record environmental liabilities based upon periodic studies, most recently updated in the third quarter of 2007, related to the MGP sites. Management currently estimates the range of remaining costs to be incurred for the investigation, remediation and monitoring of Alliant Energy s sites to be $33 million ($27 million for IPL and $6 million for WPL) to $56 million ($48 million for IPL and $8 million for WPL).

Air Quality - In 2005, the U.S. Environmental Protection Agency (EPA) finalized the Clean Air Interstate Rule (CAIR) and the Clean Air Mercury Rule (CAMR). These rules are expected to require emission control upgrades to existing electric generating units with greater than 25 MW capacity. CAIR will cap emissions of sulfur dioxide (SO2) and nitrogen oxides (NOx) in 28 states (including Iowa, Wisconsin and Minnesota) in the eastern U.S. and, when fully implemented, reduce SO2 and NOx emissions in these states by over 70% and 60% from 2003 levels, respectively. CAMR will reduce U.S. utility (including IPL and WPL) mercury emissions by approximately 70% when fully implemented.

In the second quarter of 2007, the Wisconsin Department of Natural Resources (DNR) approved rules for Reasonably Available Control Technology (RACT) to address provisions of the Federal ozone attainment plan submittal in Wisconsin. These RACT rules are expected to accelerate NOx emission reductions at WPL s Edgewater Generating Station (Edgewater) beyond the CAIR requirements due to Edgewater s location in Sheboygan County, which does not meet the current eight-hour ozone National Air Ambient Quality Standards. WPL is evaluating these RACT rules to develop an approach to meet the 2009 and 2013 compliance deadlines. In addition, WPL may be subject to proposed rules for Best Available Retrofit Technology (BART), which address provisions of Federal regional haze regulations and may require additional reductions of NOx and SO2 emissions beyond the CAIR requirements at WPL s Edgewater, Columbia Energy Center (Columbia) and Nelson Dewey Generating Station (Nelson Dewey) facilities.

Alliant Energy believes that future capital investments and/or modifications to comply with these rules will be significant.

(e) Mixed Service Costs Tax Deduction - In 2002, IPL filed with the IRS for a change in method of accounting for tax purposes for 1987 through 2001 that would allow a current deduction related to mixed service costs. IPL had previously capitalized and depreciated such costs for tax purposes over the appropriate tax lives. In 2005, the IRS issued a revenue ruling which would effectively disallow a significant portion of the deduction initially claimed. The IRS challenged in an audit Alliant Energy s treatment of mixed service costs prior to 2005. In the third quarter of 2007, Alliant Energy resolved this issue with the IRS for deductions included in its U.S. federal tax returns for calendar years 1999 through 2001 resulting in a modestly favorable impact on its and IPL s financial condition and results of operations.

(f) Collective Bargaining Agreement - In May 2007, members of the International Brotherhood of Electrical Workers Local 965 ratified a four-year collective bargaining agreement reached with WPL.

(g) IPL Service Territory Winter Storms - In late February 2007, two major Midwest winter storms caused considerable damage to IPL s electric transmission and distribution system in its Iowa and Minnesota service territories. IPL completed its initial restoration efforts in early March 2007, and expects permanent repairs to the system to continue throughout 2007. IPL s current estimate of the total cost of the storms, including an allocated portion of overheads, is approximately $56 million. IPL currently estimates total incremental costs related to the storms of approximately $45 million, including capital expenditures of approximately $39 million and operating expenses of approximately $6 million. For the nine months ended Sep. 30, 2007, IPL incurred $35 million of incremental capital expenditures and $6 million of incremental operating expenses related to its restoration and rebuilding efforts.

(h) Brazil Investment Capital Loss - The IRS is currently examining Alliant Energy s tax returns for calendar years 2002 through 2004. As a result of its examination, the IRS notified Alliant Energy in the second quarter of 2007 that it is proposing to defer until 2006 $257 million of capital losses included in Alliant Energy s 2002 tax return related to its former Brazil investments. Alliant Energy does not agree with the IRS s position on this matter. Deferring these capital losses until 2006 could have a material adverse impact on Alliant Energy s financial condition, results of operations and cash flows if Alliant Energy is unable to generate sufficient capital gains in the future to offset a 2006 capital loss within the statutory carryforward period expiring in 2011. Alliant Energy is not able to predict the ultimate outcome of this matter and is currently exploring options that could mitigate the potential adverse impact. This issue may remain unresolved for multiple years if litigation is necessary to resolve.

(12) SEGMENTS OF BUSINESS

Certain financial information relating to Alliant Energy s business segments is as follows. In 2006, Alliant Energy sold its investments in New Zealand and Brazil, which completed the divestiture of all businesses included in Alliant Energy s International segment. As a result, Alliant Energy no longer reports International segment information. Intersegment revenues were not material to Alliant Energy s operations.

	Utility Business Electric (in millions)	Gas	Other	Total	Non-regulated Businesses	Other	Alliant Energy Consolidated
Three Months Ended Sep. 30, 2007							
Operating revenues	**$733.5**	**$56.3**	**$16.2**	**$806.0**	**$102.8**	**($1.5)**	**$907.3**
Operating income (loss)	**195.9**	**(4.7)**	**(0.7)**	**190.5**	**13.3**	**(0.2)**	**203.6**
Income from continuing operations				**106.6**	**8.4**	**1.2**	**116.2**
Income from discontinued operations, net of tax				**--**	**3.4**	**--**	**3.4**
Net income				**106.6**	**11.8**	**1.2**	**119.6**
Three Months Ended Sep. 30, 2006							
Operating revenues	$747.7	$68.0	$15.9	$831.6	$60.4	($1.6)	$890.4
Operating income (loss)	164.5	0.9	(2.7)	162.7	7.9	(0.1)	170.5
Income (loss) from continuing operations				85.9	(1.7)	3.6	87.8
Loss from discontinued operations, net of tax				--	(9.0)	--	(9.0)
Net income (loss)				85.9	(10.7)	3.6	78.8
Nine Months Ended Sep. 30, 2007							
Operating revenues	**$1,852.5**	**$438.6**	**$49.6**	**$2,340.7**	**$229.8**	**($4.3)**	**$2,566.2**
Operating income (loss)	**362.0**	**37.3**	**(5.1)**	**394.2**	**26.4**	**0.8**	**421.4**
Income from continuing operations				**203.6**	**17.8**	**5.0**	**226.4**
Income from discontinued operations, net of tax				**--**	**5.7**	**--**	**5.7**
Net income				**203.6**	**23.5**	**5.0**	**232.1**
Nine Months Ended Sep. 30, 2006							
Operating revenues	$1,890.4	$441.6	$53.2	$2,385.2	$137.9	($5.0)	$2,518.1
Operating income (loss)	337.7	40.4	(2.8)	375.3	12.7	0.2	388.2
Income (loss) from continuing operations				192.8	(54.2)	8.4	147.0
Loss from discontinued operations, net of tax				--	(24.4)	--	(24.4)
Net income (loss)				192.8	(78.6)	8.4	122.6

(13) OTHER INTANGIBLE ASSETS

Emission Allowances - In April 2007, WPL entered into a non-monetary exchange of SO2 emission allowances valued at $7.2 million. In January 2007, IPL purchased $23.9 million of SO2 emission allowances. In December 2006, IPL purchased and sold SO2 emission allowances and received net proceeds from the transactions of $25.4 million. The Iowa Utilities Board (IUB) authorized IPL to refund the $1.5 million of net proceeds from the December 2006 and January 2007 transactions to IPL customers through the energy adjustment clause and by making donations to community action agencies. These SO2 emission allowances were recorded as intangible assets in Other assets - deferred charges and other on the Condensed Consolidated Balance Sheets as follows (in millions):

	Alliant Energy		IPL		WPL	
	Sep. 30, 2007	Dec. 31, 2006	**Sep. 30, 2007**	Dec. 31, 2006	**Sep. 30, 2007**	Dec. 31, 2006
SO2 emission allowances	**$64**	$33	**$57**	$33	**$7**	$--

At Sep. 30, 2007, estimated amortization expense for 2007 to 2011 for the SO2 emission allowances was as follows (in millions):

	2007	2008	2009	2010	2011
IPL	$--	$--	$15	$15	$5
WPL	--	--	5	2	--
	$--	$--	$20	$17	$5

(14) DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES HELD FOR SALE

Alliant Energy has completed the disposal, or is currently pursuing the disposal, of numerous non-regulated and utility businesses and other assets in order to strengthen its financial profile and narrow its strategic focus and risk profile. The following businesses/assets were sold during 2006 and 2007 by Alliant Energy and qualified as assets held for sale as defined by SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets, before Sep. 30, 2007:

Business/Asset	Disposal Date	Segment
Non-regulated businesses:		
Gas gathering pipeline systems	Second quarter of 2006	Non-regulated
China	Completed in the fourth quarter of 2006 (a)	Non-regulated
Mexico	Second quarter of 2007	Non-regulated
Utility businesses/assets:		
IPL s interest in DAEC	First quarter of 2006	Utility - Electric
WPL s water utility in South Beloit, Illinois	Third quarter of 2006	Utility - Other
WPL s electric and gas utility assets in Illinois	First quarter of 2007	Utility - Electric and Gas
IPL s electric and gas utility assets in Illinois	First quarter of 2007	Utility - Electric and Gas

(a) Of a total of 10 generating facilities in China, three were sold in 2005 and seven were sold in 2006.

Certain assets and liabilities of the businesses/assets listed in the above table have been classified as held for sale on Alliant Energy s Condensed Consolidated Balance Sheets at Dec. 31, 2006. The operating results of the non-regulated businesses listed in the above table have been separately classified and reported as discontinued operations in Alliant Energy s Condensed Consolidated Statements of Income. The operating results of the utility businesses/assets listed in the above table have not been reported as discontinued operations due to Alliant Energy s continuing involvement in the operations of these businesses/assets after the disposal transaction.

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A summary of the components of discontinued operations in Alliant Energy s Condensed Consolidated Statements of Income for the three and nine months ended Sep. 30 was as follows (in millions):

	Three Months		Nine Months	
	2007	2006	**2007**	2006
Operating revenues (excluding gains)	**$--**	$6.1	**$--**	$44.4
Operating expenses (excluding losses and valuation charges)	**0.2**	8.6	**3.9**	43.9
(Gains), losses and valuation charges, net:				

Mexico business (a)	**--**	5.8	**(10.7)**	32.1
China business (b)	**--**	0.8	**--**	5.0
Other (c)	**--**	--	**--**	(7.0)
Interest expense and other:				
Interest expense (d)	**--**	2.0	**2.1**	8.1
Interest income and other	**--**	(0.4)	**(0.5)**	0.3
Income (loss) before income taxes	**(0.2)**	(10.7)	**5.2**	(38.0)
Income tax benefit (e)	**(3.6)**	(1.7)	**(0.5)**	(13.6)
Income (loss) from discontinued operations, net of tax	**$3.4**	($9.0)	**$5.7**	($24.4)

(a) In the second quarter of 2007, Alliant Energy recorded a $10.7 million pre-tax gain related to the sale of its Mexico business. The increase in the fair value during the second quarter of 2007 that was realized upon sale of the Mexico business was largely due to the resolution of uncertainties regarding completion of the pending sale. For the three and nine months ended Sep. 30, 2006, Alliant Energy recorded pre-tax, non-cash valuation charges of $5.8 million and $32.1 million, respectively, as a result of declines in the fair value of its Mexico business during these periods. The fair values in 2006 were estimated using updated market information from bids received from several potential buyers for the Mexico business.

(b) In the second quarter of 2006, Alliant Energy recorded pre-tax valuation charges of $4.9 million to reflect updated estimates of the market value, less selling costs, of its remaining China generating facilities.

(c) In the second quarter of 2006, Alliant Energy recorded a $7.2 million pre-tax gain related to the sale of its gas gathering pipeline systems.

(d) In accordance with Emerging Issues Task Force Issue 87-24, Allocation of Interest to Discontinued Operations, Alliant Energy allocated interest expense to its Mexico and China businesses based on the amount of debt incurred by Resources that was specifically attributable to the operations and capital requirements of these respective businesses. The amount of interest expense allocated to its Mexico business was $1.5 million for the nine months ended Sep. 30, 2007 and $0.9 million and $3.4 million for the three and nine months ended Sep. 30, 2006, respectively. The amount of interest expense allocated to its China business was $0.5 million and $2.7 million for three and nine months ended Sep. 30, 2006, respectively.

(e) In the third quarter of 2007, Alliant Energy effectively settled with the IRS the audit of its U.S. federal income tax returns for calendar years 1999 through 2001 and completed the filing of its U.S. federal income tax return for the calendar year 2006. As a result of these events, Alliant Energy recorded changes to its provision for income taxes including the recognition of $4 million of income tax benefits allocated to its discontinued operations in the third quarter of 2007 related to the operations of its former China and Mexico businesses.

A summary of the assets and liabilities held for sale on Alliant Energy s Condensed Consolidated Balance Sheets at Dec. 31, 2006 was as follows (in millions):

Assets held for sale:	
Property, plant and equipment, net	$106.9
Current assets (includes cash)	1.5
Other assets	16.2
Total assets held for sale	124.6
Liabilities held for sale:	
Current liabilities (includes current portion of long-term debt)	3.1
Long-term debt	2.9
Other long-term liabilities and deferred credits	5.4
Total liabilities held for sale	11.4
Net assets held for sale	$113.2

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A summary of the components of cash flows for discontinued operations for the nine months ended Sep. 30 was as follows (in millions):

	2007	2006
Cash flows used for operating activities	**($11.7)**	($12.0)
Cash flows from (used for) investing activities	**0.1**	(2.8)
Cash flows used for financing activities (excluding intercompany cash flows)	**(1.0)**	(2.1)

Net change in loans with continuing operations	**11.8**	10.5
Net cash flows from financing activities	**10.8**	8.4
Net decrease in cash and cash equivalents	**(0.8)**	(6.4)
Cash and cash equivalents held for sale at beginning of period	**0.8**	10.7
Cash and cash equivalents held for sale at end of period	**$--**	$4.3
Supplemental cash flows information:		
Cash paid during the period for:		
Interest	**$0.6**	$1.6
Income taxes, net of refunds	**$0.1**	$0.3

In January 2007, Alliant Energy entered into an agreement to sell IPL s electric transmission assets located in Iowa, Minnesota and Illinois. However, these assets did not qualify as assets held for sale or discontinued operations at Sep. 30, 2007 or Dec. 31, 2006 due to uncertainties inherent in the regulatory approval process and other factors. Refer to Note 17 for further discussion of the proposed sale.

(15) ASSET RETIREMENT OBLIGATIONS

A reconciliation of the changes in asset retirement obligations associated with long-lived assets is as follows (in millions):

	Alliant Energy		IPL		WPL	
	2007	2006	**2007**	2006	**2007**	2006
Balance at Jan. 1	**$38.8**	$35.8	**$27.4**	$24.9	**$11.4**	$10.9
Accretion expense	**1.6**	1.6	**1.1**	1.1	**0.5**	0.5
Liabilities incurred	**0.5**	2.0	**0.5**	1.1	**--**	0.9
Revisions in estimated cash flows	**0.1**	--	**--**	--	**0.1**	--
Liabilities settled	**--**	(0.5)	**--**	--	**--**	(0.5)
Balance at Sep. 30	**$41.0**	$38.9	**$29.0**	$27.1	**$12.0**	$11.8

(16) VARIABLE INTEREST ENTITIES

After making an ongoing exhaustive effort, Alliant Energy concluded it was unable to obtain the information necessary from the counterparties (subsidiaries of Calpine Corporation (Calpine)) for the Riverside Energy Center (Riverside) and RockGen Energy Center (RockGen) PPAs to determine whether the counterparties are variable interest entities per FIN 46R and if Alliant Energy is the primary beneficiary. These PPAs are currently accounted for as operating leases. The counterparties sell some or all of their generating capacity to WPL and can sell their energy output to WPL. Alliant Energy s maximum exposure to loss from these PPAs is undeterminable due to the inability to obtain the necessary information to complete such evaluation. Alliant Energy s (primarily WPL s) costs, excluding fuel costs, related to the Riverside PPA were $27.7 million and $57.2 million for the three and nine months ended Sep. 30, 2007, and $27.5 million and $53.3 million for the three and nine months ended Sep. 30, 2006, respectively. WPL s costs, excluding fuel costs, related to the RockGen PPA were $4.1 million and $11.9 million for the three and nine months ended Sep. 30, 2007, and $4.0 million and $11.7 million for the three and nine months ended Sep. 30, 2006, respectively.

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(17) PROPOSED SALE OF IPL S ELECTRIC TRANSMISSION ASSETS

In January 2007, IPL announced it signed a definitive agreement to sell its electric transmission assets located in Iowa, Minnesota and Illinois to ITC Midwest LLC (ITC), a wholly owned subsidiary of ITC Holdings Corporation (ITC Holdings), for approximately $750 million in cash. The purchase price is subject to adjustments at closing based on the value of the net assets transferred as of the closing date and assumption by ITC of certain liabilities of IPL. Purchase price adjustments are expected to include, among others, the pro-ration of items as of the closing date including electric transmission-related property tax obligations, obligations relating to accrued and unused vacation earned for transferred employees during the calendar year of the closing date, other postretirement benefits for transferred employees relating to IPL s retiree health care plans and other employee related contingent obligations. Pursuant to the agreement, ITC will acquire IPL s transmission assets at 34.5-kilovolts and higher, including transmission lines, transmission substations, and associated land rights, contracts, permits and equipment. The transaction is subject to customary closing conditions and remaining approvals by various regulatory agencies, including the Minnesota

Public Utilities Commission (MPUC), Illinois Commerce Commission (ICC) and Federal Energy Regulatory Commission (FERC).

In September 2007, the IUB allowed the transaction to proceed with certain conditions including: 1) upon closing of the transaction, IPL will establish a regulatory liability, which IPL will refund to its Iowa customers with payments of approximately $13 million per year for eight years beginning in the year IPL s Iowa customers experience an increase in rates related to transmission charges assessed by ITC; and 2) if any material changes to the proposed transaction with ITC result from other regulatory approvals, the IUB reserves the right to determine if a new hearing would be required. During the IUB hearing process, IPL also committed it would not file for a common equity ratio in excess of 50% in its next electric rate proceeding filed in Iowa. In October 2007, the Office of Consumer Advocate in Iowa issued a petition seeking judicial review of the IUB s decision to allow the transaction to proceed. IPL currently does not expect the judicial review to be successful or to delay the anticipated closing of the transaction. IPL cannot provide any assurances that the judicial review will be resolved in a timely or satisfactory manner. Assuming all appropriate state and federal regulatory approvals are received in accordance with anticipated timetables and satisfaction of other closing conditions, the transaction is expected to be concluded late in the fourth quarter of 2007. Under currently enacted tax law, by closing the sale by the end of 2007 and by meeting certain other requirements, IPL will qualify to pay taxes related to any gain on the sale over an eight-year period.

Based on the original purchase price of $750 million as specified in the definitive sale agreement, and without estimating any purchase price adjustments described above, IPL anticipates estimated net proceeds from the sale, after taxes, transaction-related costs and regulatory outcomes, of $475 million to $525 million. Any after-tax gain realized from the transaction will be subject to the IUB s and MPUC s final determination of the amounts which may benefit customers, thus IPL is currently unable to determine if the sale will have a significant impact on its operating results. At Sep. 30, 2007, IPL s estimated carrying value of the assets and liabilities included within the sale agreement were as follows (in millions):

Assets:		Liabilities:	
Property, plant and equipment, net	$500	Current liabilities	$4
Other	3	Long-term regulatory and other liabilities	45
	$503		$49

As of Sep. 30, 2007 and Dec. 31, 2006, IPL s assets and liabilities in the previous table did not meet the criteria to be classified as held for sale due to uncertainties inherent in the regulatory approval process and other factors.

The transmission rates that ITC Holdings subsidiaries charge their utility customers for transmission service are fully regulated by FERC. Assuming the transaction closes, IPL will pay the regulated rates to ITC for transmission services needed to serve its customers.

(18) CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

Alliant Energy has fully and unconditionally guaranteed the payment of principal and interest on the exchangeable senior notes issued by Resources (a wholly-owned subsidiary of Alliant Energy) and, as a result, is required to present condensed consolidating financial statements. No Alliant Energy subsidiaries are guarantors of Resources debt securities. The Other Alliant Energy Subsidiaries column includes amounts for IPL, WPL and Corporate Services. Alliant Energy s condensed consolidating financial statements are as follows:

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Alliant Energy Corporation Condensed Consolidating Statements of Income (Unaudited)

	Alliant Energy Parent Company	Resources	Other Alliant Energy Subsidiaries	Consolidating Adjustments	Consolidated Alliant Energy

(in millions)

Three Months Ended September 30, 2007					
Operating revenues:					
Utility:					
Electric	$-	$-	$733.5	$-	$733.5
Gas	-	-	56.3	-	56.3
Other	-	-	16.2	-	16.2
Non-regulated	-	102.8	81.8	(83.3)	101.3
	-	102.8	887.8	(83.3)	907.3
Operating expenses:					
Utility:					
Electric production fuel and purchased power	-	-	343.8	-	343.8
Cost of gas sold	-	-	31.7	-	31.7
Other operation and maintenance	-	-	152.2	-	152.2
Non-regulated operation and maintenance	0.7	84.6	74.4	(75.8)	83.9
Depreciation and amortization	0.1	3.1	67.3	(5.2)	65.3
Taxes other than income taxes	-	1.8	27.4	(2.4)	26.8
	0.8	89.5	696.8	(83.4)	703.7
Operating income (loss)	(0.8)	13.3	191.0	0.1	203.6
Interest expense and other:					
Interest expense	0.3	3.6	29.5	(4.4)	29.0
Equity income from unconsolidated investments	-	(0.2)	(7.0)	-	(7.2)
Allowance for funds used during construction	-	-	(2.2)	0.1	(2.1)
Preferred dividend requirements of subsidiaries	-	-	4.6	-	4.6
Interest income and other	(119.5)	(4.5)	(0.6)	122.5	(2.1)
	(119.2)	(1.1)	24.3	118.2	22.2
Income from continuing operations before income taxes	118.4	14.4	166.7	(118.1)	181.4
Income tax expense (benefit)	(1.0)	6.0	60.1	0.1	65.2
Income from continuing operations	119.4	8.4	106.6	(118.2)	116.2
Income from discontinued operations, net of tax	-	3.4	-	-	3.4
Net income	$119.4	$11.8	$106.6	($118.2)	$119.6
Three Months Ended September 30, 2006					
Operating revenues:					
Utility:					
Electric	$-	$-	$747.7	$-	$747.7
Gas	-	-	68.0	-	68.0
Other	-	-	15.9	-	15.9
Non-regulated	-	60.4	69.5	(71.1)	58.8
	-	60.4	901.1	(71.1)	890.4
Operating expenses:					
Utility:					
Electric production fuel and purchased power	-	-	400.4	-	400.4
Cost of gas sold	-	-	36.3	-	36.3
Other operation and maintenance	-	-	144.7	-	144.7
Non-regulated operation and maintenance	0.5	48.3	61.5	(62.7)	47.6
Depreciation and amortization	0.1	2.7	67.5	(5.9)	64.4
Taxes other than income taxes	-	1.5	27.7	(2.7)	26.5
	0.6	52.5	738.1	(71.3)	719.9

Operating income (loss)	(0.6)	7.9	163.0	0.2	170.5
Interest expense and other:					
Interest expense	0.1	10.7	30.1	(7.7)	33.2
Equity income from unconsolidated investments	-	(5.1)	(7.2)	-	(12.3)
Allowance for funds used during construction	-	-	(2.4)	-	(2.4)
Preferred dividend requirements of subsidiaries	-	-	4.6	-	4.6
Interest income and other	(80.0)	8.1	(1.1)	82.7	9.7
	(79.9)	13.7	24.0	75.0	32.8
Income (loss) from continuing operations before income taxes	79.3	(5.8)	139.0	(74.8)	137.7
Income tax expense (benefit)	0.7	(4.1)	53.1	0.2	49.9
Income (loss) from continuing operations	78.6	(1.7)	85.9	(75.0)	87.8
Loss from discontinued operations, net of tax	-	(9.0)	-	-	(9.0)
Net income (loss)	$78.6	($10.7)	$85.9	($75.0)	$78.8

Alliant Energy Corporation Condensed Consolidating Statements of Income (Unaudited) (Continued)

	Alliant Energy Parent Company	Resources	Other Alliant Energy Subsidiaries	Consolidating Adjustments	Consolidated Alliant Energy
			(in millions)		
<u>**Nine Months Ended September 30, 2007**</u>					
Operating revenues:					
Utility:					
Electric	$-	$-	$1,852.5	$-	$1,852.5
Gas	-	-	438.6	-	438.6
Other	-	-	49.6	-	49.6
Non-regulated	-	229.8	244.4	(248.7)	225.5
	-	229.8	2,585.1	(248.7)	2,566.2
Operating expenses:					
Utility:					
Electric production fuel and purchased power	-	-	917.0	-	917.0
Cost of gas sold	-	-	304.5	-	304.5
Other operation and maintenance	-	-	459.1	-	459.1
Non-regulated operation and maintenance	1.0	188.9	219.9	(224.5)	185.3
Depreciation and amortization	0.2	9.3	206.2	(18.4)	197.3
Taxes other than income taxes	-	5.2	81.7	(5.3)	81.6
	1.2	203.4	2,188.4	(248.2)	2,144.8
Operating income (loss)	(1.2)	26.4	396.7	(0.5)	421.4
Interest expense and other:					
Interest expense	0.5	13.0	87.4	(14.6)	86.3
Equity income from unconsolidated investments	-	(0.9)	(20.8)	-	(21.7)
Allowance for funds used during construction	-	-	(5.8)	0.3	(5.5)
Preferred dividend requirements of subsidiaries	-	-	14.0	-	14.0

Interest income and other	(233.3)	(18.0)	(1.9)	240.2	(13.0)
	(232.8)	(5.9)	72.9	225.9	60.1
Income from continuing operations before income taxes	231.6	32.3	323.8	(226.4)	361.3
Income taxes	-	14.5	120.2	0.2	134.9
Income from continuing operations	231.6	17.8	203.6	(226.6)	226.4
Income from discontinued operations, net of tax	-	5.7	-	-	5.7
Net income	$231.6	$23.5	$203.6	($226.6)	$232.1
Nine Months Ended September 30, 2006					
Operating revenues:					
Utility:					
Electric	$-	$-	$1,890.4	$-	$1,890.4
Gas	-	-	441.6	-	441.6
Other	-	-	53.2	-	53.2
Non-regulated	-	137.9	223.2	(228.2)	132.9
	-	137.9	2,608.4	(228.2)	2,518.1
Operating expenses:					
Utility:					
Electric production fuel and purchased power	-	-	993.6	-	993.6
Cost of gas sold	-	-	300.3	-	300.3
Other operation and maintenance	-	-	450.4	-	450.4
Non-regulated operation and maintenance	1.4	112.8	199.2	(204.1)	109.3
Depreciation and amortization	0.1	7.9	206.2	(18.3)	195.9
Taxes other than income taxes	-	4.5	81.9	(6.0)	80.4
	1.5	125.2	2,231.6	(228.4)	2,129.9
Operating income (loss)	(1.5)	12.7	376.8	0.2	388.2
Interest expense and other:					
Interest expense	0.2	35.9	91.9	(20.4)	107.6
Loss on early extinguishment of debt	-	90.8	-	-	90.8
Equity income from unconsolidated investments	-	(15.0)	(20.4)	-	(35.4)
Allowance for funds used during construction	-	-	(7.1)	0.1	(7.0)
Preferred dividend requirements of subsidiaries	-	-	14.0	-	14.0
Interest income and other	(125.9)	(16.0)	(3.9)	133.6	(12.2)
	(125.7)	95.7	74.5	113.3	157.8
Income (loss) from continuing operations before income taxes	124.2	(83.0)	302.3	(113.1)	230.4
Income tax expense (benefit)	2.2	(28.8)	109.5	0.5	83.4
Income (loss) from continuing operations	122.0	(54.2)	192.8	(113.6)	147.0
Loss from discontinued operations, net of tax	-	(24.4)	-	-	(24.4)
Net income (loss)	$122.0	($78.6)	$192.8	($113.6)	$122.6

Alliant Energy Corporation Condensed Consolidating Balance Sheet as of September 30, 2007 (Unaudited)

	Alliant Energy Parent Company	Resources	Other Alliant Energy Subsidiaries	Consolidating Adjustments	Consolidated Alliant Energy
			(in millions)		
ASSETS					
Property, plant and equipment:					
Utility:					
Electric plant in service	$-	$-	$6,283.4	$-	$6,283.4
Gas plant in service	-	-	714.4	-	714.4
Other plant in service	-	-	463.8	-	463.8
Accumulated depreciation	-	-	(2,906.1)	-	(2,906.1)
Leased Sheboygan Falls Energy Facility, net	-	-	109.4	(109.4)	-
Other, net	-	-	190.0	-	190.0
Total utility	-	-	4,854.9	(109.4)	4,745.5
Non-regulated and other, net	-	178.8	34.3	130.9	344.0
	-	178.8	4,889.2	21.5	5,089.5
Current assets:					
Cash and cash equivalents	90.4	1.2	16.5	-	108.1
Production fuel, at weighted average cost	-	-	92.5	-	92.5
Regulatory assets	-	-	63.0	-	63.0
Other	11.8	142.3	604.9	(172.7)	586.3
	102.2	143.5	776.9	(172.7)	849.9
Investments:					
Consolidated subsidiaries	2,441.1	-	-	(2,441.1)	-
Other	16.2	8.2	210.1	-	234.5
	2,457.3	8.2	210.1	(2,441.1)	234.5
Other assets	3.5	178.6	803.6	(232.4)	753.3
Total assets	$2,563.0	$509.1	$6,679.8	($2,824.7)	$6,927.2
CAPITALIZATION AND LIABILITIES					
Capitalization:					
Common stock and additional paid-in capital	$1,482.2	$262.8	$1,542.6	($1,805.4)	$1,482.2
Retained earnings	1,045.4	(145.8)	790.4	(643.0)	1,047.0
Accumulated other comprehensive loss	(8.8)	(0.2)	(8.6)	8.8	(8.8)
Shares in deferred compensation trust	(8.6)	-	-	-	(8.6)
Total common equity	2,510.2	116.8	2,324.4	(2,439.6)	2,511.8
Cumulative preferred stock of subsidiaries, net	-	-	243.8	-	243.8
Long-term debt, net (excluding current portion)	-	108.2	1,485.7	-	1,593.9
	2,510.2	225.0	4,053.9	(2,439.6)	4,349.5
Current liabilities:					
Current maturities	-	1.2	-	-	1.2
Regulatory liabilities	-	-	38.0	-	38.0
Derivative liabilities	-	-	34.7	-	34.7
Other	40.7	91.1	722.4	(173.8)	680.4
	40.7	92.3	795.1	(173.8)	754.3

Other long-term liabilities and deferred credits:					
Deferred income taxes	(3.1)	155.5	617.3	1.1	770.8
Other	15.2	31.7	1,213.5	(212.4)	1,048.0
	12.1	187.2	1,830.8	(211.3)	1,818.8
Minority interest	-	4.6	-	-	4.6
Total capitalization and liabilities	$2,563.0	$509.1	$6,679.8	($2,824.7)	$6,927.2

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Alliant Energy Corporation Condensed Consolidating Balance Sheet as of December 31, 2006 (Unaudited)

	Alliant Energy Parent Company	Resources	Other Alliant Energy Subsidiaries	Consolidating Adjustments	Consolidated Alliant Energy
			(in millions)		
ASSETS					
Property, plant and equipment:					
Utility:					
Electric plant in service	$-	$-	$6,079.7	$-	$6,079.7
Gas plant in service	-	-	696.7	-	696.7
Other plant in service	-	-	459.1	-	459.1
Accumulated depreciation	-	-	(2,811.6)	-	(2,811.6)
Leased Sheboygan Falls Energy Facility, net	-	-	114.0	(114.0)	-
Other, net	-	-	157.6	-	157.6
Total utility	-	-	4,695.5	(114.0)	4,581.5
Non-regulated and other, net	-	187.2	42.3	133.9	363.4
	-	187.2	4,737.8	19.9	4,944.9
Current assets:					
Cash and cash equivalents	167.1	66.5	31.6	-	265.2
Production fuel, at weighted average cost	-	-	73.2	-	73.2
Regulatory assets	-	-	133.7	-	133.7
Assets held for sale	-	67.4	57.2	-	124.6
Other	113.5	90.6	576.2	(203.2)	577.1
	280.6	224.5	871.9	(203.2)	1,173.8
Investments:					
Consolidated subsidiaries	2,361.8	-	-	(2,361.8)	-
Other	15.1	8.6	204.2	-	227.9
	2,376.9	8.6	204.2	(2,361.8)	227.9
Other assets	4.2	186.2	751.8	(204.7)	737.5
Total assets	$2,661.7	$606.5	$6,565.7	($2,749.8)	$7,084.1
CAPITALIZATION AND LIABILITIES					
Capitalization:					
Common stock and additional paid-in capital	$1,744.2	$259.6	$1,442.3	($1,701.9)	$1,744.2
Retained earnings	922.5	(171.3)	840.1	(667.7)	923.6
Accumulated other comprehensive income (loss)	(8.7)	0.4	(9.1)	8.7	(8.7)
Shares in deferred compensation trust	(7.8)	-	-	-	(7.8)

Total common equity	2,650.2	88.7	2,273.3	(2,360.9)	2,651.3
Cumulative preferred stock of subsidiaries, net	-	-	243.8	-	243.8
Long-term debt, net (excluding current portion)	-	136.2	1,187.1	-	1,323.3
	2,650.2	224.9	3,704.2	(2,360.9)	4,218.4
Current liabilities:					
Current maturities	-	9.8	184.8	-	194.6
Regulatory liabilities	-	-	67.8	-	67.8
Derivative liabilities	-	2.5	85.5	-	88.0
Liabilities held for sale	-	5.2	6.2	-	11.4
Other	8.6	199.2	736.6	(204.1)	740.3
	8.6	216.7	1,080.9	(204.1)	1,102.1
Other long-term liabilities and deferred credits:					
Deferred income taxes	(1.7)	146.3	612.9	0.8	758.3
Other	4.6	13.7	1,167.7	(185.6)	1,000.4
	2.9	160.0	1,780.6	(184.8)	1,758.7
Minority interest	-	4.9	-	-	4.9
Total capitalization and liabilities	$2,661.7	$606.5	$6,565.7	($2,749.8)	$7,084.1

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Alliant Energy Corporation Condensed Consolidating Statement of Cash Flows (Unaudited)

	Alliant Energy Parent Company	Resources	Other Alliant Energy Subsidiaries	Consolidating Adjustments	Consolidated Alliant Energy
			(in millions)		
Nine Months Ended September 30, 2007					
Continuing Operations:					
Net cash flows from operating activities	$229.0	$33.5	$369.2	($242.1)	$389.6
Cash flows from (used for) investing activities:					
Construction and acquisition expenditures:					
Utility business	-	-	(356.1)	2.5	(353.6)
Alliant Energy Corporate Services, Inc. and non-regulated businesses	-	(8.5)	(9.0)	-	(17.5)
Proceeds from asset sales	-	78.6	51.7	(2.5)	127.8
Other	(72.9)	12.0	(16.2)	78.7	1.6
Net cash flows from (used for) investing activities	(72.9)	82.1	(329.6)	78.7	(241.7)
Cash flows used for financing activities:					
Common stock dividends	(108.2)	-	(250.8)	250.8	(108.2)
Repurchase of common stock	(296.7)	-	-	-	(296.7)
Proceeds from issuance of common stock	32.9	-	-	-	32.9
Proceeds from issuance of long-term debt	-	-	300.0	-	300.0
Reductions in long-term debt	-	(36.7)	(184.8)	-	(221.5)
Net change in short-term borrowings	139.7	(139.7)	(19.0)	-	(19.0)
Other	(0.5)	(4.5)	99.9	(87.4)	7.5
Net cash flows used for financing activities	(232.8)	(180.9)	(54.7)	163.4	(305.0)
Net decrease in cash and cash equivalents	(76.7)	(65.3)	(15.1)	-	(157.1)

Cash and cash equivalents at beginning of period	167.1	66.5	31.6	-	265.2
Cash and cash equivalents at end of period	$90.4	$1.2	$16.5	$-	$108.1
Discontinued Operations:					
Net cash flows used for operating activities	$-	($11.7)	$-	$-	($11.7)
Net cash flows from investing activities	-	0.1	-	-	0.1
Net cash flows from financing activities	-	10.8	-	-	10.8
Net decrease in cash and cash equivalents	-	(0.8)	-	-	(0.8)
Cash and cash equivalents held for sale at beginning of period	-	0.8	-	-	0.8
Cash and cash equivalents held for sale at end of period	$-	$-	$-	$-	$-
Nine Months Ended September 30, 2006					
Continuing Operations:					
Net cash flows from (used for) operating activities	$129.8	($9.8)	$354.1	($129.1)	$345.0
Cash flows from investing activities:					
Construction and acquisition expenditures:					
Utility business	-	-	(239.5)	-	(239.5)
Alliant Energy Corporate Services, Inc. and non-regulated businesses	-	(17.1)	(7.0)	-	(24.1)
Proceeds from asset sales	-	260.6	338.8	-	599.4
Sales of securities within nuclear decommissioning trusts	-	-	51.7	-	51.7
Other	150.8	2.8	(27.9)	(145.7)	(20.0)
Net cash flows from investing activities	150.8	246.3	116.1	(145.7)	367.5
Cash flows used for financing activities:					
Common stock dividends	(101.2)	-	(261.6)	261.6	(101.2)
Repurchase of common stock	(105.1)	-	-	-	(105.1)
Proceeds from issuance of common stock	48.2	-	-	-	48.2
Proceeds from issuance of long-term debt	-	-	39.1	-	39.1
Reductions in long-term debt	-	(362.8)	(39.4)	-	(402.2)
Net change in short-term borrowings	(212.8)	212.8	(156.7)	-	(156.7)
Debt repayment premiums	-	(83.0)	-	-	(83.0)
Other	-	(6.0)	(44.2)	13.2	(37.0)
Net cash flows used for financing activities	(370.9)	(239.0)	(462.8)	274.8	(797.9)
Net increase (decrease) in cash and cash equivalents	(90.3)	(2.5)	7.4	-	(85.4)
Cash and cash equivalents at beginning of period	160.4	12.6	32.3	-	205.3
Cash and cash equivalents at end of period	$70.1	$10.1	$39.7	$-	$119.9
Discontinued Operations:					
Net cash flows used for operating activities	$-	($12.0)	$-	$-	($12.0)
Net cash flows used for investing activities	-	(2.8)	-	-	(2.8)
Net cash flows from financing activities	-	8.4	-	-	8.4
Net decrease in cash and cash equivalents	-	(6.4)	-	-	(6.4)
Cash and cash equivalents held for sale at beginning of period	-	10.7	-	-	10.7
Cash and cash equivalents held for sale at end of period	$-	$4.3	$-	$-	$4.3

Alliant Energy Corporation Condensed Consolidating Statements of Cash Flows (Continued) (Unaudited)

	Alliant Energy Parent Company	Resources	Other Alliant Energy Subsidiaries	Consolidating Adjustments	Consolidated Alliant Energy
	(in millions)				
Supplemental Cash Flows Information:					
Nine Months Ended September 30, 2007					
Cash paid (refunded) during the period for:					
Interest, net of capitalized interest	$0.6	$3.6	$88.6	$-	$92.8
Income taxes, net of refunds	(7.0)	(33.5)	115.9	-	75.4
Noncash investing and financing activities:					
Debt assumed by buyer of Mexico business	-	5.0	-	-	5.0
Nine Months Ended September 30, 2006					
Cash paid (refunded) during the period for:					
Interest, net of capitalized interest	$0.2	$37.0	$87.2	$-	$124.4
Income taxes, net of refunds	0.4	(20.4)	109.3	-	89.3
Noncash investing and financing activities:					
Debt assumed by buyer of China generating facilities	-	13.7	-	-	13.7

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INTERSTATE POWER AND LIGHT COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2007	2006	**2007**	2006
	(in millions)			
Operating revenues:				
Electric utility	**$404.7**	$413.2	**$977.8**	$1,039.5
Gas utility	**30.5**	36.7	**252.1**	250.7
Steam and other	**13.2**	13.3	**42.3**	44.4
	448.4	463.2	**1,272.2**	1,334.6
Operating expenses:				
Electric production fuel and purchased power	**152.2**	182.5	**403.9**	477.4
Cost of gas sold	**17.2**	20.3	**182.2**	180.6
Other operation and maintenance	**90.5**	85.3	**280.3**	274.4
Depreciation and amortization	**35.6**	35.9	**107.5**	110.0
Taxes other than income taxes	**14.8**	15.3	**46.3**	46.8
	310.3	339.3	**1,020.2**	1,089.2
Operating income	**138.1**	123.9	**252.0**	245.4
Interest expense and other:				
Interest expense	**15.9**	17.7	**48.5**	52.8
Allowance for funds used during construction	**(1.4)**	(1.5)	**(4.0)**	(4.3)
Interest income	**(0.3)**	(0.6)	**(1.0)**	(2.4)
	14.2	15.6	**43.5**	46.1

Income before income taxes	**123.9**	108.3	**208.5**	199.3
Income taxes	**43.5**	40.3	**74.9**	65.6
Net income	**80.4**	68.0	**133.6**	133.7
Preferred dividend requirements	**3.8**	3.8	**11.5**	11.5
Earnings available for common stock	**$76.6**	$64.2	**$122.1**	$122.2

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

INTERSTATE POWER AND LIGHT COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

ASSETS	**September 30, 2007**	December 31, 2006
	(in millions)	
Property, plant and equipment:		
Electric plant in service	**$4,112.7**	$3,968.0
Gas plant in service	**377.6**	371.1
Steam plant in service	**54.0**	51.5
Other plant in service	**225.0**	218.3
Accumulated depreciation	**(1,812.3)**	(1,756.9)
Net plant	**2,957.0**	2,852.0
Construction work in progress	**86.9**	86.5
Other, less accumulated depreciation	**1.7**	1.7
	3,045.6	2,940.2
Current assets:		
Cash and cash equivalents	**0.7**	0.5
Accounts receivable:		
Customer, less allowance for doubtful accounts	**114.4**	46.9
Other, less allowance for doubtful accounts	**18.6**	50.8
Production fuel, at weighted average cost	**62.9**	46.5
Materials and supplies, at weighted average cost	**23.3**	19.5
Gas stored underground, at weighted average cost	**37.0**	35.3
Regulatory assets	**31.8**	67.3
Assets held for sale	**-**	32.9
Other	**11.9**	13.3
	300.6	313.0

Investments	**17.3**	16.6
Other assets:		
Regulatory assets	**316.5**	296.9
Deferred charges and other	**84.4**	61.9
	400.9	358.8
Total assets	**$3,764.4**	$3,628.6

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

INTERSTATE POWER AND LIGHT COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED) (Continued)

CAPITALIZATION AND LIABILITIES	September 30, 2007	December 31, 2006
	(in millions, except per share and share amounts)	
Capitalization:		
Common stock - $2.50 par value - authorized 24,000,000 shares; 13,370,788 shares outstanding	**$33.4**	$33.4
Additional paid-in capital	**873.1**	772.8
Retained earnings	**395.6**	357.7
Accumulated other comprehensive loss	**(1.5)**	(1.6)
Total common equity	**1,300.6**	1,162.3
Cumulative preferred stock	**183.8**	183.8
Long-term debt, net (excluding current portion)	**813.7**	813.5
	2,298.1	2,159.6
Current liabilities:		
Current maturities	**-**	79.8
Commercial paper	**133.4**	43.9
Accounts payable	**112.8**	126.8
Accounts payable to associated companies	**64.9**	31.9
Accrued taxes	**54.6**	81.3
Derivative liabilities	**20.4**	41.1
Liabilities held for sale	**-**	4.9
Other	**54.7**	64.1
	440.8	473.8
Other long-term liabilities and deferred credits:		
Deferred income taxes	**368.4**	355.2
Regulatory liabilities	**440.0**	440.1

Pension and other benefit obligations	**68.6**	70.3
Other	**148.5**	129.6
	1,025.5	995.2
Total capitalization and liabilities	**$3,764.4**	$3,628.6

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

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INTERSTATE POWER AND LIGHT COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Nine Months Ended September 30,	
	2007	2006
	(in millions)	
Cash flows from operating activities:		
Net income	**$133.6**	$133.7
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	**107.5**	110.0
Other amortizations	**6.0**	6.9
Deferred tax expense and investment tax credits	**5.4**	19.3
Other	**(1.0)**	(6.7)
Other changes in assets and liabilities:		
Accounts receivable	**39.7**	32.7
Sale of accounts receivable	**(75.0)**	-
Income tax refunds receivable	**(0.1)**	27.5
Production fuel	**(16.4)**	(12.9)
Gas stored underground	**(1.7)**	13.7
Regulatory assets	**28.3**	(19.6)
Accounts payable	**4.7**	(60.0)
Accrued taxes	**(23.5)**	(61.5)
Derivative liabilities	**(19.0)**	40.7
Pension and other benefit obligations	**(1.7)**	(58.1)
Other	**(3.2)**	15.3
Net cash flows from operating activities	**183.6**	181.0
Cash flows from (used for) investing activities:		
Utility construction and acquisition expenditures	**(216.9)**	(129.1)
Proceeds from asset sales	**28.1**	331.3
Purchases of emission allowances	**(23.9)**	-
Purchases of securities within nuclear decommissioning trusts	**-**	(3.5)
Sales of securities within nuclear decommissioning trusts	**-**	51.7
Changes in restricted cash within nuclear decommissioning trusts	**-**	(42.5)
Other	**(4.2)**	(11.4)
Net cash flows from (used for) investing activities	**(216.9)**	196.5

Cash flows from (used for) financing activities:		
Common stock dividends	**(82.5)**	(192.5)
Preferred stock dividends	**(11.5)**	(11.5)
Capital contribution from parent	**100.0**	-
Reductions in long-term debt	**(79.8)**	(0.3)
Net change in short-term borrowings	**89.5**	(158.0)
Principal payments under capital lease obligations	**-**	(40.2)
Other	**17.8**	24.3
Net cash flows from (used for) financing activities	**33.5**	(378.2)
Net increase (decrease) in cash and cash equivalents	**0.2**	(0.7)
Cash and cash equivalents at beginning of period	**0.5**	0.7
Cash and cash equivalents at end of period	**$0.7**	$-
Supplemental cash flows information:		
Cash paid during the period for:		
Interest	**$53.3**	$52.8
Income taxes, net of refunds	**$81.8**	$68.0

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

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INTERSTATE POWER AND LIGHT COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Except as modified below, the Alliant Energy Notes to Condensed Consolidated Financial Statements are incorporated by reference insofar as they relate to IPL. The notes that follow herein set forth additional specific information for IPL and are numbered to be consistent with the Alliant Energy Notes to Condensed Consolidated Financial Statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General - The interim condensed consolidated financial statements included herein have been prepared by IPL, without audit, pursuant to the rules and regulations of the SEC. Accordingly, certain information and note disclosures normally included in financial statements prepared in accordance with 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 IPL and its consolidated subsidiaries. IPL is a direct subsidiary of Alliant Energy. These financial statements should be read in conjunction with the financial statements and the notes thereto included in IPL 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 nine months ended Sep. 30, 2007 and 2006, the condensed consolidated financial position at Sep. 30, 2007 and Dec. 31, 2006, and the condensed consolidated statements of cash flows for the nine months ended Sep. 30, 2007 and 2006 have been made. Results for the three and nine months ended Sep. 30, 2007 are not necessarily indicative of results that may be expected for the year ending Dec. 31, 2007. A change in management s estimates or assumptions could have a material impact on IPL 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.

(2) COMPREHENSIVE INCOME

IPL s comprehensive income, and the components of other comprehensive income, net of taxes, for the three and nine months ended Sep. 30 were as follows (in millions):

	Three Months		Nine Months	
	2007	2006	**2007**	2006
Earnings available for common stock	**$76.6**	$64.2	**$122.1**	$122.2
Other comprehensive income:				
Pension and other postretirement benefits				
amortizations, net of tax	**--**	--	**0.1**	--
Minimum pension liability adjustment, net of tax	**--**	--	**--**	12.7
Comprehensive income	**$76.6**	$64.2	**$122.2**	$134.9

(5) INCOME TAXES

IPL adopted the provisions of FIN 48 on Jan. 1, 2007. IPL s cumulative effect of adopting FIN 48 was an increase in its net liability for unrecognized tax benefits and a reduction to its Jan. 1, 2007 balance of retained earnings of $1.7 million. The $1.7 million increase in the net liability for unrecognized tax benefits was recorded as a $7.6 million increase in other long-term liabilities, a $3.2 million decrease in accrued taxes and a $2.7 million decrease in deferred income taxes on IPL s Condensed Consolidated Balance Sheet. At the date of adoption, IPL s unrecognized tax benefits were $8.9 million including $6.2 million of unrecognized tax benefits that, if recognized, would favorably impact IPL s effective income tax rate. There were no significant changes to the amount of unrecognized tax benefits at IPL during the nine months ended Sep. 30, 2007.

IPL is subject to U.S. federal income tax as well as income tax in multiple state jurisdictions. IPL has concluded all U.S. federal and state income tax matters for calendar years through 1998 and has reached settlement with the IRS regarding the audit of its U.S. federal income tax returns for calendar years 1999 through 2001. The IRS is currently auditing IPL s U.S. federal income tax returns for calendar years 2002 through 2004.

During the 12 months ending Sep. 30, 2008, statutes of limitations will expire for IPL s tax returns in multiple state jurisdictions. IPL does not anticipate any significant changes to its unrecognized tax benefits for these events.

IPL recognizes net interest and penalties related to unrecognized tax benefits in Income taxes in its Condensed Consolidated Statements of Income. At Sep. 30, 2007 and Jan. 1, 2007, accrued interest, net of tax, was $0.1 million and $0.8 million, respectively. There were no penalties accrued by IPL as of Sep. 30, 2007 or Jan. 1, 2007.

Refer to Note 11(e) of Alliant Energy s Notes to Condensed Consolidated Financial Statements for discussion of an IRS audit settlement related to mixed service costs tax deductions.

(6) BENEFIT PLANS

(a) Pension Plans and Other Postretirement Benefits - The components of IPL s qualified pension benefits and other postretirement benefits costs for the three and nine months ended Sep. 30 were as follows (in millions):

	Qualified Pension Benefits				Other Postretirement Benefits			
	Three Months		Nine Months		Three Months		Nine Months	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Service cost	**$1.5**	$1.8	**$4.6**	$5.5	**$0.7**	$0.9	**$2.1**	$2.8
Interest cost	**3.6**	3.6	**10.8**	10.9	**1.8**	1.8	**5.4**	5.4
Expected return on plan assets	**(4.8)**	(4.1)	**(14.4)**	(12.4)	**(1.5)**	(1.5)	**(4.3)**	(4.3)
Amortization of:								
Transition obligation (asset)	**--**	(0.1)	**--**	(0.1)	**--**	0.1	**0.1**	0.3
Prior service cost (credit)	**0.3**	0.3	**0.8**	0.9	**(0.4)**	(0.3)	**(1.3)**	(0.8)
Actuarial loss	**0.3**	0.6	**0.9**	2.1	**0.7**	0.6	**2.1**	1.9
Income statement impacts	**0.9**	2.1	**2.7**	6.9	**1.3**	1.6	**4.1**	5.3
DAEC curtailment loss (gain)	**--**	--	**--**	0.6	**--**	--	**--**	(0.3)
DAEC settlement gain, net	**--**	--	**--**	(1.6)	**--**	--	**--**	(4.1)
	$0.9	$2.1	**$2.7**	$5.9	**$1.3**	$1.6	**$4.1**	$0.9

In the above table, the pension benefits costs represent only those respective costs for bargaining unit employees of IPL covered under the bargaining unit pension plans that are sponsored by IPL. The other postretirement benefits costs represent costs for all IPL employees. Corporate Services provides services to IPL. The following table includes qualified pension benefits costs (credits) for IPL s non-bargaining employees who are participants in other Alliant Energy plans, and the allocated pension and other postretirement benefits costs associated with Corporate Services for IPL for the three and nine months ended Sep. 30 as follows (in millions):

	Pension Benefits				Other Postretirement Benefits			
	Three Months		Nine Months		Three Months		Nine Months	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Non-bargaining IPL employees participating in other plans	**($0.3)**	$--	**($1.0)**	($2.8)	**N/A**	N/A	**N/A**	N/A
Allocated Corporate Services costs	**0.8**	0.8	**3.5**	2.5	**$0.3**	$0.4	**$1.0**	$1.6

Included in pension benefits for non-bargaining IPL employees participating in other plans for the nine months ended Sep. 30, 2006 were a net settlement gain of ($3.8) million and a curtailment loss of $0.1 million related to the sale of DAEC. These items were included as components of the regulatory liability recorded with the DAEC sale and did not have an impact on IPL s results of operations for the nine months ended Sep. 30, 2006.

Included in pension benefits for allocated Corporate Services costs for the nine months ended Sep. 30, 2007 was a settlement loss of $1.2 million related to payments made to a retired executive.

IPL estimates that funding for the qualified pension plans for its bargaining unit employees and other postretirement benefits plans for 2007 will be $0 and $6 million, respectively, of which $4 million has been contributed to the other postretirement benefits plans through Sep. 30, 2007.

(11) COMMITMENTS AND CONTINGENCIES

(b) Purchase Obligations - At Sep. 30, 2007, IPL s minimum future commitments for purchased power, coal and natural gas supply, transportation and storage contracts were $1.2 billion, $67 million and $156 million, respectively. In addition, system-wide purchased power contracts of $16 million and coal contracts of $204 million have not yet been directly assigned to IPL and WPL since the specific needs of each utility are not yet known.

Also, at Sep. 30, 2007, IPL s other purchase obligations, which represent individual commitments incurred during the normal course of business that exceeded $1 million at Sep. 30, 2007, were $10 million for the remainder of 2007, $3 million for 2008, $0 for 2009, $4 million for 2010, $0 for 2011 and $14 million thereafter.

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(12) SEGMENTS OF BUSINESS

Certain financial information relating to IPL s business segments is as follows. Intersegment revenues were not material to IPL s operations.

	Electric (in millions)	Gas	Other	Total
Three Months Ended Sep. 30, 2007				
Operating revenues	**$404.7**	**$30.5**	**$13.2**	**$448.4**
Operating income (loss)	**141.3**	**(2.4)**	**(0.8)**	**138.1**
Earnings available for common stock				**76.6**
Three Months Ended Sep. 30, 2006				
Operating revenues	$413.2	$36.7	$13.3	$463.2
Operating income (loss)	124.6	0.5	(1.2)	123.9
Earnings available for common stock				64.2
Nine Months Ended Sep. 30, 2007				
Operating revenues	**$977.8**	**$252.1**	**$42.3**	**$1,272.2**
Operating income (loss)	**240.4**	**12.6**	**(1.0)**	**252.0**
Earnings available for common stock				**122.1**
Nine Months Ended Sep. 30, 2006				
Operating revenues	$1,039.5	$250.7	$44.4	$1,334.6
Operating income (loss)	233.6	12.8	(1.0)	245.4
Earnings available for common stock				122.2

(14) ASSETS AND LIABILITIES HELD FOR SALE

In February 2007, IPL completed the sale of its Illinois electric distribution and gas properties and received net proceeds of $28 million, which IPL used primarily to reduce short-term debt. In the first quarter of 2007, IPL recorded a $1.5 million pre-tax gain upon completion of this sale, which was recorded in Steam and other operating revenues in its Condensed Consolidated Statement of Income. IPL has applied the provisions of SFAS 144 to these assets and liabilities, which were recorded as held for sale at Dec. 31, 2006. The operating results of IPL s Illinois electric and gas utility properties were not reported as discontinued operations due to IPL s continuing involvement in the operations of these properties after the disposal transaction. The assets and liabilities held for sale on IPL s Condensed Consolidated Balance Sheets at Dec. 31, 2006 were as follows (in millions):

Assets held for sale:	
Property, plant and equipment:	
Electric plant in service	$35.4
Gas plant in service	13.3
Other plant in service	0.2
Accumulated depreciation	(17.2)
Net plant	31.7
	0.1

Construction work in progress	
Property, plant and equipment, net	31.8
Other assets	1.1
Total assets held for sale	32.9
Liabilities held for sale:	
Long-term liabilities	4.9
Total liabilities held for sale	4.9
Net assets held for sale	$28.0

In January 2007, IPL announced that it entered into an agreement to sell its electric transmission assets located in Iowa, Minnesota and Illinois. However, these assets did not qualify as assets held for sale or discontinued operations at Sep. 30, 2007 or Dec. 31, 2006 due to uncertainties inherent in the regulatory approval process and other factors. Refer to Note 17 of Alliant Energy s Notes to Condensed Consolidated Financial Statements for further discussion of the proposed sale.

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WISCONSIN POWER AND LIGHT COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2007	2006	**2007**	2006
	(in millions)			
Operating revenues:				
Electric utility	**$328.8**	$334.5	**$874.7**	$850.9
Gas utility	**25.8**	31.3	**186.5**	190.9
Other	**3.0**	2.6	**7.3**	8.8
	357.6	368.4	**1,068.5**	1,050.6
Operating expenses:				
Electric production fuel and purchased power	**191.6**	217.9	**513.1**	516.2
Cost of gas sold	**14.5**	16.0	**122.3**	119.7
Other operation and maintenance	**61.7**	59.3	**178.8**	176.0
Depreciation and amortization	**27.2**	26.5	**82.0**	79.7
Taxes other than income taxes	**10.2**	9.9	**30.1**	29.2
	305.2	329.6	**926.3**	920.8
Operating income	**52.4**	38.8	**142.2**	129.8
Interest expense and other:				
Interest expense	**12.7**	11.6	**35.7**	36.3
Equity income from unconsolidated investments	**(7.0)**	(7.2)	**(20.8)**	(20.4)
Allowance for funds used during construction	**(0.7)**	(0.9)	**(1.5)**	(2.7)
Interest income and other	**(0.1)**	(0.2)	**(0.4)**	(0.7)
	4.9	3.3	**13.0**	12.5

Income before income taxes	**47.5**	35.5	**129.2**	117.3
Income taxes	**16.7**	12.9	**45.2**	44.1
Net income	**30.8**	22.6	**84.0**	73.2
Preferred dividend requirements	**0.8**	0.8	**2.5**	2.5
Earnings available for common stock	**$30.0**	$21.8	**$81.5**	$70.7

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

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WISCONSIN POWER AND LIGHT COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

ASSETS	September 30, 2007	December 31, 2006
	(in millions)	
Property, plant and equipment:		
Electric plant in service	**$2,170.7**	$2,111.7
Gas plant in service	**336.8**	325.6
Other plant in service	**184.8**	189.3
Accumulated depreciation	**(1,093.8)**	(1,054.7)
Net plant	**1,598.5**	1,571.9
Leased Sheboygan Falls Energy Facility, less accumulated amortization	**109.4**	114.0
Construction work in progress	**98.7**	66.7
Other, less accumulated depreciation	**2.7**	2.7
	1,809.3	1,755.3
Current assets:		
Cash and cash equivalents	**2.3**	1.6
Accounts receivable:		
Customer, less allowance for doubtful accounts	**147.5**	153.1
Other, less allowance for doubtful accounts	**25.3**	49.6
Production fuel, at weighted average cost	**29.6**	26.7
Materials and supplies, at weighted average cost	**22.2**	19.8
Gas stored underground, at weighted average cost	**37.0**	28.6
Regulatory assets	**31.2**	66.4
Prepaid gross receipts tax	**26.7**	35.6
Assets held for sale	**-**	24.3
Other	**20.7**	25.1
	342.5	430.8

Investments:		
Investment in American Transmission Company LLC	**170.7**	166.2
Other	**22.1**	21.4
	192.8	187.6
Other assets:		
Regulatory assets	**203.9**	211.8
Deferred charges and other	**111.5**	113.6
	315.4	325.4
Total assets	**$2,660.0**	$2,699.1

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

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WISCONSIN POWER AND LIGHT COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED) (Continued)

CAPITALIZATION AND LIABILITIES	September 30, 2007	December 31, 2006
	(in millions, except per share and share amounts)	
Capitalization:		
Common stock - $5 par value - authorized 18,000,000 shares; 13,236,601 shares outstanding	**$66.2**	$66.2
Additional paid-in capital	**568.8**	568.6
Retained earnings	**395.9**	483.5
Accumulated other comprehensive loss	**(7.1)**	(7.5)
Total common equity	**1,023.8**	1,110.8
Cumulative preferred stock	**60.0**	60.0
Long-term debt, net (excluding current portion)	**597.0**	298.6
	1,680.8	1,469.4
Current liabilities:		
Current maturities	**-**	105.0
Commercial paper	**26.4**	134.9
Accounts payable	**79.0**	91.4
Accounts payable to associated companies	**43.9**	39.6
Regulatory liabilities	**27.0**	52.0
Derivative liabilities	**14.3**	44.4
Liabilities held for sale	**-**	1.3
Other	**38.2**	30.3

	228.8	498.9
Other long-term liabilities and deferred credits:		
Deferred income taxes	**249.2**	255.5
Regulatory liabilities	**178.6**	168.7
Capital lease obligations - Sheboygan Falls Energy Facility	**116.8**	118.6
Pension and other benefit obligations	**69.4**	70.6
Other	**136.4**	117.4
	750.4	730.8
Total capitalization and liabilities	**$2,660.0**	$2,699.1

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

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WISCONSIN POWER AND LIGHT COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Nine Months Ended September 30,	
	2007	2006
	(in millions)	
Cash flows from operating activities:		
Net income	**$84.0**	$73.2
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	**82.0**	79.7
Other amortizations	**29.1**	25.1
Deferred tax expense (benefit) and investment tax credits	**(6.1)**	18.3
Equity income from unconsolidated investments	**(20.8)**	(20.4)
Distributions from equity method investments	**16.4**	16.9
Other	**(1.1)**	(1.3)
Other changes in assets and liabilities:		
Accounts receivable	**29.9**	29.1
Gas stored underground	**(8.4)**	10.7
Regulatory assets	**24.6**	(26.5)
Prepaid gross receipts tax	**8.9**	5.9
Accounts payable	**(1.7)**	(38.4)
Accrued taxes	**5.0**	(8.6)
Regulatory liabilities	**(14.6)**	(16.6)
Derivative liabilities	**(32.2)**	29.3
Other	**13.4**	(1.2)
Net cash flows from operating activities	**208.4**	175.2
Cash flows used for investing activities:		
Utility construction and acquisition expenditures	**(139.2)**	(110.4)
Proceeds from asset sales	**23.6**	4.1
Changes in restricted cash within nuclear decommissioning trusts	**-**	23.5
Other	**1.6**	(5.2)

Net cash flows used for investing activities	**(114.0)**	(88.0)
Cash flows used for financing activities:		
Common stock dividends	**(168.3)**	(69.1)
Preferred stock dividends	**(2.5)**	(2.5)
Proceeds from issuance of long-term debt	**300.0**	39.1
Reductions in long-term debt	**(105.0)**	(39.1)
Net change in short-term borrowings	**(108.5)**	1.3
Other	**(9.4)**	(12.4)
Net cash flows used for financing activities	**(93.7)**	(82.7)
Net increase in cash and cash equivalents	**0.7**	4.5
Cash and cash equivalents at beginning of period	**1.6**	-
Cash and cash equivalents at end of period	**$2.3**	$4.5
Supplemental cash flows information:		
Cash paid during the period for:		
Interest	**$36.1**	$35.3
Income taxes, net of refunds	**$44.2**	$46.9

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

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WISCONSIN POWER AND LIGHT COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Except as modified below, the Alliant Energy Notes to Condensed Consolidated Financial Statements are incorporated by reference insofar as they relate to WPL. The notes that follow herein set forth additional specific information for WPL and are numbered to be consistent with the Alliant Energy Notes to Condensed Consolidated Financial Statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General - The interim condensed consolidated financial statements included herein have been prepared by WPL, without audit, pursuant to the rules and regulations of the SEC. Accordingly, certain information and note disclosures normally included in financial statements prepared in accordance with 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 WPL and its consolidated subsidiaries. WPL is a direct subsidiary of Alliant Energy. These financial statements should be read in conjunction with the financial statements and the notes thereto included in 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 nine months ended Sep. 30, 2007 and 2006, the condensed consolidated financial position at Sep. 30, 2007 and Dec. 31, 2006, and the condensed consolidated statements of cash flows for the nine months ended Sep. 30, 2007 and 2006 have been made. Results for the three and nine months ended Sep. 30, 2007 are not necessarily indicative of results that may be expected for the year ending Dec. 31, 2007. A change in management s estimates or assumptions could have a material impact on WPL 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.

(2) COMPREHENSIVE INCOME

WPL s comprehensive income, and the components of other comprehensive income, net of taxes, for the three and nine months ended Sep. 30 were as follows (in millions):

	Three Months		Nine Months	
	2007	2006	**2007**	2006
Earnings available for common stock	**$30.0**	$21.8	**$81.5**	$70.7
Other comprehensive income:				
Pension and other postretirement benefits				
amortizations, net of tax	**0.1**	--	**0.4**	--
Minimum pension liability adjustment, net of tax	**--**	--	**--**	0.2
Comprehensive income	**$30.1**	$21.8	**$81.9**	$70.9

(5) INCOME TAXES

WPL adopted the provisions of FIN 48 on Jan. 1, 2007. WPL s cumulative effect of adopting FIN 48 was an increase in its net liability for unrecognized tax benefits and a reduction to its Jan. 1, 2007 balance of retained earnings of $0.8 million. The $0.8 million increase in the net liability for unrecognized tax benefits was recorded as a $2.8 million increase in other long-term liabilities, a $1.1 million decrease in deferred income taxes, a $0.6 million decrease in accrued taxes and a $0.3 million increase in non-current regulatory assets on WPL s Condensed Consolidated Balance Sheet. At the date of adoption, WPL s unrecognized tax benefits were $2.8 million including $1.3 million of unrecognized tax benefits that, if recognized, would favorably impact WPL s effective income tax rate. There were no significant changes to the amount of unrecognized tax benefits at WPL during the nine months ending Sep. 30, 2007.

WPL is subject to U.S. federal income tax as well as income tax in multiple state jurisdictions. WPL has concluded all U.S. federal and state income tax matters for calendar years through 1998 and has reached settlement with the IRS regarding the audit of its U.S. federal income tax returns for calendar years 1999 through 2001. The IRS is currently auditing WPL s U.S. federal income tax returns for calendar years 2002 through 2004.

During the 12 months ending Sep. 30, 2008, WPL does not anticipate any significant changes will be made to its unrecognized tax benefits.

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WPL recognizes net interest and penalties related to unrecognized tax benefits in Income taxes in its Condensed Consolidated Statements of Income. At Sep. 30, 2007 and Jan. 1, 2007, accrued interest, net of tax, was $0.5 million and $0.3 million, respectively. There were no penalties accrued by WPL as of Sep. 30, 2007 or Jan. 1, 2007.

(6) BENEFIT PLANS

(a) Pension Plans and Other Postretirement Benefits - The components of WPL s qualified pension benefits and other postretirement benefits costs for the three and nine months ended Sep. 30 were as follows (in millions):

	Qualified Pension Benefits				Other Postretirement Benefits			
	Three Months		Nine Months		Three Months		Nine Months	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Service cost	**$1.4**	$1.5	**$4.2**	$4.6	**$0.8**	$1.0	**$2.5**	$3.1
Interest cost	**3.4**	3.3	**10.3**	9.9	**1.3**	1.3	**3.9**	4.0
Expected return on plan assets	**(4.8)**	(4.4)	**(14.4)**	(13.4)	**(0.5)**	(0.4)	**(1.4)**	(1.3)
Amortization of:								
Transition obligation	**--**	--	**--**	--	**--**	0.2	**--**	0.6
Prior service cost (credit)	**0.2**	0.2	**0.6**	0.6	**(0.2)**	--	**(0.7)**	--
Actuarial loss	**0.8**	1.0	**2.2**	3.3	**0.3**	0.3	**0.8**	0.9
	$1.0	$1.6	**$2.9**	$5.0	**$1.7**	$2.4	**$5.1**	$7.3

In the above table, the pension benefits costs represent only those respective costs for bargaining unit employees of WPL covered under the bargaining unit pension plan that is sponsored by WPL. The other postretirement benefits costs represent costs for all WPL employees. Corporate Services provides services to WPL. The following table includes qualified pension benefits costs (credits) for WPL s non-bargaining employees who are participants in other Alliant Energy plans, and the allocated pension and other postretirement benefits costs associated with Corporate Services for WPL for the three and nine months ended Sep. 30 as follows (in millions):

	Pension Benefits				Other Postretirement Benefits			
	Three Months		Nine Months		Three Months		Nine Months	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Non-bargaining WPL employees participating in other plans	**($0.3)**	$0.3	**($0.7)**	$0.6	**N/A**	N/A	**N/A**	N/A
Allocated Corporate Services costs	**0.5**	0.5	**2.3**	1.6	**$0.2**	$0.3	**$0.6**	$1.0

Included in pension benefits for allocated Corporate Services costs for the nine months ended Sep. 30, 2007 was a settlement loss of $0.8 million related to payments made to a retired executive.

WPL estimates that funding for the qualified pension plan for its bargaining unit employees and other postretirement benefits plans for 2007 will be $0 and $7 million, respectively, of which $6 million has been contributed to the other postretirement benefits plans through Sep. 30, 2007.

(11) COMMITMENTS AND CONTINGENCIES

(b) Purchase Obligations - At Sep. 30, 2007, WPL s minimum future commitments for purchased power (excluding operating leases), coal and natural gas supply, transportation and storage contracts were $643 million, $49 million and $382 million, respectively. In addition, system-wide purchased power contracts of $16 million and coal contracts of $204 million have not yet been directly assigned to IPL and WPL since the specific needs of each utility are not yet known.

Also, at Sep. 30, 2007, WPL s other purchase obligations, which represent individual commitments incurred during the normal course of business that exceeded $1 million at Sep. 30, 2007, were $4 million for the remainder of 2007.

(12) SEGMENTS OF BUSINESS

Certain financial information relating to WPL s business segments is as follows. Gas revenues included $7 million and $6 million for the three months ended Sep. 30, 2007 and 2006, and $12 million and $13 million for the nine months ended Sep. 30, 2007 and 2006, respectively, for sales to the electric segment. All other intersegment revenues were not material to WPL s operations.

	Electric (in millions)	Gas	Other	Total
Three Months Ended Sep. 30, 2007				
Operating revenues	**$328.8**	**$25.8**	**$3.0**	**$357.6**
Operating income (loss)	**54.6**	**(2.3)**	**0.1**	**52.4**
Earnings available for common stock				**30.0**
Three Months Ended Sep. 30, 2006				
Operating revenues	$334.5	$31.3	$2.6	$368.4
Operating income (loss)	39.9	0.4	(1.5)	38.8
Earnings available for common stock				21.8
Nine Months Ended Sep. 30, 2007				
Operating revenues	**$874.7**	**$186.5**	**$7.3**	**$1,068.5**
Operating income (loss)	**121.6**	**24.7**	**(4.1)**	**142.2**
Earnings available for common stock				**81.5**
Nine Months Ended Sep. 30, 2006				
Operating revenues	$850.9	$190.9	$8.8	$1,050.6
Operating income (loss)	104.0	27.6	(1.8)	129.8
Earnings available for common stock				70.7

(14) ASSETS AND LIABILITIES HELD FOR SALE

In February 2007, WPL completed the sale of its Illinois electric distribution and gas properties held within South Beloit Water, Gas and Electric Company (South Beloit) and received net proceeds of $23 million, which WPL used primarily to reduce short-term debt. WPL has applied the provisions of SFAS 144 to the South Beloit assets and liabilities, which were recorded as held for sale at Dec. 31, 2006. The operating results of South Beloit were not reported as discontinued operations due to WPL s continuing involvement in the operations of this business after the disposal transaction. The assets and liabilities held for sale on WPL s Condensed Consolidated Balance Sheet at Dec. 31, 2006 were as follows (in millions):

Assets held for sale:	
Property, plant and equipment:	
Electric plant in service	$21.6
Gas plant in service	13.8
Accumulated depreciation	(13.2)
Net plant	22.2
Construction work in progress	2.1
Property, plant and equipment, net	24.3
Liabilities held for sale:	
Long-term liabilities	1.3
Net assets held for sale	$23.0

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS (MDA)

This MDA includes information relating to Alliant Energy, IPL and WPL, as well as Resources and Corporate Services. Where appropriate, information relating to a specific entity has been segregated and labeled as such. The following discussion and analysis should be read in conjunction with the Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements included in this report as well as the financial statements, notes and MDA included in Alliant Energy s, IPL s and WPL s latest combined Annual Report on Form 10-K. Unless otherwise noted, all per share references in MDA refer to earnings per diluted share.

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 include: federal and state regulatory or governmental actions, including the impact of energy-related and tax legislation and regulatory agency orders; the ability to obtain adequate and timely rate relief to allow for, among other things, the recovery of operating costs 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; economic and political conditions in Alliant Energy s service territories; the growth rate of ethanol production in Alliant Energy s service territories; issues related to the availability of Alliant Energy s 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 customer demand for utility services; Alliant Energy s ability to collect unpaid utility bills; unanticipated issues in connection with Alliant Energy s construction of new generating facilities; unanticipated issues in connection with WPL s proposed purchase of Resources electric generating facility in Neenah, Wisconsin; unanticipated construction and acquisition expenditures; issues associated with Alliant Energy s environmental remediation efforts and with environmental compliance generally; weather effects on results of operations; financial impacts of Alliant Energy s hedging strategies, including the impact of weather hedges on Alliant Energy s utility earnings; issues related to electric transmission, including operating in the Midwest Independent System Operator (MISO) energy market, the impacts of potential future billing adjustments from MISO and recovery of costs incurred; unanticipated issues related to the Calpine bankruptcy that could adversely impact Alliant Energy s PPAs; the direct or indirect effects resulting from terrorist incidents or responses to such incidents; unplanned outages at Alliant Energy s generating facilities and risks related to recovery of incremental costs through rates; continued access to the capital markets; inflation and interest rates; Alliant Energy s ability to achieve its dividend payout ratio goal; developments that adversely impact Alliant Energy s ability to implement its strategic plan, including Alliant Energy s ability to complete its proposed divestiture of IPL s electric transmission assets on a timely basis, for anticipated proceeds and with the requested regulatory treatment of any gains resulting from the sale, and Alliant Energy s ability to successfully resolve the judicial review action filed by the Office of Consumer Advocate; any material post-closing adjustments related to any of Alliant Energy s past asset divestitures; employee workforce factors, including changes in key executives, collective bargaining agreements or work stoppages; access to technological developments; the impact of necessary accruals or adjustments for the terms of Alliant Energy s incentive compensation plans; the effect of accounting pronouncements issued periodically by standard-setting bodies; Alliant Energy s ability to continue cost controls and operational efficiencies; the ability to utilize tax capital losses and net operating losses before they expire; the ability to successfully complete ongoing tax audits and appeals with no material impact on Alliant Energy s earnings and cash flows; and factors listed in Risk Factors in Item 1A and Other Matters - Other Future Considerations. Alliant Energy assumes no obligation, and disclaims any duty, to update the forward-looking statements in this report.

EXECUTIVE SUMMARY

<u>Description of Business</u> - Alliant Energy is an investor-owned public utility holding company whose primary subsidiaries are IPL, WPL, Resources and Corporate Services. IPL is a public utility engaged principally in the generation, transmission, distribution and sale of electric energy; and the purchase, distribution, transportation and sale of natural gas in selective markets in Iowa and Minnesota. Refer to Note 17 of Alliant Energy s Notes to Condensed Consolidated Financial Statements for information related to IPL s proposed sale of its electric transmission assets. WPL is a public utility engaged principally in the generation, distribution and sale of electric energy; and the purchase, distribution, transportation and sale of natural gas in selective markets in Wisconsin. Resources manages a relatively small portfolio of businesses through two distinct platforms:

Non-regulated Generation (manages electric generating facilities) and other non-regulated investments (includes investments in environmental engineering and site remediation, transportation, construction management services for wind farms and several other modest investments). Corporate Services provides administrative services to Alliant Energy and its subsidiaries.

Summary of Historical Results of Operations - Alliant Energy s net income (loss) and EPS for the third quarter were as follows (dollars in millions):

	2007		2006	
Continuing operations:	**Net Income**	**EPS**	Net Income	EPS
Utility	**$106.6**	**$0.96**	$85.9	$0.73
Non-regulated (Resources)	**8.4**	**0.08**	(1.7)	(0.01)
Alliant Energy parent and other (interest income, taxes and administrative and general)	**1.2**	**0.01**	3.6	0.03
Income from continuing operations	**116.2**	**1.05**	87.8	0.75
Income (loss) from discontinued operations	**3.4**	**0.03**	(9.0)	(0.08)
Net income	**$119.6**	**$1.08**	$78.8	$0.67

Third quarter 2007 EPS from Alliant Energy s utility business were higher than the same period in 2006 largely due to improved electric margins, the accretive impact of fewer Alliant Energy shares outstanding due to the share repurchase program and the impact of a federal income tax audit settled with the IRS in the third quarter of 2007. These items were partially offset by higher incentive-related compensation expenses and lower gas margins. The higher third quarter 2007 EPS from continuing operations for Alliant Energy s non-regulated businesses were largely due to losses in the third quarter of 2006 from Alliant Energy s New Zealand investments, which have since been sold, and improved results from its Non-regulated Generation and WindConnect® businesses. Refer to Alliant Energy Results of Operations, IPL Results of Operations and WPL Results of Operations for additional details regarding the various factors impacting the respective earnings during the third quarter of 2007 and 2006.

STRATEGIC OVERVIEW

A summary of Alliant Energy s strategic overview is included in the combined Annual Report on Form 10-K filed by Alliant Energy, IPL and WPL for the year ended Dec. 31, 2006 and has not changed materially from the items reported in the 2006 Form 10-K, except as described below.

Utility Generation Plan - Alliant Energy s current utility generation plan through the 2013 time period is as follows (dollars in millions; Not Applicable (N/A); To Be Determined (TBD)):

Utility	**Primary Generation Type**	**Location / Preferred Site**	**Capacity (MW)**	**Expected Availability Date**	**Cost Estimate (a)**	**Current Capitalized Costs (b)**	**Actual / Expected Regulatory Decision Date**	**Notes**
WPL	Wind	Fond du Lac County, WI	68	2008	$165	$35	May 2007	(c)
WPL	Natural-gas	Neenah, WI	300	2009	95	N/A	First quarter of 2008	(d)
IPL	Wind	Iowa	200	2009/2010	360 - 440	2	First half of 2008	(e)
WPL	Wind	Minnesota	200	2009/2010	360 - 440	--	TBD	

WPL	Coal	Cassville, WI	300	2013	850 - 950	13	Second half of 2008	(f)
IPL	Coal	Marshalltown, IA	350	2013	840 - 910	13 $63	Second half of 2008	(g)

(a) Cost estimates represent IPL s or WPL s estimated portion of the total escalated construction and acquisition expenditures in millions of dollars and exclude allowance for funds used during construction (AFUDC), if applicable. WPL expects the purchase price for the Neenah facility to be based on the book value of the facility on the transfer date.

(b) Costs represent capitalized expenditures in millions of dollars as of Sep. 30, 2007, including pre-certification/pre-construction costs recorded in Other assets - regulatory assets and advance payments by WPL for wind turbines for its wind project in Fond du Lac County, Wisconsin recorded in Construction Work In Progress on their respective Condensed Consolidated Balance Sheets. Refer to Note 1(b) of Alliant Energy s Notes to Condensed Consolidated Financial Statements for additional details of costs recorded in Other assets - regulatory assets.

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(c) In May 2007, WPL received approval from the PSCW to construct the project, however, WPL waived acceptance of the PSCW s Act 7 decision (a return on common equity of 10.50%, a capital structure with a 53% common equity ratio and a 20-year fixed depreciation rate) regarding the project. Instead, WPL will proceed with applying traditional rate making procedures for the recovery of and return on its capital costs for this wind farm.

(d) In April 2007, WPL filed for approval from the PSCW to purchase Resources 300 MW, simple cycle, natural gas-fired electric generating facility in Neenah, Wisconsin. WPL intends to replace the output currently obtained under the RockGen PPA with output from the Neenah facility. WPL currently plans to acquire the Neenah facility effective June 1, 2009, which coincides with the expected termination of WPL s RockGen PPA scheduled for May 2009. WPL plans to file for approval from FERC for the Neenah purchase in the fourth quarter of 2007.

(e) In September 2007, IPL filed for advanced rate making principles with the IUB that would apply for up to 200 MW of owned wind capacity in Iowa. In its regulatory application, IPL requested a return on common equity of 12.3% and a 25-year depreciable life.

(f) In February 2007, WPL filed for approval from the PSCW to proceed with construction of a new 300 MW coal-fired electric generating facility in Cassville, Wisconsin and to specify in advance fixed financial parameters and rate making principles. In its regulatory application, WPL requested a return on common equity of 12.95% along with a capital structure which includes a 50% common equity ratio. The current cost estimate includes expenditures for facilities that will be shared with the existing units at Cassville, Wisconsin. Of the total estimated expenditures for the shared facilities, $60 million is anticipated to be allocated to the existing units based on installed capacity. WPL plans to utilize circulating fluidized bed technology and biomass fuel capability for the new facility.

(g) In July 2007, IPL filed for approval from the IUB to proceed with construction of a new 649 MW coal-fired electric generating facility in Marshalltown, Iowa. IPL plans to own up to 350 MW of the facility and make the remaining capacity available to other utility partners. In May 2007, IPL announced that Central Iowa Power Cooperative and Corn Belt Power Cooperative signed letters of intent to become joint owners in the facility, and IPL continues to negotiate with other potential partners. IPL plans to file for advance rate making principles with the IUB in the first quarter of 2008 for its share of the cost of the facility. IPL plans to utilize super critical pulverized coal technology and biomass fuel capability for the new facility.

In the first quarter of 2007, IPL and WPL entered into separate 20-year PPAs beginning in 2008 for 80 MW of wind capacity in Iowa and 25 MW of wind capacity in Wisconsin, respectively. The wind capacity from these PPAs along with owned wind generation in the table above will contribute towards IPL and WPL meeting new renewable energy standards in their respective regulatory jurisdictions.

Business Divestitures -

Non-regulated Business Divestitures - In June 2007, Alliant Energy completed the sale of its investment in Mexico and received net proceeds of approximately $65 million.

Utility Business Divestitures - In February 2007, IPL and WPL completed the sale of their respective electric distribution and gas properties in Illinois and received, in the aggregate, net proceeds of $51 million.

In January 2007, IPL announced it signed a definitive agreement to sell its electric transmission assets located in Iowa, Minnesota and Illinois to ITC for approximately $750 million in cash, subject to customary closing conditions and various satisfactory regulatory approvals. The purchase price is subject to adjustments at closing based on the value of the net assets transferred as of the closing date and the assumption by ITC of certain liabilities of IPL. Based on the original purchase price of $750 million as specified in the definitive sale agreement, and without estimating any purchase price adjustments described above, IPL anticipates estimated net proceeds from the sale, after taxes, transaction-related costs and regulatory outcomes, of $475 million to $525 million, which are expected to be used for funding infrastructure development plans, debt reduction and general corporate purposes. IPL and ITC have jointly filed with various regulatory agencies, including the IUB, MPUC, ICC and FERC, for approval of the sale.

In September 2007, the IUB allowed the transaction to proceed with certain conditions including: 1) upon closing of the transaction, IPL will establish a regulatory liability, which IPL will refund to its Iowa customers with payments of approximately $13 million per year for eight years beginning in the year IPL s Iowa customers experience an increase in rates related to transmission charges assessed by ITC; and 2) if any material changes to the proposed transaction with ITC result from other regulatory approvals, the IUB reserves the right to determine if a new hearing would be required. During the IUB hearing process, IPL also committed it would not file for a common equity ratio in excess of 50% in its next electric rate proceeding filed in Iowa. In October 2007, the Office of Consumer Advocate in Iowa issued a petition seeking judicial review of the IUB s decision to allow the transaction to proceed. IPL currently does not expect the judicial review to be successful or to delay the anticipated closing of the transaction. IPL cannot provide any assurances that the judicial review will be resolved in a timely or satisfactory manner. Assuming regulatory approvals are received in accordance with anticipated time tables, IPL expects to conclude the transaction late in the fourth quarter of 2007. Refer to Note 17 of Alliant Energy s Notes to Condensed Consolidated Financial Statements for additional information on this proposed sale.

RATES AND REGULATORY MATTERS

A summary of Alliant Energy s rates and regulatory matters is included in the combined Annual Report on Form 10-K filed by Alliant Energy, IPL and WPL for the year ended Dec. 31, 2006 and has not changed materially from the items reported in the 2006 Form 10-K, except as described below. Details of Alliant Energy s rate cases impacting its historical and future results of operations are as follows (dollars in millions; Electric (E); Gas (G); Not Applicable (N/A); To Be Determined (TBD); Fuel-related (F-R); Fourth Quarter (Q4)):

Expected Return