ALLIANT ENERGY CORP
Form 10-K
February 28, 2008
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended **December 31, 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-K is separately filed by Alliant Energy Corporation, Interstate Power and Light Company and Wisconsin Power and Light Company. Information contained in the Form 10-K 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.

Securities registered pursuant to Section 12 (b) of the Act:

	Title of Class	Name of Each Exchange on Which Registered
Alliant Energy Corporation	Common Stock, $0.01 Par Value	New York Stock Exchange
Alliant Energy Corporation	Common Stock Purchase Rights	New York Stock Exchange

Interstate Power and Light Company	8.375% Series B Cumulative Preferred Stock, $0.01 Par Value	New York Stock Exchange
Interstate Power and Light Company	7.10% Series C Cumulative Preferred Stock, $0.01 Par Value	New York Stock Exchange
Wisconsin Power and Light Company	4.50% Preferred Stock, No Par Value	American Stock Exchange

Securities registered pursuant to Section 12 (g) of the Act: Wisconsin Power and Light Company Preferred Stock

(Accumulation without Par Value)

Indicate by check mark if the registrants are well-known seasoned issuers, as defined in Rule 405 of the Securities Act.

Alliant Energy Corporation - Yes x No o

Interstate Power and Light Company - Yes o No x

Wisconsin Power and Light Company - Yes o No x

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes o No x

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrants knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

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

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

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

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

Yes o No x

The aggregate market value of the voting and non-voting common equity held by nonaffiliates as of June 30, 2007:

Alliant Energy Corporation	$4.3 billion
Interstate Power and Light Company	$--
Wisconsin Power and Light Company	$--

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

Alliant Energy Corporation	Common stock, $0.01 par value, 110,454,775 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)

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statements relating to Alliant Energy Corporation s and Wisconsin Power and Light Company s 2008 Annual Meetings of Shareowners are, or will be upon filing with the Securities and Exchange Commission, incorporated by reference into Part III hereof.

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FORWARD-LOOKING STATEMENTS

Statements contained in this Annual Report on Form 10-K that are not of historical fact are forward-looking statements intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, such statements. Some, but not all, of the risks and uncertainties of Alliant Energy Corporation (Alliant Energy), Interstate Power and Light Company (IPL) and Wisconsin Power and Light Company (WPL) include: federal and state regulatory or governmental actions, including the impact of energy-related and tax legislation and regulatory agency orders; their ability to obtain adequate and timely rate relief to allow for, among other things, the recovery of operating costs and deferred expenditures, the earning of reasonable rates of return and the payment of expected levels of dividends; current or future litigation, regulatory investigations, proceedings or inquiries; developments that adversely impact their ability to implement their strategic plans including unanticipated issues in connection with construction of their new generating facilities and WPL s proposed purchase of Alliant Energy Resources, Inc. s (Resources) electric generating facility in Neenah, Wisconsin; issues related to the availability of their generating facilities and the supply and delivery of fuel and purchased electricity and price thereof, including the ability to recover and retain purchased power, fuel and fuel-related costs through rates in a timely manner; the impact fuel and fuel-related prices and other economic conditions may have on their customers demand for utility services; issues associated with environmental remediation efforts and with environmental compliance generally; potential impacts of any future laws or regulations regarding global climate change or carbon emissions reductions; weather effects on results of operations; financial impacts of hedging strategies, including the impact of weather hedges on their earnings; unplanned outages at their generating facilities and risks related to recovery of incremental costs through rates; the direct or indirect effects resulting from terrorist incidents or responses to such incidents; unanticipated impacts that storms or natural disasters in their service territories may have on their operations; economic and political conditions in their service territories; their ability to collect unpaid utility bills; the growth rate of ethanol and biodiesel production in their service territories; Alliant Energy s ability to achieve and/or sustain its dividend payout ratio goal; any material post-closing adjustments related to any of their past asset divestitures; employee workforce factors, including changes in key executives, collective bargaining agreements or work stoppages; continued access to the capital markets; access to technological developments; 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; inflation and interest rates; the impact of necessary accruals for the terms of their incentive compensation plans; the effect of accounting pronouncements issued periodically by standard-setting bodies; the ability to continue cost controls and operational efficiencies; the ability to utilize tax capital losses generated to date, and those that may be generated in the future, before they expire; the ability to successfully complete ongoing tax audits and appeals with no material impact on their earnings and cash flows; and factors listed in Risk Factors in Item 1A and Other Matters - Other Future Considerations in Management s Discussion and Analysis of Financial Condition and Results of Operations (MDA). Alliant Energy, IPL and WPL assume no obligation, and disclaim any duty, to update the forward-looking statements in this Annual Report on Form 10-K.

PART I

This Annual Report on Form 10-K includes information relating to Alliant Energy, IPL and WPL (as well as Resources and Alliant Energy Corporate Services, Inc. (Corporate Services)). Where appropriate, information relating to a specific entity has been segregated and labeled as such. Unless otherwise noted, the information herein has been revised to exclude discontinued operations and assets and liabilities held for sale for all periods presented. Refer to Note 17 of Alliant Energy s Notes to Consolidated Financial Statements for information on businesses reported as discontinued operations and assets and liabilities held for sale.

ITEM 1. BUSINESS

A. GENERAL

The primary first tier subsidiaries of Alliant Energy are: IPL, WPL, Resources and Corporate Services. Alliant Energy operates as a regulated investor-owned public utility holding company. Alliant Energy was incorporated in Wisconsin in 1981. A brief description of the primary first tier subsidiaries of Alliant Energy is as follows:

1) IPL - was incorporated in 1925 in Iowa as Iowa Railway and Light Corporation. IPL is a public utility engaged principally in the generation and distribution of electric energy; and the distribution and transportation of natural gas in selective markets in Iowa and southern Minnesota. In

Iowa, IPL provides utility services to incorporated communities as directed by the Iowa Utilities Board (IUB) and utilizes non-exclusive franchises, which cover the use of public right-of-ways for utility facilities in incorporated communities for a maximum term of 25 years. At Dec. 31, 2007, IPL supplied electric and gas service to 526,401 and 233,903 retail customers, respectively. IPL also provides steam services to certain customers in Cedar Rapids, Iowa and various other energy-related products and services. In 2007, 2006 and 2005, IPL had no single customer for which electric, gas, steam and/or other sales accounted for 10% or more of IPL s consolidated revenues. Refer to Notes 17 and 21 of Alliant Energy s Notes to Consolidated Financial Statements for discussion of IPL s utility operations in Illinois, which were sold in February 2007, and IPL s electric transmission assets, which were sold in December 2007, respectively.

2) WPL - was incorporated in 1917 in Wisconsin as Eastern Wisconsin Electric Company. WPL is a public utility engaged principally in the generation and distribution of electric energy; and the distribution and transportation of natural gas in selective markets in south and central Wisconsin. WPL operates in municipalities pursuant to permits of indefinite duration and state statutes authorizing utility operation in areas annexed by a municipality. At Dec. 31, 2007, WPL supplied electric and gas service to 450,920 and 175,887 retail customers, respectively. WPL also provides various other energy-related products and services. In 2007, 2006 and 2005, WPL had no single customer for which electric, gas and/or other sales accounted for 10% or more of WPL s consolidated revenues. WPL Transco LLC is a wholly-owned subsidiary of WPL and holds WPL s investment in American Transmission Company LLC (ATC). Refer to Note 17 of Alliant Energy s Notes to Consolidated Financial Statements for discussion of WPL s utility operations in Illinois, which were sold in February 2007.

3) RESOURCES - was incorporated in 1988 in Wisconsin. Alliant Energy s non-regulated investments are organized under Resources. Refer to D. Information Relating to Non-regulated Operations for additional details.

4) CORPORATE SERVICES - was incorporated in 1997 in Iowa. Corporate Services provides administrative services to Alliant Energy and its subsidiaries.

Refer to Note 14 of the Notes to Consolidated Financial Statements for further discussion of business segments, which information is incorporated herein by reference.

B. INFORMATION RELATING TO ALLIANT ENERGY ON A CONSOLIDATED BASIS

1) EMPLOYEES - At Dec. 31, 2007, Alliant Energy s consolidated subsidiaries had the following full- and part-time employees:

	Number of Bargaining Unit Employees	Number of Other Employees	Total Number of Employees	Percentage of Employees Covered by Collective Bargaining Agreements
IPL	1,281	297	1,578	81%
WPL	1,284	101	1,385	93%
Resources	76	640	716	11%
Corporate Services	--	1,500	1,500	--
	2,641	2,538	5,179	51%

At Dec. 31, 2007, Alliant Energy employees covered by collective bargaining agreements were as follows (International Brotherhood of Electrical Workers (IBEW); International Union of Operating Engineers (IUOE)):

	Number of Employees	Contract Expiration Date
IPL:		
IBEW Local 949	248	9/30/08
IBEW Local 204 (Dubuque)	114	9/30/08
IBEW Local 204 (Mason City)	52	9/30/08
IUOE Local 275	52	12/01/08
IBEW Local 204 (Cedar Rapids)	787	8/31/10
IBEW Local 1439	21	6/30/11
IBEW Local 1455	7	6/30/11
	1,281	
WPL - IBEW Local 965	1,284	5/31/11
Resources - Various	76	Various
	2,641	

2) CAPITAL EXPENDITURE AND INVESTMENT PLANS

Refer to Liquidity and Capital Resources in MDA for discussion of anticipated construction and acquisition expenditures for 2008, 2009 and 2010.

3) REGULATION - Alliant Energy, IPL and WPL are subject to regulation by various federal, state and local agencies. The following includes the primary regulations impacting Alliant Energy s, IPL s and WPL s businesses.

Federal Energy Regulatory Commission (FERC) - Alliant Energy is registered with FERC as a public utility holding company, pursuant to the Public Utility Holding Company Act of 2005 (PUHCA 2005), and is required to maintain certain records and to report certain transactions involving its public utilities and other entities regulated by FERC. IPL and WPL are subject to regulation by FERC under PUHCA 2005 for various issues including, but not limited to, affiliate transactions, public utility mergers, acquisitions and dispositions, and books and records requirements. In addition, the Energy Policy Act requires creation of an Electric Reliability Organization (ERO) to provide oversight by FERC. FERC designated the North American Electric Reliability Council (NERC) as the overarching ERO. The Midwest Reliability Organization (MRO), which is a regional member of NERC, has direct responsibility for mandatory electric reliability standards for IPL and WPL. FERC also has jurisdiction under the Federal Power Act over certain electric utility facilities and operations, electric wholesale rates, dividend payments and accounting practices of IPL and WPL, among other issues. Lastly, FERC has jurisdiction under the Natural Gas Act over certain natural gas facilities and operations of IPL and WPL.

Environmental - The United States of America (U.S.) Environmental Protection Agency (EPA) administers certain federal regulatory programs and has delegated the administration of other environmental regulatory programs to the applicable state environmental agencies. In general, the state agencies have jurisdiction over air and water quality, hazardous substances management and transportation, and solid waste management requirements. In certain cases, the state environmental agencies have delegated the administration of environmental programs to local agencies. Alliant Energy, IPL and WPL are subject to these environmental regulations as a result of their current and past operations.

IUB - IPL is subject to regulation by the IUB related to its operations in Iowa for various issues including, but not limited to, retail utility rates and standards of service, accounting requirements and approval of the location and construction of electric generating facilities. A Certificate of Public Convenience, Use and Necessity is required to be filed with the IUB for construction approval of any new electric generating facility located in Iowa with a capacity in excess of 25 megawatts (MW). Requests for retail rate relief are based on historical test periods, adjusted for certain known and measurable changes occurring up to nine months from the end of the historical test period. The IUB must decide on requests for retail rate relief within 10 months of the date of the application for which relief is filed, or the interim rates granted become permanent. Interim retail rates can be placed in effect 10 days after the rate application filing, subject to refund, and must be based on past precedent. Iowa s HF 577 provides Iowa utilities with the necessary rate making principles - and resulting, increased regulatory and investment certainty - prior to

making certain generation investments in Iowa. IPL must file for rate making principles under HF 577 for certain electric generating facilities located in Iowa including new base-load (primarily defined as nuclear or coal-fired generation) facilities with a capacity of 300 MW or more, combined-cycle natural gas-fired facilities of any size and renewable generating resources, such as wind facilities, of any size. Upon approval of rate making principles by the IUB, IPL must either build the facility under the approved rate making principles, or not at all.

Public Service Commission of Wisconsin (PSCW) - Alliant Energy is subject to regulation by the PSCW for the type and amount of Alliant Energy s investments in non-utility businesses and other affiliated interest activities, among other issues. WPL is also subject to regulation by the PSCW related to its operations in Wisconsin for various issues including, but not limited to, retail utility rates and standards of service, accounting requirements, issuance and use of proceeds of securities, approval of the location and construction of electric generating facilities and certain other additions and extensions to facilities. A Certificate of Authority (CA) application is required to be filed with the PSCW for construction approval of any new electric generating facility located in Wisconsin with a capacity of 99 MW or less. A Certificate of Public Convenience and Necessity (CPCN) application is required to be filed with the PSCW for construction approval of any new electric generating facility located in Wisconsin with a capacity of 100 MW or more. In addition, WPL s ownership and operation of electric generating facilities outside of Wisconsin (including Minnesota) to serve Wisconsin customers is subject to retail utility rate regulation by the PSCW. WPL is required to file retail rate cases with the PSCW using a forward-looking test period. There is no statutory time limit for the PSCW to decide retail rate cases. However, the PSCW attempts to process all base retail rate cases in 10 months or less and the PSCW has the ability to approve interim retail rate relief, subject to refund, if necessary. For fuel-only retail rate case increases, the PSCW attempts to provide interim retail rate relief within 21 days of notice to customers, subject to refund. There is no statutory time limit for final fuel-only retail rate relief decisions. Wisconsin s Act 7 provides Wisconsin utilities with the necessary rate making principles - and resulting, increased regulatory and investment certainty - prior to the purchase or construction of any nuclear or fossil-fueled electric generating facility or renewable generating resource, such as a wind facility, utilized to serve Wisconsin customers. WPL is not obligated to file for rate making principles under Act 7. WPL can proceed with an approved project under traditional rate making if the terms of the rate making principles issued under Act 7 are viewed as unsatisfactory by WPL.

Minnesota Public Utilities Commission (MPUC) - IPL is subject to regulation by the MPUC related to its operations in Minnesota for various issues including, but not limited to, retail utility rates and standards of service, accounting requirements, issuance and use of proceeds of securities, annual approval of IPL s capital structure, and approval of the location and construction of electric generating facilities located in Minnesota with a capacity in excess of 50 MW. Requests for retail rate relief can be based on either historical or projected data and interim retail rates are permitted. The MPUC must reach a final decision within 10 months of filing for retail rate relief.

Refer to Notes 1(b), 1(j), 2 and 12(e) of Alliant Energy s Notes to Consolidated Financial Statements and Rates and Regulatory Matters and Liquidity and Capital Resources - Environmental in MDA for additional information regarding regulation and utility rate matters.

4) STRATEGIC OVERVIEW

Refer to Strategic Overview in MDA for discussion of various strategic actions by Alliant Energy, IPL and WPL.

C. INFORMATION RELATING TO UTILITY OPERATIONS

1) ELECTRIC UTILITY OPERATIONS

General - Electric utility operations represent the largest operating segment for Alliant Energy, IPL and WPL. In 2007, electric utility operations accounted for 70%, 75% and 81% of operating revenues and 88%, 96% and 83% of operating income for Alliant Energy, IPL and WPL, respectively. Alliant Energy s electric utility operations are located in the Midwest with IPL and WPL providing electric service in Iowa, southern and central Wisconsin and southern Minnesota. Electric utility revenues by state were as follows (dollars in millions):

	2007		2006		2005	
	Amount	**Percent**	Amount	Percent	Amount	Percent
IPL:						
Iowa	**$1,173.0**	**49%**	$1,229.0	50%	$1,152.1	50%
Minnesota	**75.1**	**3%**	78.2	3%	72.9	3%
Illinois (a)	**22.0**	**1%**	24.4	1%	21.7	1%
Subtotal	**1,270.1**	**53%**	1,331.6	54%	1,246.7	54%
WPL:						
Wisconsin	**1,139.4**	**47%**	1,098.0	45%	1,061.6	45%
Illinois (a)	**1.3**	**--**	13.4	1%	12.3	1%
Subtotal	**1,140.7**	**47%**	1,111.4	46%	1,073.9	46%
	$2,410.8	**100%**	$2,443.0	100%	$2,320.6	100%

(a) Refer to Note 17 of Alliant Energy s Notes to Consolidated Financial Statements for discussion of IPL s and WPL s utility operations in Illinois which were sold in February 2007.

The percentage of electric utility revenues regulated by their respective state commissions and FERC were as follows:

	Alliant Energy			IPL			WPL		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Respective state commissions	**90%**	91%	88%	**95%**	96%	94%	**85%**	85%	82%
FERC	**10%**	9%	12%	**5%**	4%	6%	**15%**	15%	18%
	100%	100%	100%	**100%**	100%	100%	**100%**	100%	100%

The number of electric customers and communities served at Dec. 31, 2007 was as follows:

	Retail Customers	Wholesale Customers	Other Customers	Total Customers	Communities Served
IPL	526,401	9	1,389	527,799	752
WPL	450,920	26	2,105	453,051	606
	977,321	35	3,494	980,850	1,358

IPL and WPL provide electric utility service to a diversified base of retail customers in several industries, including wet corn milling, chemicals (including ethanol) and paper mills. IPL s retail customers in the above table are billed under base rates established by the IUB or MPUC that include recovery of capacity costs and other costs required to serve customers. IPL s fuel and purchased energy costs are recovered pursuant to fuel adjustment clauses. WPL s retail customers in the above table are billed under base rates established by the PSCW that include recovery of fuel-related costs (generation and purchased energy), capacity costs and other costs required to serve customers. The electric fuel rules in Wisconsin allow WPL to request rate increases/decreases if fuel and purchased energy costs exceed or fall below PSCW established fuel monitoring ranges.

Wholesale customers in the above table, which primarily consist of municipalities and rural electric cooperatives, are billed under wholesale service agreements. These agreements include standardized pricing mechanisms that are detailed in tariffs approved by FERC through wholesale rate case proceedings.

In addition, IPL and WPL have bulk power customers, included in Other customers in the above table, that are billed according to negotiated, long-term customer-specific contracts, pursuant to FERC approved tariffs. Refer to the Electric Operating Information tables for additional details regarding electric utility operations.

Seasonality - Electric sales are seasonal to some extent with the annual peak normally occurring in the summer months due to air conditioning requirements. In 2007, the maximum peak hour demands for Alliant Energy and IPL were 5,751 MW and 3,085 MW, respectively, both on Aug. 28, 2007. In 2007, the maximum peak hour demand for WPL was 2,816 MW on Aug. 1, 2007.

Competition - Retail electric customers in Iowa and Wisconsin currently do not have the ability to choose their electric supplier. However, in order to increase sales, IPL and WPL attempt to attract new customers into their service territories. As a result, there is competition among utilities to keep energy rates low. Although electric service in Iowa and Wisconsin is regulated, IPL and WPL also still face competition from self generation by large industrial customers, alternative energy sources, and petitions to municipalize (Iowa) as well as service territory expansions by municipal utilities through annexations (Wisconsin).

Renewable Energy - Wisconsin and Minnesota have adopted renewable portfolio standards, which require electric utilities to provide certain percentages of their total energy output from renewable sources by certain dates. IPL and WPL currently meet all applicable renewable energy requirements and continue to emphasize the expansion of renewable energy in their overall energy supply portfolios. Refer to Rates and Regulatory Matters - Recent Regulatory-related Legislative Developments and Strategic Overview - Utility Generation Plan in MDA for further discussion of renewable energy standards and various proposed wind projects that are expected to contribute towards IPL and WPL continuing to meet these standards.

Energy Conservation - With increased emphasis on energy conservation as a matter of public policy, IPL and WPL are continuing and, where appropriate, expanding initiatives to promote energy conservation and enhance customers ability to manage their energy use more efficiently. IPL and WPL are also exploring rate making alternatives which are expected to maintain their respective financial stability in the event that energy use declines, and avoid penalizing IPL and WPL for successful energy conservation initiatives. Refer to Rates and Regulatory Matters - Other Recent Regulatory Developments in MDA for further discussion regarding an Advanced Metering Infrastructure project, which is expected to enhance energy management initiatives.

Electric Supply - Alliant Energy has met historical customer demand of electricity and expects to continue meeting future demand through internally generated electric supply, purchased power agreements (PPAs) utilizing existing firm transmission rights, and additional power purchases from generating units located within and outside of Alliant Energy s service territory. Refer to the Electric Operating Information tables for a profile of the sources of electric supply used to meet customer demand for Alliant Energy, IPL and WPL from 2003 to 2007. Alliant Energy s mix of electric supply has experienced changes in the past few years as a result of the sales of its interests in its nuclear generating facilities. Alliant Energy s mix of electric supply is expected to change further in the future with its Utility Generation Plan, which includes the construction of two new coal-fired generating facilities and several wind farms and the purchase of Resources natural gas-fired generating facility in Neenah, Wisconsin. The proposed new generation included in the Utility Generation Plan is expected to meet increasing customer demand, reduce reliance on PPAs and mitigate the impacts of future plant retirements while maintaining compliance with an 18% electric demand reserve margin established by regulators. Alliant Energy currently expects to meet utility customer demands in the future; however, unanticipated regional or local reliability issues could still arise in the event of unexpected delays in the construction of new generating and/or transmission facilities, generating facility outages, transmission system outages or extended periods of extreme weather conditions. Refer to Strategic Overview - Utility Generation Plan in MDA for details of Alliant Energy s utility generation plan.

Generation - IPL and WPL own a portfolio of electric generating facilities located in Iowa, Minnesota and Wisconsin with a diversified fuel mix including coal, natural gas and renewable resources. Refer to Item 2. Properties for details of IPL s and WPL s electric generating stations.

Generating Capability - The summer generating capability of IPL s and WPL s electric generating facilities by fuel type in MWs for 2007, 2006 and 2005 was as follows:

	IPL			WPL		
	2007	2006	2005	**2007**	2006	2005
Coal	**1,860**	1,899	1,923	**1,338**	1,335	1,332
Natural Gas	**849**	847	867	**542**	553	551
Oil	**317**	328	351	**--**	--	--
Nuclear	**--**	--	395	**--**	--	--
Hydro	**--**	--	--	**26**	24	27
Total	**3,026**	3,074	3,536	**1,906**	1,912	1,910

Fuel Costs **-** The average cost of delivered fuel per million British Thermal Units used for electric generation was as follows:

	IPL			WPL		
	2007	2006	2005	**2007**	2006	2005
Natural Gas	**$9.21**	$10.45	$7.86	**$13.86**	$14.28	$8.49
Coal	**1.35**	1.25	1.17	**1.69**	1.52	1.32
Nuclear	**--**	0.56	0.57	**--**	--	0.53
All Fuels	**2.35**	2.18	1.73	**1.97**	1.80	1.72

Coal **-** Coal is the primary fuel source for Alliant Energy s internally generated electric supply. Internally generated electric supply from coal-fired generating facilities represented 57%, 53% and 52% of IPL s total sources of electric energy and 52%, 51% and 49% of WPL s total sources of electric energy during 2007, 2006 and 2005, respectively. Alliant Energy, through Corporate Services as agent for IPL and WPL, has entered into contracts with different suppliers to help ensure that a specified supply of coal is available at known prices for IPL s and WPL s coal-fired generating facilities for 2008 through 2012. As of Dec. 31, 2007, these contracts provide for a portfolio of coal supplies that cover approximately 75%, 52%, 27%, 13%, and 5% of Alliant Energy s estimated coal supply needs for 2008 through 2012, respectively. Alliant Energy believes this portfolio of coal supplies represents a reasonable balance between the risks of insufficient supplies and those associated with being unable to respond to future coal market changes. Alliant Energy expects to meet remaining coal requirements from either future contracts or purchases in the spot market.

The majority of the coal utilized by IPL and WPL is from the Wyoming Powder River Basin. A majority of this coal is transported by rail-car directly from Wyoming to IPL s and WPL s generating stations, with the remainder transported from Wyoming to the Mississippi River by rail-car and then via barges to the final destination. As protection against interruptions in coal deliveries, IPL and WPL strive to maintain average coal inventory supply targets of 25 to 50 days for generating stations with year-round deliveries and 30 to 150 days (depending upon the time of year) for generating stations with seasonal deliveries. Actual inventory averages for 2007 were 57 days for generating stations with year-round deliveries and 67 days for generating stations with seasonal deliveries. Alliant Energy is currently in the process of testing coal from sources other than the Wyoming Powder River Basin to determine which alternative sources of coal are most compatible with its generating stations. Alternative sources of coal are expected to provide Alliant Energy with further protection against interruptions and lessen its dependence on its primary coal source.

Average delivered fossil fuel costs are expected to continue to increase in the future due to price structures and adjustment provisions in existing coal contracts, rate structures and adjustment provisions in existing transportation contracts, fuel-related surcharges incorporated by transportation carriers and recent coal and transportation market trends. Existing coal commodity contracts with terms of greater than one year have fixed future year prices that generally reflect recent market trends. A few of the existing coal contracts have provisions for price

adjustments should specific indices change. Rate adjustment provisions in older transportation contracts are primarily based on changes in the Rail Cost Adjustment Factor as published by the U.S. Surface Transportation Board. Rate adjustment provisions in more recent transportation contracts are based on changes in the All Inclusive Index Less Fuel as published by the Association of American Railroads. These more recent transportation contracts also contain fuel surcharges that are subject to change monthly based on changes in diesel fuel prices. Other factors that may impact coal prices for future commitments are increasing costs for supplier mineral rights, increasing costs to mine the coal and changes in various associated laws and regulations. For example, emission restrictions related to sulfur dioxide, nitrogen oxide and mercury, along with other environmental limitations on generating stations, continue to increase and will likely limit the ability to obtain, and further increase the cost of, adequate coal supplies. Factors that may impact future transportation rates include: the need for railroads to enhance/expand infrastructure for demand growth, corresponding investments in locomotives and crews and the desire to improve margins on coal commensurate with margins on non-coal movements. Alliant Energy believes that, given its current coal procurement process, the specific coal market in its primary purchase region, and regulatory cost-recovery mechanisms, it is reasonably insulated against coal price volatility. Alliant Energy s coal procurement process stresses periodic purchases, staggering of contract terms, stair-stepped levels of coverage going forward for five to six years and supplier diversity. Similarly, given the term lengths of its transportation agreements, Alliant Energy believes it is reasonably insulated against future higher coal transportation rates from the major railroads. As of Dec. 31, 2007, existing coal transportation agreements cover approximately 100% of IPL s and WPL s estimated needs through 2009, approximately 81% for 2010, approximately 77% for 2011 and 2012, approximately 57% for 2013 and 2014 and approximately 12% for 2015.

Natural Gas - Alliant Energy owns several natural gas-fired generating facilities including IPL s 565 MW, natural gas-fired Emery Generating Facility (Emery) and Resources 300 MW, natural gas-fired Sheboygan Falls Energy Facility (SFEF). WPL has exclusive rights to the output of SFEF under an affiliated lease agreement. These facilities help meet customer demand for electricity generally during peak hour demands. Internally generated electric supply from natural gas-fired generating facilities represented 6%, 5% and 6% of Alliant Energy s total sources of electric energy during 2007, 2006 and 2005, respectively.

Alliant Energy has responsibility to supply natural gas to certain generating facilities under PPAs, which include the Riverside Energy Center (Riverside) and the RockGen Energy Center (RockGen), as well as the generating facilities it owns. IPL and WPL have contracts with several companies to provide fixed-price natural gas supply for these generating facilities with the longest contracts having terms through December 2009. WPL has also contracted with ANR Pipeline to provide firm pipeline transportation of 60,000 dekatherms (Dths) per day for Riverside and 52,800 Dths per day (June to September) for SFEF, and 2 million Dths of storage capacity for WPL s natural gas-fired generating stations through March 2015. IPL has also contracted with Northern Border Pipeline to provide firm pipeline transportation of 45,000 Dths per day for Emery through October 2008.

In addition to entering into fixed-price supply contracts, IPL and WPL have hedging programs reviewed by the IUB and PSCW, respectively, which use hedges to help protect against the impacts of volatile natural gas prices. IPL has 83% of the gas supply costs for its forecasted natural gas-fired electric generation hedged for 2008 and 41% for 2009. WPL has 100% of the gas supply costs for its forecasted natural gas-fired electric generation hedged for 2008 and 95% for 2009.

Nuclear - Internally generated electric supply from nuclear generating facilities represented 17% of IPL s total sources of electric energy and 2% of WPL s total sources of electric energy in 2005. In January 2006, IPL sold its interest in the Duane Arnold Energy Center (DAEC) to a subsidiary of FPL Group, Inc. (FPL) and upon closing of the sale entered into a PPA with FPL to purchase energy and capacity from DAEC through February 2014. In July 2005, WPL sold its interest in the Kewaunee Nuclear Power Plant (Kewaunee) to a subsidiary of Dominion Resources, Inc. (Dominion) and upon closing of the sale entered into a long-term PPA with Dominion to purchase energy and capacity from Kewaunee through December 2013. As a result of these transactions, Alliant Energy no longer has an ownership interest in any nuclear generating facilities. Alliant Energy entered into these transactions to reduce the financial and operational uncertainty associated with nuclear generating facility ownership and operations while still retaining the benefit of the output from such nuclear generating facilities.

Wind - In May 2007, WPL received approval from the PSCW to construct the 68 MW Cedar Ridge wind farm in Fond du Lac County, Wisconsin, which is expected to begin commercial operation by the end of 2008. Once complete, Cedar Ridge will be WPL s first fully owned

and operated wind farm site. Refer to Strategic Overview - Utility Generation Plan in MDA for further discussion.

Purchased Power - Alliant Energy enters into PPAs to meet a portion of its customer demand of electricity. Purchased power represented 33%, 38% and 21% of IPL s total sources of electric energy and 46%, 47% and 46% of WPL s total sources of electric energy during 2007, 2006 and 2005, respectively. IPL s most significant PPA is with FPL for the purchase of energy and capacity from DAEC through February 2014. WPL s most significant PPAs are with Dominion for the purchase of energy and capacity from Kewaunee through December 2013 and with subsidiaries of Calpine Corporation (Calpine) for the purchase of energy and capacity from Riverside and RockGen through May 2013 and May 2009, respectively.

Refer to Note 1(j) for discussion of IPL s and WPL s rate recovery of fuel costs, Note 3(a) for details regarding purchased power commitments accounted for as operating leases and Note 12(b) for details relating to IPL s and WPL s coal, natural gas and other purchased power commitments in Alliant Energy s Notes to Consolidated Financial Statements.

Electric Transmission Business -

IPL - In December 2007, IPL completed the sale of its electric transmission assets located in Iowa, Minnesota and Illinois to ITC Midwest LLC (ITC). IPL sold its electric transmission assets in December 2007 in order to monetize the value of the assets to help fund future capital expenditures, to capture tax benefits under federal tax policy that allows deferral of gains on sales of qualifying electric transmission assets completed prior to Jan. 1, 2008 and to promote regional transmission expansion that is expected to improve transmission reliability and access for its customers in Iowa and Minnesota. Refer to Note 21 of Alliant Energy s Notes to Consolidated Financial Statements for further discussion of the sale. ITC is an independent for-profit, transmission-only company and is a transmission-owning member of MISO, MRO and Reliability First Corporation Regional Reliability Council. IPL has a non-cancelable operation agreement, which will terminate on Dec. 31, 2035, with Central Iowa Power Cooperative (CIPCO) and ITC that provides for the joint use of certain transmission facilities. IPL s responsibilities for transmission-related duties under this contract have been transferred to ITC as part of the recent sale. ITC has transmission interconnections at various locations with nine other transmission owning utilities in the Midwest. These interconnections, along with the interconnections of ATC, enhance the overall reliability of the Alliant Energy transmission system and provide access to multiple sources of economic and emergency energy. Alliant Energy has been advised that ITC plans to construct additional facilities to improve transmission reliability and import capabilities. As these facilities are constructed, Alliant Energy expects these facilities will serve to enhance its operating flexibility and access to lower-cost energy.

WPL - In 2001, WPL transferred its transmission assets to ATC in exchange for an ownership interest in ATC. As of Dec. 31, 2007, WPL held a 17% ownership interest in ATC with a carrying value of $172 million. ATC is an independent for-profit, transmission-only company and is a transmission-owning member of MISO, MRO and Reliability First Corporation Regional Reliability Council. ATC realizes its revenues from the provision of transmission services to both participants in ATC as well as non-participants. During 2007, ATC distributed to WPL, in the form of dividends, $21 million or approximately 80% of WPL s equity earnings from ATC. Although no assurance can be given, WPL anticipates ATC will continue this dividend payout ratio in the future. ATC is continuing its efforts to improve transmission reliability and import capabilities into Wisconsin, including energizing a 345-kilovolt transmission line between Wausau, Wisconsin and Duluth, Minnesota in 2008. As these facilities are constructed, Alliant Energy expects they will serve to enhance its operating flexibility and its access to lower-cost energy. ATC also has various transmission interconnections with three other transmission owning utilities in the Midwest. WPL anticipates $13 million, $7 million and $5 million of capital contributions to ATC in 2008, 2009 and 2010, respectively.

MISO Wholesale Energy Market - IPL and WPL are members of MISO, a FERC-approved Regional Transmission Organization, which is responsible for monitoring and ensuring equal access to the transmission system in their service territories. In April 2005, IPL and WPL began participation in the wholesale energy market operated by MISO. The market impacts the way IPL and WPL buy and sell wholesale electricity, obtain transmission services and schedule generation. In the market, IPL and WPL submit day-ahead and/or real-time bids and offers for energy at locations across the MISO region. MISO evaluates IPL s, WPL s and other market participants energy injections into, and withdrawals from, the system to economically dispatch the entire MISO system on an hourly basis. MISO settles these hourly offers and bids based on locational

marginal prices, which are market-driven values based on the specific time and location of the purchase and/or sale of energy. The market is intended to send price signals to stakeholders where generation or transmission system expansion is needed. This market-based approach is expected to result in lower overall costs in areas with abundant transmission capacity. In addition, MISO may dispatch generators that support reliability needs, but which would not have operated based on economic needs. In these cases, MISO s settlement assures that these generators are made whole financially for variable costs. In areas of constrained transmission capacity, such as Wisconsin, costs could be higher due to the congestion and its impact on locational marginal prices. As part of the MISO market restructuring, physical transmission rights of IPL and WPL were replaced with Financial Transmission Rights (FTRs). FTRs provide a hedge for congestion costs that incur in the MISO day-ahead energy market. Both IPL and WPL have been awarded FTRs by MISO that are in place through May 31, 2008. Based on the FTRs awarded to IPL and WPL to date and future expected allocations, along with the expected regulatory recovery treatment of MISO costs, the financial impacts associated with FTRs have not differed significantly from the financial impacts associated with physical transmission rights that existed prior to the MISO market.

Refer to Rates and Regulatory Matters in MDA for discussion of the regulatory impacts of costs related to MISO and Other Future Considerations - MISO Wholesale Energy Market in MDA for discussion of the ancillary services market MISO is currently developing.

Electric Environmental Matters - Alliant Energy is regulated in environmental matters by federal, state and local agencies. Such regulations are the result of a number of environmental laws passed by the U.S. Congress, state legislatures and local governments and enforced by federal, state and local regulatory agencies. The laws impacting Alliant Energy s electric operations include, but are not limited to, the Safe Drinking Water Act; Clean Water Act; Clean Air Act (CAA), as amended by the CAA Amendments of 1990; National Environmental Policy Act of 1969; Toxic Substances Control Act; Resource Conservation and Recovery Act; Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act and Emergency Planning and Community Right-to-Know Act of 1986; Endangered Species Act; Occupational Safety and Health Act; National Energy Policy Act, as amended; Federal Insecticide, Fungicide and Rodenticide Act; Hazardous Materials Transportation Act; Pollution Prevention Act; and Department of Homeland Security Appropriations Act. Alliant Energy regularly obtains federal, state and local permits to assure compliance with environmental protection laws and regulations. Costs associated with such compliance have increased in recent years and are expected to continue to increase in the future. Alliant Energy anticipates these prudently incurred costs for IPL and WPL will be recoverable through future rate case proceedings. Refer to Liquidity and Capital Resources - Environmental in MDA and Note 12(e) of Alliant Energy s Notes to Consolidated Financial Statements for further discussion of electric environmental matters including environmental regulations under the Clean Air Interstate Rule, Clean Air Mercury Rule, Section 316(b) of the Clean Water Act, Wisconsin Thermal Rule and proposed greenhouse gas (GHG) emission legislation.

Alliant Energy Corporation

Electric Operating Information	**2007**	2006	2005	2004	2003
Operating Revenues (in millions) (a):					
Residential	**$847.5**	$857.1	$823.4	$716.7	$684.6
Commercial	**535.2**	549.8	497.4	437.8	409.7
Industrial	**731.9**	763.7	675.2	609.9	571.6
Retail subtotal	**2,114.6**	2,170.6	1,996.0	1,764.4	1,665.9
Sales for resale:					
Wholesale	**179.8**	145.2	158.7	116.8	108.4
Bulk power and other	**56.7**	68.5	114.6	69.0	87.4
Other	**59.7**	58.7	51.3	58.8	55.4
Total	**$2,410.8**	$2,443.0	$2,320.6	$2,009.0	$1,917.1

Electric Sales (000s megawatt-hours (MWh)) (a):

Residential	**7,753**	7,670	7,881	7,354	7,565
Commercial	**6,222**	6,187	6,110	5,702	5,663
Industrial	**12,692**	12,808	12,830	12,596	12,345
Retail subtotal	**26,667**	26,665	26,821	25,652	25,573
Sales for resale:					
Wholesale	**3,547**	3,064	3,161	2,943	2,835
Bulk power and other	**2,550**	2,632	2,933	2,159	2,660
Other	**167**	171	173	178	184
Total	**32,931**	32,532	33,088	30,932	31,252
Customers (End of Period) (a):					
Residential	**840,122**	855,948	849,845	839,745	830,559
Commercial	**134,235**	135,822	134,149	131,152	129,130
Industrial	**2,964**	3,064	3,044	2,916	2,902
Other	**3,529**	3,391	3,368	3,312	3,362
Total	**980,850**	998,225	990,406	977,125	965,953
Other Selected Electric Data:					
Maximum peak hour demand (MW)	**5,751**	5,989	5,932	5,644	5,887
Cooling degree days (b):					
Cedar Rapids, Iowa (IPL) (normal - 349)	**366**	332	406	139	276
Madison, Wisconsin (WPL) (normal - 259)	**336**	284	421	138	224
Sources of electric energy (000s MWh):					
Coal	**18,643**	17,578	17,360	18,472	18,451
Purchased power:					
Nuclear (c)	**5,103**	5,128	1,008	-	-
Other	**8,298**	8,928	9,885	8,289	9,155
Gas (d)	**1,894**	1,541	2,052	792	631
Nuclear (c)	**-**	264	3,461	5,018	4,498
Other	**309**	263	297	262	240
Total	**34,247**	33,702	34,063	32,833	32,975
Revenue per kilowatt-hour (KWh) sold to retail customers (cents)	**7.93**	8.14	7.44	6.88	6.51

(a) In February 2007, Alliant Energy sold its electric distribution properties in Illinois. At the date of the sale, Alliant Energy had approximately 22,000 electric retail customers in Illinois. Prior to the asset sales, the electric sales to retail customers in Illinois are included in residential, commercial and industrial sales in the tables above. Following the asset sales, the electric sales associated with these customers are included in wholesale electric sales.

(b) Cooling degree days are calculated using a 70 degree base. Normal cooling degree days are calculated using a 20-year average.

(c) In January 2006 and July 2005, IPL and WPL sold their respective interests in DAEC and Kewaunee and upon closing of the sales entered into long-term purchased power agreements to purchase energy and capacity from DAEC and Kewaunee, respectively.

(d) Includes generation from SFEF that began commercial operation in June 2005, which WPL leases from Resources' Non-regulated Generation business.

Interstate Power and Light Company

Electric Operating Information	**2007**	2006	2005	2004	2003
Operating Revenues (in millions) (a):					

Residential	**$451.2**	$471.2	$453.9	$388.9	$367.7
Commercial	**316.2**	337.4	300.0	257.8	239.4
Industrial	**402.0**	440.7	387.0	347.3	327.8
Retail subtotal	**1,169.4**	1,249.3	1,140.9	994.0	934.9
Sales for resale:					
Wholesale	**21.3**	1.9	1.9	2.1	2.0
Bulk power and other	**42.2**	47.8	73.5	39.6	38.2
Other	**37.2**	32.6	30.4	33.5	31.9
Total	**$1,270.1**	$1,331.6	$1,246.7	$1,069.2	$1,007.0
Electric Sales (000s MWh) (a):					
Residential	**4,204**	4,157	4,282	3,979	4,155
Commercial	**3,912**	3,910	3,836	3,487	3,496
Industrial	**7,750**	7,860	8,005	7,827	7,750
Retail subtotal	**15,866**	15,927	16,123	15,293	15,401
Sales for resale:					
Wholesale	**406**	35	41	53	50
Bulk power and other	**1,581**	1,550	1,682	1,252	1,249
Other	**93**	99	98	98	102
Total	**17,946**	17,611	17,944	16,696	16,802
Customers (End of Period) (a):					
Residential	**444,974**	455,346	454,176	450,595	448,719
Commercial	**79,473**	81,045	80,238	78,137	77,043
Industrial	**1,954**	2,018	1,996	1,915	1,888
Other	**1,398**	1,299	1,317	1,280	1,327
Total	**527,799**	539,708	537,727	531,927	528,977
Other Selected Electric Data:					
Maximum peak hour demand (MW)	**3,085**	3,070	3,077	3,017	3,123
Cooling degree days (b):					
Cedar Rapids, Iowa (normal - 349)	**366**	332	406	139	276
Sources of electric energy (000s MWh):					
Coal	**10,547**	9,919	9,782	10,348	10,232
Purchased power:					
Nuclear (c)	**3,066**	3,297	-	-	-
Other	**3,101**	3,743	3,868	3,508	4,503
Gas	**1,778**	1,426	1,686	580	227
Nuclear (c)	**-**	264	3,177	3,451	2,791
Other	**127**	80	121	47	63
Total	**18,619**	18,729	18,634	17,934	17,816
Revenue per KWh sold to retail customers (cents)	**7.37**	7.84	7.08	6.50	6.07

(a) In February 2007, IPL sold its electric distribution properties in Illinois. At the date of the sale, IPL had approximately 13,000 electric retail customers in Illinois. Prior to the asset sale, the electric sales to retail customers in Illinois are included in residential, commercial and industrial sales in the tables above. Following the asset sale, the electric sales associated with these customers are included in wholesale electric sales.

(b) Cooling degree days are calculated using a 70 degree base. Normal cooling degree days are calculated using a 20-year average.
(c) In January 2006, IPL sold its interest in DAEC and upon closing of the sale entered into a long-term purchased power agreement to purchase energy and capacity from DAEC.

Wisconsin Power and Light Company

Electric Operating Information	**2007**	2006	2005	2004	2003
Operating Revenues (in millions) (a):					
Residential	**$396.3**	$385.9	$369.5	$327.8	$316.9
Commercial	**219.0**	212.4	197.4	180.0	170.3
Industrial	**329.9**	323.0	288.2	262.6	243.8
Retail subtotal	**945.2**	921.3	855.1	770.4	731.0
Sales for resale:					
Wholesale	**158.5**	143.3	156.8	114.7	106.4
Bulk power and other	**14.5**	20.7	41.1	29.4	49.2
Other	**22.5**	26.1	20.9	25.3	23.5
Total	**$1,140.7**	$1,111.4	$1,073.9	$939.8	$910.1
Electric Sales (000s MWh) (a):					
Residential	**3,549**	3,513	3,599	3,375	3,410
Commercial	**2,310**	2,277	2,274	2,215	2,167
Industrial	**4,942**	4,948	4,825	4,769	4,595
Retail subtotal	**10,801**	10,738	10,698	10,359	10,172
Sales for resale:					
Wholesale	**3,141**	3,029	3,120	2,890	2,785
Bulk power and other	**969**	1,082	1,251	907	1,411
Other	**74**	72	75	80	82
Total	**14,985**	14,921	15,144	14,236	14,450
Customers (End of Period) (a):					
Residential	**395,148**	400,602	395,669	389,150	381,840
Commercial	**54,762**	54,777	53,911	53,015	52,087
Industrial	**1,010**	1,046	1,048	1,001	1,014
Other	**2,131**	2,092	2,051	2,032	2,035
Total	**453,051**	458,517	452,679	445,198	436,976
Other Selected Electric Data:					
Maximum peak hour demand (MW)	**2,816**	2,941	2,854	2,627	2,782
Cooling degree days (b):					
Madison, Wisconsin (normal - 259)	**336**	284	421	138	224
Sources of electric energy (000s MWh):					
Coal	**8,096**	7,659	7,578	8,124	8,219
Purchased power:					
Nuclear (c)	**2,037**	1,831	1,008	-	-
Other	**5,197**	5,185	6,017	4,781	4,652
Gas (d)	**116**	115	366	212	404

Nuclear (c)	**-**	-	284	1,567	1,707
Other	**182**	183	176	215	177
Total	**15,628**	14,973	15,429	14,899	15,159
Revenue per KWh sold to retail customers (cents)	**8.75**	8.58	7.99	7.44	7.19

(a) In February 2007, WPL sold its electric distribution properties in Illinois. At the date of the sale, WPL had approximately 9,000 electric retail customers in Illinois. Prior to the asset sale, the electric sales to retail customers in Illinois are included in residential, commercial and industrial sales in the tables above. Following the asset sale, the electric sales associated with these customers are included in wholesale electric sales.

(b) Cooling degree days are calculated using a 70 degree base. Normal cooling degree days are calculated using a 20-year average.

(c) In July 2005, WPL sold its interest in Kewaunee and upon closing of the sale entered into a long-term purchased power agreement to purchase energy and capacity from Kewaunee.

(d) Includes generation from SFEF that began commercial operation in June 2005, which WPL leases from Resources' Non-regulated Generation business.

2) GAS UTILITY OPERATIONS

General - Gas utility operations represent the second largest operating segment for Alliant Energy, IPL and WPL. In 2007, gas utility operations accounted for 18%, 21% and 19% of operating revenues and 8%, 4% and 20% of operating income for Alliant Energy, IPL and WPL, respectively. Alliant Energy s gas utility operations are located in the Midwest with IPL and WPL providing gas service in Iowa, southern and central Wisconsin and southern Minnesota. Gas utility revenues by state were as follows (dollars in millions):

	2007		2006		2005	
	Amount	**Percent**	Amount	Percent	Amount	Percent
IPL:						
Iowa	**$345.6**	**55%**	$335.2	53%	$337.2	49%
Minnesota	**17.4**	**3%**	17.7	3%	18.4	3%
Illinois (a)	**1.5**	**--**	6.5	1%	7.2	1%
Subtotal	**364.5**	**58%**	359.4	57%	362.8	53%
WPL:						
Wisconsin	**263.7**	**42%**	265.6	42%	310.5	45%
Illinois (a)	**2.0**	**--**	8.3	1%	11.8	2%
Subtotal	**265.7**	**42%**	273.9	43%	322.3	47%
	$630.2	**100%**	$633.3	100%	$685.1	100%

(a) Refer to Note 17 of Alliant Energy s Notes to Consolidated Financial Statements for discussion of IPL s and WPL s utility operations in Illinois which were sold in February 2007.

The number of gas customers and communities served at Dec. 31, 2007 were as follows:

	Retail Customers	Transportation / Other Customers	Total Customers	Communities Served
IPL	233,903	233	234,136	243
WPL	175,887	238	176,125	237
	409,790	471	410,261	480

In addition to sales of natural gas to retail customers, IPL and WPL provide transportation service to commercial and industrial customers by moving customer-owned gas through Alliant Energy s distribution systems to the customers meters. Revenues are collected for this service pursuant to transportation tariffs. Refer to the Gas Operating Information tables for additional details regarding gas utility operations.

Seasonality - Gas sales follow a seasonal pattern with an annual base-load of gas and a large heating peak occurring during the winter season. Natural gas obtained from producers, marketers and brokers, as well as gas in storage, is utilized to meet the peak heating season requirements. Storage contracts allow IPL and WPL to purchase gas in the summer, store the gas in underground storage fields and deliver it in the winter. Gas storage met approximately 35% of IPL s and WPL s annual gas requirements in 2007.

Competition - Federal and state regulatory policies are in place to bring more competition to the gas industry. While the gas utility distribution function is expected to remain a regulated function, sales of the natural gas commodity and related services are subject to competition from third parties. It remains uncertain if, and when, the current economic disincentives for smaller consumption customers to choose an alternative gas commodity supplier may be removed such that the utility business begins to face competition for the sale of gas to those customers.

Gas Supply - IPL and WPL maintain purchase agreements with over 30 suppliers of natural gas from various gas producing regions of the U.S. and Canada. The majority of the gas supply contracts are for terms of six months or less, with the remaining supply contracts having terms through 2008. IPL s and WPL s gas supply commitments are primarily market-based.

In providing gas commodity service to retail customers, Corporate Services administers a diversified portfolio of transportation and storage contracts on behalf of IPL and WPL. Transportation contracts with Northern Natural Gas Company (NNG), ANR Pipeline (ANR), Natural Gas Pipeline Co. of America (NGPL), Northern Border Pipeline (NBPL) and Guardian Pipeline (Guardian) allow access to gas supplies located in the U.S. and Canada. Arrangements with Firm Citygate Supplies (FCS) provide IPL with gas delivered directly to its service territory. In 2007, the maximum daily delivery capacity for IPL and WPL was as follows (in Dths):

	NNG	ANR	NGPL	FCS	NBPL	Guardian	Total
IPL	186,469	55,680	42,618	21,000	15,000	--	320,767
WPL	83,056	177,467	--	--	--	10,000	270,523

Refer to Note 1(j) for information relating to utility natural gas cost recovery and Note 12(b) for discussion of natural gas commitments in Alliant Energy s Notes to Consolidated Financial Statements.

Gas Environmental Matters - Refer to Note 12(e) of Alliant Energy s Notes to Consolidated Financial Statements for discussion of gas environmental matters.

Gas Operating Information	**2007**	2006	2005	2004	2003

Operating Revenues (in millions) (a):					
Residential	**$348.6**	$342.8	$358.1	$315.6	$310.7
Commercial	**199.0**	198.8	202.0	172.3	162.7
Industrial	**39.4**	38.7	43.8	38.4	34.2
Retail subtotal	**587.0**	580.3	603.9	526.3	507.6
Interdepartmental	**17.4**	19.2	55.9	22.3	48.5
Transportation/other	**25.8**	33.8	25.3	21.2	10.8
Total	**$630.2**	$633.3	$685.1	$569.8	$566.9
Gas Sales (000s Dths) (a):					
Residential	**28,137**	26,406	28,554	29,338	31,871
Commercial	**19,417**	18,707	18,763	19,199	19,947
Industrial	**4,694**	4,498	4,406	5,127	5,093
Retail subtotal	**52,248**	49,611	51,723	53,664	56,911
Interdepartmental	**2,591**	2,468	6,959	3,501	7,191
Transportation/other	**58,911**	53,436	55,891	46,125	41,787
Total	**113,750**	105,515	114,573	103,290	105,889
Retail Customers at End of Period (a):					
Residential	**363,825**	374,494	371,443	366,493	361,835
Commercial	**45,374**	46,319	46,153	45,630	45,826
Industrial	**591**	657	692	730	766
Total	**409,790**	421,470	418,288	412,853	408,427
Other Selected Gas Data:					
Heating degree days (b):					
Cedar Rapids, Iowa (IPL) (normal - 6,653)	**6,728**	6,211	6,534	6,463	6,883
Madison, Wisconsin (WPL) (normal - 7,148)	**6,914**	6,499	6,796	6,831	7,337
Revenue per Dth sold to retail customers	**$11.23**	$11.70	$11.68	$9.81	$8.92
Purchased gas costs per Dth sold to retail customers	**$8.11**	$8.32	$8.68	$6.98	$6.11

(a) In February 2007, Alliant Energy sold its natural gas properties in Illinois. At the date of the sale, Alliant Energy had approximately 14,000 gas retail customers in Illinois. Prior to the asset sales, the gas sales to retail customers in Illinois are included in residential, commercial and industrial sales in the tables above. Following the asset sales, the gas sales associated with these customers are included in transportation/other sales.

(b) Heating degree days are calculated using a 65 degree base. Normal heating degree days are calculated using a 20-year average.

Interstate Power and Light Company

Gas Operating Information	**2007**	2006	2005	2004	2003
Operating Revenues (in millions) (a):					
Residential	**$203.4**	$197.9	$201.7	$179.2	$173.6
Commercial	**115.0**	114.4	112.7	95.5	88.1
Industrial	**31.2**	30.4	33.8	30.3	24.6

Retail subtotal	**349.6**	342.7	348.2	305.0	286.3
Interdepartmental	**2.6**	2.2	5.1	1.9	3.8
Transportation/other	**12.3**	14.5	9.5	9.1	4.4
Total	**$364.5**	$359.4	$362.8	$316.0	$294.5
Gas Sales (000s Dths) (a):					
Residential	**16,541**	15,136	16,486	16,882	19,074
Commercial	**11,080**	10,552	10,576	10,614	11,408
Industrial	**3,811**	3,622	3,428	4,029	3,911
Retail subtotal	**31,432**	29,310	30,490	31,525	34,393
Interdepartmental	**327**	352	511	289	631
Transportation/other	**34,433**	32,342	30,691	28,653	28,551
Total	**66,192**	62,004	61,692	60,467	63,575
Retail Customers at End of Period (a):					
Residential	**206,873**	211,768	211,217	209,280	207,921
Commercial	**26,664**	27,222	27,384	27,094	27,465
Industrial	**366**	382	398	434	426
Total	**233,903**	239,372	238,999	236,808	235,812
Other Selected Gas Data:					
Heating degree days (b):					
Cedar Rapids, Iowa (normal - 6,653)	**6,728**	6,211	6,534	6,463	6,883
Revenue per Dth sold to retail customers	**$11.12**	$11.69	$11.42	$9.67	$8.32
Purchased gas cost per Dth sold to retail customers	**$8.38**	$8.69	$8.78	$7.27	$5.99

Wisconsin Power and Light Company

Gas Operating Information	**2007**	2006	2005	2004	2003
Operating Revenues (in millions) (a):					
Residential	**$145.2**	$144.9	$156.4	$136.4	$137.1
Commercial	**84.0**	84.4	89.3	76.8	74.6
Industrial	**8.2**	8.3	10.0	8.1	9.6
Retail subtotal	**237.4**	237.6	255.7	221.3	221.3
Interdepartmental	**14.8**	17.0	50.8	20.4	44.7
Transportation/other	**13.5**	19.3	15.8	12.1	6.4
Total	**$265.7**	$273.9	$322.3	$253.8	$272.4
Gas Sales (000s Dths) (a):					
Residential	**11,596**	11,270	12,068	12,456	12,797
Commercial	**8,337**	8,155	8,187	8,585	8,539
Industrial	**883**	876	978	1,098	1,182

Retail subtotal	**20,816**	20,301	21,233	22,139	22,518
Interdepartmental	**2,264**	2,116	6,448	3,212	6,560
Transportation/other	**24,478**	21,094	25,200	17,472	13,236
Total	**47,558**	43,511	52,881	42,823	42,314
Retail Customers at End of Period (a):					
Residential	**156,952**	162,726	160,226	157,213	153,914
Commercial	**18,710**	19,097	18,769	18,536	18,361
Industrial	**225**	275	294	296	340
Total	**175,887**	182,098	179,289	176,045	172,615
Other Selected Gas Data:					
Heating degree days (b):					
Madison, Wisconsin (normal - 7,148)	**6,914**	6,499	6,796	6,831	7,337
Revenue per Dth sold to retail customers	**$11.40**	$11.70	$12.04	$10.00	$9.83
Purchased gas cost per Dth sold to retail customers	**$7.70**	$7.77	$8.53	$6.57	$6.29

(a) In February 2007, IPL and WPL sold their respective natural gas properties in Illinois. At the date of the sale, IPL and WPL had approximately 6,000 and 8,000 gas retail customers in Illinois, respectively. Prior to the asset sales, the gas sales to retail customers in Illinois are included in residential, commercial and industrial sales in the tables above. Following the asset sales, the gas sales associated with these customers are included in transportation/other sales.

(b) Heating degree days are calculated using a 65 degree base. Normal heating degree days are calculated using a 20-year average.

D. INFORMATION RELATING TO NON-REGULATED OPERATIONS

Resources manages a relatively small portfolio of wholly-owned subsidiaries and additional investments through two distinct platforms: Non-regulated Generation and other non-regulated investments.

Non-regulated Generation - manages Alliant Energy s non-regulated electric generating facilities. In June 2005, Resources completed the construction and commenced commercial operation of the 300 MW, simple-cycle, natural gas-fired SFEF near Sheboygan Falls, Wisconsin. Resources owns SFEF and leases it to WPL for an initial period of 20 years. Refer to Note 3(b) of WPL s Notes to Consolidated Financial Statements for additional information regarding the SFEF lease. Resources also owns the 300 MW, simple-cycle, natural gas-fired Neenah Energy Facility (NEF) in Neenah, Wisconsin. The entire power output of NEF is sold under contract to Milwaukee, Wisconsin-based We Energies through May 2008. Subject to regulatory approval, Resources plans to sell NEF to WPL effective June 1, 2009, which coincides with the expected termination of WPL s RockGen PPA scheduled for May 2009. Resources has entered into a contract to sell NEF s capacity for the interim time period from June 1, 2008 to May 31, 2009. Also included in Non-regulated Generation is Industrial Energy Applications, Inc., which provides on-site energy services with small standby generators.

Other non-regulated investments - includes investments in environmental consulting, engineering and renewable energy services, transportation and several other modest investments. RMT, Inc. (RMT) provides environmental consulting, engineering and renewable energy services to industrial and commercial clients nationwide. RMT s core environmental services include site remediation and restoration, air quality control, auditing/compliance management, facility siting and planning, and environmental construction. RMT s energy platform includes WindConnect®, which delivers design, engineering and construction services for wind farms, and SmartBurn®, which focuses on the application of combustion science technologies to improve performance of coal-fired electric generating facilities and lower nitrogen oxides (NOx) emissions in the process. Transportation includes a short-line railway that provides freight service between Cedar Rapids, Iowa and Iowa City, Iowa; barge terminal and hauling services on the Mississippi River; and other transfer and storage services.

E. DISCLOSURE CONCERNING WEBSITE ACCESS TO REPORTS

Alliant Energy makes its periodic and current reports, and amendments to those reports, available, free of charge, on its website at www.alliantenergy.com/investors on the same day as such material is electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). Alliant Energy is not including the information contained on its website as a part of, or incorporating it by reference into, this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

You should carefully consider each of the risks described below relating to Alliant Energy, IPL and WPL, together with all of the other information contained in this combined Annual Report on Form 10-K, before making an investment decision with respect to our securities. If any of the following risks develop into actual events, our business, financial condition, results of operations or cash flows could be materially and adversely affected and you may lose all or part of your investment.

Risks related to the regulation of our business could impact the rates we are able to charge, our costs and our profitability - We are subject to comprehensive regulation by federal and state regulatory authorities, which significantly influences our operating environment and the ability to timely recover costs from customers. In particular, our utility operations are regulated by regulatory authorities with jurisdiction over public utilities, including the IUB, the PSCW, the MPUC and FERC. These authorities regulate many aspects of our operations, including: rates charged to customers; costs of fuel, purchased power and natural gas that can be recovered from customers; the authorized rates of return on capital; the amount of deferred costs that may be recovered from customers; our ability to site and construct new generating facilities; authorization to install environmental pollution control equipment and whether equipment costs can be recovered from customers; construction and maintenance of facilities; operations, including requiring certain sources of energy such as renewable sources and reductions in energy usage by customers; safety; issuance of securities; accounting matters; and transactions between affiliates. Further, provisions of the Wisconsin Utility Holding Company Act limit our ability to invest in non-utility activities and could deter takeover attempts by a potential purchaser of our common stock that would be willing to pay a premium for our common stock. Our ability to obtain rate adjustments to maintain current rates of return depends upon regulatory action under applicable statutes and regulations, and we cannot assure that rate adjustments will be obtained or current authorized rates of return on capital will be earned. These regulatory authorities are also empowered to impose financial penalties and other sanctions on us if we are found to have violated statutes and regulations governing utility operations. IPL and WPL from time to time file rate cases with federal and state regulatory authorities. In future rate cases, if IPL and WPL do not receive an adequate amount of rate relief, rates are reduced, increased rates are not approved on a timely basis or costs are otherwise unable to be recovered through rates, we may experience an adverse impact on our financial condition, results of operations and cash flows. We are unable to predict the impact on our business and operating results from future regulatory activities of any of these agencies. Changes in regulations or the imposition of additional regulations may require us to incur additional costs or change business operations or our business plan, which may have an adverse impact on our financial condition, results of operations and cash flows.

Risks related to implementing our strategic plan - Our strategic plan is based on increasing our electric generating capacity to meet our customers needs by building hybrid base-load coal-fired generating facilities with biomass fuel capability and wind generating facilities. The construction of generating facilities is subject to many risks, which may cause increased costs or inability to recover costs, or may impede or block our ability to achieve our strategic objectives. The state utility commissions may not permit us to site or construct the generating facilities. This decision could be based upon any number of factors, including their determination that there is no need for the facilities, the lowering of our required electric reserve margin, too large of customer rate increases associated with the new generating facilities, technology changes, environmental concerns or other factors. If we receive regulatory approval to build the facilities, advocacy groups or other associations may file lawsuits seeking to overturn or modify the regulatory approvals. If the state utility commissions do not approve the new generating facilities, or if certain groups successfully challenge the state utility commissions decisions to allow the generating facilities, we will not be able to implement our strategic plan and our financial condition and ability to serve our customers could be negatively affected.

Further, large construction projects, such as the building of coal and wind generating facilities, are subject to various risks that could cause costs to increase or delays in completion. These risks include shortages of, the inability to obtain, the cost of and the consistency of labor, materials and equipment, the inability of the general contractor or subcontractors to perform under their contracts, the inability to agree to terms of contracts or disputes in contract terms, work stoppages, adverse weather conditions, the inability to obtain necessary permits in a timely manner, changes in applicable laws or regulations, adverse interpretation or enforcement of permit conditions, governmental actions, legal action, and unforeseen engineering or technology issues. If the construction of a generating facility is over budget, we may not be able to recover those excess costs. Inability to recover excess costs, or inability to complete construction in a timely manner, could adversely impact our financial condition, results of operations and cash flows.

Changes in commodity prices or the availability of commodities may increase the cost of producing electric energy or change the amount we receive from selling electric energy, harming our financial performance - The prices that we may obtain for electric energy may not compensate for changes in delivered coal, natural gas or electric energy spot-market costs, or changes in the relationship between such costs and the market prices of electric energy. As a result, we may be unable to pass on the changes in costs to our customers, which may result in an adverse effect on our financial condition, results of operations and cash flows. We are heavily exposed to changes in the price and availability of coal because the majority of the electricity generated by us is from our coal-fired generating facilities. We have contracts of varying durations for the supply and transportation of coal for most of our existing generating capability, but as these contracts end or otherwise are not honored, we may not be able to purchase coal on terms as favorable as the current contracts. Further, we currently rely on coal primarily from the Powder River Basin in Wyoming and any disruption of coal production in, or transportation from, that region may cause us to incur additional costs and adversely affect our financial condition, results of operations and cash flows. We also have responsibility to supply natural gas to certain natural gas-fired electric generating facilities that we own and lease, which increase our exposure to the more volatile market prices of natural gas. We have natural gas supply contracts in place which are generally short term in duration. The natural gas supply commitments are either fixed price in nature or market-based. As some of the contracts are market-based, and all of the contracts are short-term, we may not be able to purchase natural gas on terms as favorable as the current contracts when the current contracts expire. Further, any disruption of production or transportation of natural gas may cause us to incur additional costs to purchase natural gas that may adversely impact our financial condition, results of operations and cash flows. The derivative instruments we use to manage our commodity risks have terms allowing our counterparties to demand cash collateral. Extensive cash collateral demands could adversely impact our cash flows.

Costs of compliance with existing and future laws and the incurrence of liabilities, particularly related to the environment, could adversely affect our profitability - Our operations are subject to extensive regulation including environmental protection laws and regulations relating to, among other things, water discharges, management of hazardous and solid waste, and air emissions such as sulfur dioxide, nitrogen oxides, particulate matter and mercury. Laws and regulations affecting our operations have recently been adopted by the EPA and are being implemented in the states we operate, including the Clean Air Mercury Rule and the Clean Air Interstate Rule. In addition, new regulations from federal and state authorities are under consideration and may be adopted, requiring modifications to our utility operations. New interpretations of existing laws and regulations could be adopted or become applicable to us or our facilities. These regulations, possible new regulations and possible new interpretations may substantially increase compliance expenditures made by us or restrict our operations in the future. We also have current or previous ownership interests in sites associated with the production of gas and the production and delivery of electricity for which we may be liable for additional costs related to investigation, remediation and monitoring of these sites. Citizen groups or others may bring litigation over environmental issues including claims of various types, such as property damage, personal injury, and citizen challenges to compliance decisions on the enforcement of environmental requirements, such as opacity and other air quality standards which could subject us to penalties, injunctive relief and the cost of litigation. We cannot predict with certainty the amount and timing of all future expenditures (including the potential or magnitude of fines or penalties) related to environmental matters, although we expect them to be material. The risks associated with compliance and estimating compliance costs include the possibility that changes will be made to the current environmental laws and regulations, the possible inability to obtain necessary materials or skilled labor force required for certain equipment necessary to comply with environmental regulations, the rising costs of equipment, services and labor related to environmental compliance, the possibility that technology will not perform as anticipated, the uncertainty regarding the type of compliance that will finally be required by rules and regulations, partner considerations with respect to our joint-owned facilities, the uncertain treatment of expenditures by regulators in setting our rates and the uncertainty in quantifying liabilities under environmental laws that impose joint and several liabilities on all potentially responsible parties. Compliance with current and future environmental laws and regulations may result in increased capital, operating and other costs, including remediation and containment expenses and monitoring obligations which could adversely impact our financial condition, results of operations and cash flows.

Actions related to global climate change and reducing greenhouse gas emissions could impact us - The primary greenhouse gas emitted from our utility operations is carbon dioxide (CO2) from combustion of fossil fuels at our generating facilities. Our generating facilities are primarily coal-fired facilities, and our strategic plan includes the construction of additional coal-fired facilities, which emit CO2. Various laws and regulations addressing climate change are being considered at the federal and state levels, and such laws or regulations would require greenhouse gas emissions reductions that could affect utility operations, including such actions as expansion of energy conservation and renewable generation sources. Furthermore, state regulators may consider future climate change policy implications in proceedings related to our requests to construct additional coal-fired electric generating units in Iowa and Wisconsin as well as environmental upgrades to existing facilities. Due to the uncertainty of control technologies available to reduce greenhouse gas emissions including CO2, as well as the unknown nature of potential compliance obligations should climate change regulations be enacted, we cannot provide any assurance regarding the potential impacts these future regulations would have on our operations. In addition, we cannot predict if, or how, state regulators may factor this issue into approvals and permits for us to build new or modify existing coal-fired generation. All such regulatory results could adversely impact our ability to implement our strategic plan and our financial condition, results of operations and cash flows.

Our operating results may fluctuate on a seasonal and quarterly basis and can be adversely affected by the impacts of weather - Our electric and gas utility businesses are seasonal businesses and weather patterns can have a material impact on their operating performance. Demand for electricity is greater in the summer months associated with air conditioning requirements. In addition, market prices for electricity peak in the summer. Demand for natural gas depends significantly upon weather patterns in winter months due to heavy use for residential and commercial heating. As a result, our overall operating results in the future may fluctuate substantially on a seasonal basis. In addition, we have historically generated less revenues and income when weather conditions are warmer in the winter and cooler in the summer. We expect that unusually mild winters and summers could have an adverse effect on our financial condition, results of operations and cash flows.

Failure to provide reliable service to our utility customers could adversely affect our operating results - We are currently obligated to supply electric energy in parts of Iowa, Wisconsin and Minnesota. From time to time and because of unforeseen circumstances, the demand for electric energy required to meet these obligations could exceed our available electric generating capability and energy commitments pursuant to purchased power agreements. The North American transmission grid is highly interconnected and, in extraordinary circumstances, disruptions at particular points within the grid could cause an extensive power outage in our delivery systems. Power outages in our service territories could result from factors outside of our control or service territories. If this occurs, we may have to buy electric energy in the market. Our utilities may not always have the ability to pass all the costs of purchasing the electric energy on to their customers, and even if they are able to do so, there may be a significant delay between the time the costs are incurred and the time the costs are recovered. Since these situations most often occur during periods of peak demand, it is possible that the market price for electric energy at the time we purchase it could be very high. Even if a supply shortage was brief, we could suffer substantial losses that could diminish our financial condition, results of operations and cash flows. The transmission system in our utilities service territories, especially in Wisconsin, is constrained, limiting our ability to transmit electric energy within our service territories and access electric energy from outside of our service territories. The transmission constraints could result in failure to provide reliable service to our utility customers or not being able to access lower cost sources of electric energy. Failure to provide safe and reliable service, including effects of equipment failures in electric and natural gas delivery systems or market demand for energy exceeding available supply, may result in reduced revenues and increased maintenance and capital costs, which could adversely impact our financial condition, results of operations and cash flows.

Threats of terrorism and catastrophic events that could result from terrorism, storms or natural disasters may impact our operations in unpredictable ways - We are subject to direct and indirect effects of terrorist threats and activities. Generation and transmission facilities, in general, have been identified as potential targets. The effects of terrorist threats and activities include, among other things, terrorist actions or responses to such actions or threats, the inability to generate, purchase or transmit electric energy, the risk of significant slowdown in growth or a decline in the U.S. economy, disruption or volatility in, or other effects on capital markets, and the increased cost and adequacy of security and insurance. Storms or catastrophic natural disasters may also impact our operations. Terrorist threats and activities, storms and natural disasters may adversely impact our ability to generate, purchase or transmit electric energy or obtain fuel sources and may significantly slow growth, or cause a decline, in the economy within our service territories, which could adversely impact our financial condition, results of operations and cash flows. In addition, the cost of repairing damage to our generating facilities and infrastructure due to acts of terrorism, storms or natural disasters, and the loss of revenue if such events prevent us from providing utility service to our customers, could adversely effect our financial condition, results of operations and cash flows.

Operation of electric generating facilities or capital improvement of utility facilities may involve unanticipated changes or delays in operations that could negatively impact our business - The operation of electric generating facilities involves many risks, including start-up risks, breakdown or failure of equipment, transmission lines or pipelines, use of technology, the dependence on a specific fuel source, including the supply and transportation of fuel, as well as the risk of performance below expected or contracted levels of output or efficiency. These risks could negatively impact our business through asset degradation, lost revenues or increased costs, including the cost of replacement power. Additionally, our ability to successfully and timely complete planned capital improvements to existing facilities within established budgets is contingent upon many variables and may be subject to substantial risks. Should such efforts be unsuccessful, we could be subject to additional costs and increased risk of non-recovery of construction or improvement costs through rates, which could adversely affect our financial condition, results of operations and cash flows.

We are exposed to risks related to economic conditions - Our utility operations are impacted by the economic conditions in our service territories. If economic conditions decline in our service territories, we may experience reduced demand for electricity or natural gas which could result in decreased earnings and cash flows. In addition, adverse economic conditions in our service territories could negatively impact our collections of accounts receivable. Any national economic downturn or disruption of financial markets could reduce our access to capital necessary for our operations and executing our strategic plan. A decline in economic conditions in our service territories or nationally could adversely impact our financial condition, results of operations and cash flows.

We are subject to limitations on our ability to pay dividends - Alliant Energy is a holding company with no significant operations of its own. Accordingly, the primary sources of funds for Alliant Energy to pay dividends to its shareowners are dividends and distributions from its subsidiaries. Our subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts to us, whether by dividends, loans or other payments. The ability of our subsidiaries to pay dividends or make distributions to us and, accordingly, our ability to pay dividends on Alliant Energy common stock will depend on regulatory limitations and the earnings, cash flows, capital requirements and general financial condition of our subsidiaries. Our utilities each have dividend payment restrictions based on the terms of their outstanding preferred stock and regulatory limitations applicable to them. If we do not receive adequate dividends and distributions from our subsidiaries, then we may not be able to make, or may have to reduce, dividend payments on Alliant Energy common stock.

We may incur material post-closing adjustments related to past asset and business divestitures - We recently sold several non-core assets and businesses, including our international businesses and IPL s electric transmission assets. Pursuant to the terms of those sales, we may face post-closing adjustments that could be material. In addition, we might be required to make payments on liabilities that we retained pursuant to the terms of the sales. Required material post-closing adjustments or payments on retained liabilities could have an adverse effect on our financial condition, results of operations and cash flows.

We are subject to employee workforce factors that could affect our businesses - We are subject to employee workforce factors, including loss or retirement of key personnel, availability of qualified personnel, collective bargaining agreements with employees and work stoppage that could affect our businesses and financial condition, results of operations and cash flows. Further, our workforce is dominated by members of the baby boomer generation who are nearing retirement. As a large portion of our workforce prepares to retire, we must recruit and train new employees to replace them. Costs of recruitment and the ability to find qualified employees are expected to become more difficult as our workforce retires. These factors could adversely affect our business and financial condition.

Inability to access financial markets - We rely on accessing the capital markets to support capital expenditure programs and other capital requirements, including expenditures to build utility infrastructure and comply with future regulatory requirements. Successful implementation of our strategic plan and other long-term business strategies is dependent upon the ability of us to access the capital markets under competitive terms and rates. We have forecasted capital expenditures of over $4 billion over the next three years. Capital markets, particularly debt markets, have been under considerable strain recently, resulting in negative impacts on the availability and terms of credit available to certain businesses. If our access to capital were to become significantly constrained or costs of capital increased significantly due to lowered credit ratings, prevailing industry conditions, regulatory constraints, the volatility of the capital markets, or other factors, our financial condition, results of operations and cash flows could be significantly adversely affected.

Energy industry changes could have a negative effect on our businesses - As a public utility company with significant utility assets, we conduct our utility operations in an ever-changing business environment. The advent of new markets has the potential to significantly impact our financial condition, results of operations and cash flows. The evolution of the wholesale and transmission markets has the potential to significantly increase costs of transmission, costs associated with inefficient generation dispatching, costs of participation in the new markets and costs stemming from estimated payment settlements. Competitive pressures, including advances in technology that reduce the costs of alternative methods of producing electric energy to a level that is competitive with that of current electric production methods, could result in our utilities losing market share and customers and incurring stranded costs (i.e., assets and other costs rendered unrecoverable through customer rates as a result of competitive pricing), which would be borne by our shareowners. Although the pace of restructuring in our primary retail electric service territories has been delayed (and may continue to be delayed for a long period of time) due to uncertainty and developments in the industry, we cannot predict the timing of a restructured electric industry or the impact on our financial condition, results of operations and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

IPL

IPL s electric generating stations at Dec. 31, 2007, were as follows:

Name and Location of Station	Primary Fuel Type	2007 Summer Generating Capability in Kilowatts (KWs)		
Ottumwa Generating Station, Ottumwa, IA	Coal	322,671	(a)	
Lansing Units 1, 2, 3 and 4, Lansing, IA	Coal	308,707		
M. L. Kapp Plant Units 1 and 2, Clinton, IA	Coal	219,730		
Burlington Generating Station, Burlington, IA	Coal	209,384		
Prairie Creek Station, Cedar Rapids, IA	Coal	184,784		
George Neal Unit 4, Sioux City, IA	Coal	165,476	(b)	
George Neal Unit 3, Sioux City, IA	Coal	144,200	(c)	
Sutherland Station, Marshalltown, IA	Coal	143,531		
Dubuque Units 2, 3 and 4, Dubuque, IA	Coal	78,527		
Sixth Street Station, Cedar Rapids, IA	Coal	54,685		
Louisa Unit 1, Louisa, IA	Coal	28,000	(d)	
Total Coal				1,859,695
Emery Generating Station, Mason City, IA	Gas	556,400		
Fox Lake Plant Units 1 and 3, Sherburn, MN	Gas	97,264		
Burlington Combustion Turbines, Burlington, IA	Gas	66,911		
Agency Street Combustion Turbines, West Burlington, IA	Gas	64,778		
Grinnell Station, Grinnell, IA	Gas	47,400		

Red Cedar Combustion Turbine, Cedar Rapids, IA	Gas	16,220	
Total Gas			848,973
Marshalltown Combustion Turbines, Marshalltown, IA	Oil	163,521	
Lime Creek Plant Combustion Turbine Units 1 and 2, Mason City, IA	Oil	69,344	
Centerville Combustion Turbines, Centerville, IA	Oil	47,989	
Montgomery Combustion Turbine Unit 1, Montgomery, MN	Oil	19,763	
Diesel Stations, in IA/MN	Oil	16,838	
Total Oil			317,455
Total 2007 summer generating capability			3,026,123

All KWs shown below represent the 2007 summer generating capability.

(a) Represents IPL s 48% ownership interest in this 672,231 KW generating station, which is operated by IPL.
(b) Represents IPL s 25.695% ownership interest in this 644,000 KW generating station, which is operated by MidAmerican Energy Company (MidAmerican).
(c) Represents IPL s 28% ownership interest in this 515,000 KW generating station, which is operated by MidAmerican.
(d) Represents IPL s 4% ownership interest in this 700,000 KW generating station, which is operated by MidAmerican.

At Dec. 31, 2007, IPL owned approximately 19,925 miles of overhead electric distribution line and 2,401 miles of underground electric distribution cable, as well as 610 distribution substations substantially all located in Iowa and Minnesota. IPL s gas properties consist primarily of mains and services, meters, regulating and gate stations and other related distribution equipment. At Dec. 31, 2007, IPL s gas distribution facilities included approximately 4,937 and 232 miles of gas mains located in Iowa and Minnesota, respectively. IPL s other property included in Other plant in service on its Consolidated Balance Sheets consists primarily of operating and storeroom facilities, vehicles, computer hardware and software, communication equipment and other miscellaneous tools and equipment. IPL s properties are suitable for their intended use. Refer to Notes 17 and 21 of Alliant Energy s Notes to Consolidated Financial Statements for discussion of IPL s utility operations in Illinois, which were sold in February 2007 and IPL s electric transmission assets, which were sold in December 2007, respectively. Refer to Strategic Overview in MDA for discussion of Alliant Energy s utility generation plan.

WPL

WPL s electric generating stations at Dec. 31, 2007, were as follows:

Name and Location of Station	Primary Fuel Type	2007 Summer Generating Capability in KWs		
Columbia Energy Center, Portage, WI	Coal	514,585	(a)	
Edgewater Generating Station #5, Sheboygan, WI	Coal	310,825	(b)	
Edgewater Generating Station #4, Sheboygan, WI	Coal	219,038	(c)	
Nelson Dewey Generating Station, Cassville, WI	Coal	217,831		
Edgewater Generating Station #3, Sheboygan, WI	Coal	75,914		
Total Coal				1,338,193
South Fond du Lac Combustion Turbine Units 2 and 3, Fond du Lac, WI	Gas	160,605		
Rock River Generating Station, Beloit, WI	Gas	149,442		
Rock River Combustion Turbine, Beloit, WI	Gas	144,348		
Blackhawk Generating Station, Beloit, WI	Gas	50,406		

Sheepskin Combustion Turbine, Edgerton, WI	Gas	37,424	
Total Gas			542,225
Prairie du Sac Hydro Plant, Prairie du Sac, WI	Hydro	18,000	
Kilbourn Hydro Plant, Wisconsin Dells, WI	Hydro	8,000	
Total Hydro			26,000
Total 2007 summer generating capability			1,906,418

All KWs shown below represent the 2007 summer generating capability.

(a) Represents WPL s 46.2% ownership interest in this 1,113,820 KW generating station, which is operated by WPL.
(b) Represents WPL s 75% ownership interest in this 414,433 KW generating station, which is operated by WPL.
(c) Represents WPL s 68.2% ownership interest in this 321,170 KW generating station, which is operated by WPL.

At Dec. 31, 2007, WPL owned approximately 16,837 miles of overhead electric distribution line and 4,084 miles of underground electric distribution cable, as well as 203 distribution substations, all located in Wisconsin. In 2001, WPL s electric transmission assets were transferred to ATC. WPL s gas properties consist primarily of mains and services, meters, regulating and gate stations and other related distribution equipment. At Dec. 31, 2007, WPL s gas distribution facilities included approximately 3,875 miles of gas mains located in Wisconsin. WPL s other property included in Other plant in service on its Consolidated Balance Sheets consists primarily of operating and storeroom facilities, vehicles, computer hardware and software, communication equipment and other miscellaneous tools and equipment. WPL s properties are suitable for their intended use. Refer to Note 17 of Alliant Energy s Notes to Consolidated Financial Statements for discussion of WPL s utility operations in Illinois, which were sold in February 2007. Refer to Strategic Overview in MDA for further discussion of Alliant Energy s utility generation plan. Refer to Note 3(b) of WPL s Notes to Consolidated Financial Statements for information regarding WPL s lease of SFEF from Resources Non-regulated Generation business.

Resources

Resources principal properties included in Property, plant and equipment - Non-regulated and other on Alliant Energy s Consolidated Balance Sheet at Dec. 31, 2007 were as follows:

Non-regulated Generation - includes two principal electric generating facilities: 1) a 300 MW, simple cycle, natural gas-fired facility in Neenah, Wisconsin, which is tolled through May 2009; and 2) a 300 MW, simple cycle, natural gas-fired facility near Sheboygan Falls, Wisconsin, which is leased to WPL. In addition, Industrial Energy Applications, Inc. owns standby generation totaling 84 MW and steam production systems substantially all located in Iowa.

Other non-regulated investments - Transportation owns a short-line railway in Iowa with 112 railroad track miles, 11 active locomotives and 123 railcars; and a barge terminal on the Mississippi River. In addition, other non-regulated investments include two corporate airplanes and modest real estate investments.

Corporate Services

Corporate Services property included in Property, plant and equipment - Non-regulated and other on Alliant Energy s Consolidated Balance Sheet at Dec. 31, 2007 consisted primarily of computer software.

ITEM 3. LEGAL PROCEEDINGS

Alliant Energy - None.

IPL - None.

WPL - None.

In addition to any legal proceedings discussed in Alliant Energy s, IPL s and WPL s reports to the SEC, Alliant Energy, IPL and WPL are currently, and from time to time, subject to claims and suits arising in the ordinary course of business. Although the results of these legal proceedings cannot be predicted with certainty, management believes that the ultimate resolution of these proceedings will not have a material adverse effect on Alliant Energy s, IPL s or WPL s financial condition, results of operations or cash flows.

Environmental Matters

Additional information required by Item 3 with regards to environmental matters is included in C. Information Relating to Utility Operations - Electric Utility Operations in Business, Liquidity and Capital Resources in MDA and Note 12(e) of Alliant Energy s Notes to Consolidated Financial Statements, which information is incorporated herein by reference.

Rate Matters

The information required by Item 3 with regards to rate matters is included in B. Information Relating to Alliant Energy on a Consolidated Basis - Regulation and C. Information Relating to Utility Operations in Business, Notes 1(b) and 2 of Alliant Energy s Notes to Consolidated Financial Statements and Rates and Regulatory Matters in MDA, which information is incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

EXECUTIVE OFFICERS OF THE REGISTRANTS

None of the executive officers for Alliant Energy, IPL or WPL listed below are related to any member of the Board of Directors or nominee for director or any other executive officer. All of the executive officers have no definite terms of office and serve at the pleasure of the Board of Directors. The executive officers of Alliant Energy, IPL and WPL as of the date of this filing are as follows (numbers following the names represent the officer s age as of Dec. 31, 2007):

Executive Officers of Alliant Energy

William D. Harvey, 58, was elected Chairman of the Board effective February 2006 and President and Chief Executive Officer (CEO) effective July 2005 and has been a board member since January 2005. He previously served as President and Chief Operating Officer (COO) since 2004 and Executive Vice President (EVP)-Generation from 1998 to 2003.

Eliot G. Protsch, 54, was elected Senior EVP and Chief Financial Officer (CFO) effective January 2004. He previously served as EVP and CFO since September 2003 and as EVP-Energy Delivery from 1998 to September 2003.

Barbara J. Swan, 56, was elected EVP and General Counsel effective October 1998.

Thomas L. Aller, 58, was elected Senior Vice President-Energy Delivery effective January 2004. He previously served as interim EVP-Energy Delivery since September 2003 and as Vice President (VP)-Investments at Resources from 1998 to 2003.

Dundeana K. Doyle, 49, was elected VP-Strategy and Regulatory Affairs effective January 2007. She previously served as VP-Strategy and Risk since May 2003 and VP-Infrastructure Security from 2002 to May 2003.

Thomas L. Hanson, 54, was elected VP-Controller and Chief Accounting Officer (CAO) effective January 2007. He previously served as VP and Treasurer since April 2002.

Patricia L. Kampling, 48, was elected VP and Treasurer effective January 2007. She previously served as VP-Finance since August 2005 and as Treasurer of IPSCO Inc. from September 2004 to August 2005.

Peggy Howard Moore, 57, was elected VP-Finance effective January 2007. She previously served as VP-Customer Service and Operations Support since 2004 and as Managing Director-Customer Information and Services from 2002 to 2004.

Executive Officers of IPL

William D. Harvey, 58, was elected Chairman of the Board effective February 2006 and CEO effective July 2005 and has been a board member since January 2005. He previously served as COO since 2004 and EVP-Generation from 1998 to 2003.

Thomas L. Aller, 58, was elected President effective January 2004.

Eliot G. Protsch, 54, was elected CFO effective January 2004. He previously served as EVP and CFO since September 2003 and also as President from 1998 through 2003.

Barbara J. Swan, 56, was elected EVP and General Counsel effective October 1998.

Dundeana K. Doyle, 49, was elected VP-Strategy and Regulatory Affairs effective January 2007.

Thomas L. Hanson, 54, was elected VP-Controller and CAO effective January 2007.

Patricia L. Kampling, 48, was elected VP and Treasurer effective January 2007.

Peggy Howard Moore, 57, was elected VP-Finance effective January 2007.

Executive Officers of WPL

William D. Harvey, 58, was elected Chairman of the Board effective February 2006 and CEO effective July 2005 and has been a board member since January 2005. He previously served as COO since 2004 and President from 1998 to 2003.

Barbara J. Swan, 56, was elected President effective January 2004. She previously served as EVP and General Counsel since 1998.

Eliot G. Protsch, 54, was elected CFO effective January 2004. He previously served as EVP and CFO since September 2003 and EVP-Energy Delivery from 1998 to September 2003.

Thomas L. Aller, 58, was elected Senior VP-Energy Delivery effective January 2004.

Dundeana K. Doyle, 49, was elected VP-Strategy and Regulatory Affairs effective January 2007.

Thomas L. Hanson, 54, was elected VP-Controller and CAO effective January 2007.

Patricia L. Kampling, 48, was elected VP and Treasurer effective January 2007.

Peggy Howard Moore, 57, was elected VP-Finance effective January 2007.

PART II

ITEM 5. MARKET FOR REGISTRANTS COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Alliant Energy s common stock trades on the New York Stock Exchange under the symbol LNT. Quarterly sales price ranges and dividends with respect to Alliant Energy s common stock were as follows:

	2007			2006		
Quarter	**High**	**Low**	**Dividend**	High	Low	Dividend
First	**$46.30**	**$35.21**	**$0.3175**	$33.62	$27.79	$0.2875
Second	**46.53**	**37.86**	**0.3175**	35.17	30.94	0.2875
Third	**40.80**	**34.95**	**0.3175**	37.16	33.91	0.2875
Fourth	**43.41**	**37.32**	**0.3175**	39.96	35.69	0.2875
Year	**46.53**	**34.95**	**1.27**	39.96	27.79	1.15

Stock closing price at Dec. 31, 2007: $40.69

Although Alliant Energy s practice has been to pay cash dividends on its common stock quarterly, the timing of payment and amount of future dividends are necessarily dependent upon future earnings, capital requirements, general financial condition, general business conditions, the ability of Alliant Energy s subsidiaries to pay dividends, approval from its Board of Directors and other factors. In December 2007, Alliant Energy announced an increase in its expected 2008 annual common stock dividend to $1.40 per share, which is equivalent to a quarterly rate of $0.35 per share, beginning with the Feb. 15, 2008 dividend payment. Payment of future 2008 quarterly dividends is subject to the actual dividend declaration by Alliant Energy s Board of Directors.

At Dec. 31, 2007, there were approximately 40,365 holders of record of Alliant Energy s stock, including holders through Alliant Energy s Shareowner Direct Plan.

Alliant Energy is the sole common shareowner of all 13,370,788 shares of IPL common stock currently outstanding. During 2007 and 2006, IPL paid dividends on its common stock of $610 million and $220 million, respectively, to Alliant Energy. The 2007 dividend amount includes a $400 million dividend to Alliant Energy which was related to the sale of IPL s electric transmission assets, and a $100 million dividend to realign IPL s capital structure. The 2006 dividend amount includes a $110 million dividend to Alliant Energy pursuant to the IUB order approving the sale of DAEC. In accordance with the IUB order authorizing the IPL merger in 2002, IPL must inform the IUB if its common equity ratio falls below 42% of total capitalization.

Alliant Energy is the sole common shareowner of all 13,236,601 shares of WPL common stock currently outstanding. During 2007 and 2006, WPL paid dividends on its common stock of $191 million and $92 million, respectively, to Alliant Energy. The 2007 dividend amount includes a $100 million dividend to Alliant Energy to realign WPL s capital structure. In its January 2007 rate order, the PSCW stated WPL may not pay annual common stock dividends, including pass-through of subsidiary dividends, in excess of $91 million to Alliant Energy if WPL s actual average common equity ratio, on a financial basis, is or will fall below the test year authorized level of 51.0%. WPL s dividends are also restricted to the extent that such dividend would reduce the common stock equity ratio to less than 25%.

Under the Federal Power Act, FERC regulates the payment of dividends by certain utilities. In addition, IPL and WPL each have common stock dividend payment restrictions based on the terms of their outstanding preferred stock. At Dec. 31, 2007, IPL and WPL were in compliance with all such dividend restrictions.

A summary of Alliant Energy common stock repurchases for the quarter ended Dec. 31, 2007 was as follows:

Period	Total Number of Shares Purchased (a)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plan (a)
Oct. 1 to Oct. 31	1,170	$39.25	--	N/A
Nov. 1 to Nov. 30	3,203	40.64	--	N/A
Dec. 1 to Dec. 31	738	42.11	--	N/A
Total	5,111	40.53	--	

(a) Includes 381, 2,656 and 246 shares of Alliant Energy common stock for Oct. 1 to Oct. 31, Nov. 1 to Nov. 30, and Dec. 1 to Dec. 31, respectively, purchased on the open market and held in a rabbi trust under the Alliant Energy Deferred Compensation Plan (DCP). There is no limit on the number of shares of Alliant Energy common stock that may be held under the DCP, which currently does not have an expiration date. Also includes 789, 547 and 492 shares of Alliant Energy common stock for Oct. 1 to Oct. 31, Nov. 1 to Nov. 30, and Dec. 1 to Dec. 31, respectively, transferred from employees to Alliant Energy to satisfy tax withholding requirements in connection with the vesting of certain restricted stock under the 2002 Equity Incentive Plan (EIP).

ITEM 6. SELECTED FINANCIAL DATA

Alliant Energy

Financial Information	2007 (a)	2006 (a)	2005 (a)	2004	2003
		(dollars in millions, except per share data)			
Income Statement Data:					
Operating revenues	**$3,437.6**	$3,359.4	$3,279.6	$2,804.8	$2,726.0
Income from continuing operations	**424.7**	338.3	56.4	218.4	151.7
Income (loss) from discontinued operations, net of tax	**0.6**	(22.6)	(64.1)	(72.9)	37.8
Income (loss) before cumulative effect of changes in accounting principles	**425.3**	315.7	(7.7)	145.5	189.5
Cumulative effect of changes in accounting principles, net of tax	**--**	--	--	--	(6.0)
Net income (loss)	**425.3**	315.7	(7.7)	145.5	183.5
Common Stock Data:					
Earnings per weighted average common share (basic):					
Income from continuing operations	**$3.78**	$2.90	$0.48	$1.93	$1.50
Income (loss) from discontinued operations	**$0.01**	($0.20)	($0.55)	($0.65)	$0.37
Cumulative effect of changes in accounting principles	**$--**	$--	$--	$--	($0.06)
Net income (loss)	**$3.79**	$2.70	($0.07)	$1.28	$1.81
Earnings per weighted average common share (diluted):					
Income from continuing operations	**$3.77**	$2.89	$0.48	$1.92	$1.50
Income (loss) from discontinued operations	**$0.01**	($0.20)	($0.55)	($0.64)	$0.37
Cumulative effect of changes in accounting principles	**$--**	$--	$--	$--	($0.06)
Net income (loss)	**$3.78**	$2.69	($0.07)	$1.28	$1.81
Common shares outstanding at year-end (000s)	**110,359**	116,127	117,036	115,742	110,963
Dividends declared per common share	**$1.27**	$1.15	$1.05	$1.0125	$1.00
Market value per share at year-end	**$40.69**	$37.77	$28.04	$28.60	$24.90
Book value per share at year-end	**$24.30**	$22.83	$20.85	$22.13	$21.37
Market capitalization at year-end	**$4,490.5**	$4,386.1	$3,281.7	$3,310.2	$2,763.0
Other Selected Financial Data:					
Cash flows from operating activities	**$588.8**	$403.3	$565.4	$541.3	$466.6
Construction and acquisition expenditures	**$542.0**	$399.0	$538.1	$649.3	$881.2
Total assets at year-end	**$7,189.7**	$7,084.1	$7,733.1	$8,275.2	$7,797.5
Long-term obligations, net	**$1,547.1**	$1,520.7	$2,147.0	$2,502.0	$2,307.8
Times interest earned before income taxes (b)	**6.99X**	4.84X	1.13X	2.86X	2.19X
Capitalization ratios:					
Common equity	**59%**	58%	48%	48%	48%
Preferred stock	**5%**	5%	5%	5%	5%
Long- and short-term debt	**36%**	37%	47%	47%	47%
Total	**100%**	100%	100%	100%	100%

(a) Refer to "Alliant Energy's Results of Operations" in MDA for discussion of the 2007, 2006 and 2005 results of operations. (b) Represents the sum of income from continuing operations before income taxes plus preferred dividend requirements of subsidiaries plus interest expense divided by interest expense. The calculation does not consider the "Loss on early extinguishment of debt" that Alliant Energy has incurred as part of interest expense.

IPL	2007 (a)	2006 (a)	2005 (a)	2004	2003
	(in millions)				

Operating revenues	**$1,695.9**	$1,754.8	$1,681.7	$1,459.6	$1,371.2
Earnings available for common stock	**274.9**	157.0	149.7	110.3	87.1
Cash dividends declared on common stock	**609.9**	219.8	109.9	102.0	89.1
Cash flows from operating activities	**257.4**	272.2	332.0	347.6	322.4
Total assets	**3,362.0**	3,628.6	3,976.6	3,869.1	3,621.0
Long-term obligations, net	**765.4**	895.0	993.4	1,038.9	910.5

(a) Refer to IPL s Results of Operations in MDA for a discussion of the 2007, 2006 and 2005 results of operations.

Alliant Energy is the sole common shareowner of all 13,370,788 shares of IPL s common stock outstanding. As such, earnings per share data is not disclosed herein.

WPL	**2007 (a)** (in millions)	2006 (a)	2005 (a)	2004	2003
Operating revenues	**$1,416.8**	$1,401.3	$1,409.6	$1,209.8	$1,217.0
Earnings available for common stock	**110.2**	102.0	101.8	110.4	111.6
Cash dividends declared on common stock	**191.1**	92.2	89.8	89.0	70.6
Cash flows from operating activities	**258.0**	162.6	176.6	199.3	138.5
Total assets	**2,788.6**	2,699.1	2,667.6	2,656.1	2,469.3
Long-term obligations, net	**715.7**	524.5	526.4	491.3	453.5

(a) Refer to WPL s Results of Operations in MDA for a discussion of the 2007, 2006 and 2005 results of operations.

Alliant Energy is the sole common shareowner of all 13,236,601 shares of WPL s common stock outstanding. As such, earnings per share data is not disclosed herein.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (MDA)

This MDA includes information relating to Alliant Energy Corporation (Alliant Energy), Interstate Power and Light Company (IPL) and Wisconsin Power and Light Company (WPL), as well as Alliant Energy Resources, Inc. (Resources) and Alliant Energy Corporate Services, Inc. (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 Consolidated Financial Statements and Notes to Consolidated Financial Statements included in this report. Unless otherwise noted, all per share references in MDA refer to earnings per diluted share.

EXECUTIVE SUMMARY

Description of Business - 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 and distribution of electric energy; and the distribution and transportation of natural gas in selective markets in Iowa and Minnesota. WPL is a public utility engaged principally in the generation and distribution of electric energy; and the distribution and transportation of natural gas in selective markets in Wisconsin. Resources is the parent company for Alliant Energy s non-regulated businesses. Corporate Services provides administrative services to Alliant Energy and its subsidiaries.

Alliant Energy manages three primary businesses as defined below: 1) utility business (IPL and WPL); 2) non-regulated businesses (Resources and subsidiaries); and 3) Alliant Energy parent and other.

Utility Business - IPL and WPL own a portfolio of electric generating facilities located in Iowa, Wisconsin and Minnesota with a diversified fuel mix including coal, natural gas and renewable resources. The output from these generating facilities, supplemented with purchased power, is used to provide electric service to approximately 1 million electric customers in the upper Midwest. The utility business also procures natural gas from various suppliers to provide service to approximately 410,000 retail gas customers in the upper Midwest. Alliant Energy s utility business is its primary source of earnings and cash flows. The earnings and cash flows from the utility business are sensitive to various external factors including, but not limited to, the impact of weather on electric and gas sales volumes, the amount and timing of rate relief approved by regulatory authorities and other factors listed in Risk Factors and Forward-Looking Statements.

Non-regulated Businesses - 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 consulting, engineering and renewable energy services, transportation and several other modest investments).

Alliant Energy Parent and Other - includes the operations of Alliant Energy (the parent holding company) as well as Corporate Services.

Summary of Historical Results of Operations - Alliant Energy s earnings per weighted average common share (EPS) were as follows:

	2007	2006	2005
Income from continuing operations	**$3.77**	$2.89	$0.48
Income (loss) from discontinued operations	**0.01**	(0.20)	(0.55)
Net income (loss)	**$3.78**	$2.69	($0.07)

Additional details regarding Alliant Energy s net income (loss) were as follows (in millions):

	2007	2006	2005
Continuing operations:			
Utility	**$385.1**	$259.0	$251.7
Non-regulated (Resources)	**34.7**	69.0	(197.7)
Alliant Energy parent and other (interest income, taxes, and administrative and general)	**4.9**	10.3	2.4
Income from continuing operations	**424.7**	338.3	56.4
Income (loss) from discontinued operations	**0.6**	(22.6)	(64.1)
Net income (loss)	**$425.3**	$315.7	($7.7)

Alliant Energy's EPS were different from the EPS reported in Alliant Energy's press release issued on Feb. 6, 2008 due to adjustments made to EPS after issuance of that press release, primarily due to an increase in the estimated reserve for rate refunds to wholesale customers of WPL.

2007 vs. 2006 Summary - Increased earnings from Alliant Energy s utility business in 2007 as compared to 2006 were primarily due to IPL s after-tax gain of $123 million ($1.09 per share) from selling its electric transmission assets in 2007, increased electric margins resulting from improved fuel cost recoveries and weather-related impacts, lower costs from retirement and incentive compensation plans and the accretive effect of fewer shares outstanding following the completion of Alliant Energy s common stock repurchase program in the third quarter of 2007. These items were partially offset by a higher effective income tax rate in 2007, costs related to major winter storms in IPL s service territory in 2007 and lower gas margins due to reduced gains from WPL s discontinued performance-based gas commodity recovery program. The lower results from continuing operations for Alliant Energy s non-regulated businesses in 2007 as compared to 2006 were primarily due to the after-tax gain of $150 million ($1.28 per share) from selling Alliant Energy New Zealand Ltd. (AENZ) stock in 2006. This decrease was partially offset by after-tax debt reduction charges of $57 million ($0.48 per share) in 2006, a lower effective income tax rate partially due to $6 million ($0.06 per share) of reversals of deferred tax asset valuation allowances in 2007 resulting from changes in Alliant Energy s anticipated ability to utilize capital losses prior to their expiration, a $9 million after-tax loss ($0.08 per share) from selling steam turbine equipment in 2006, lower interest costs, currency-related losses from AENZ in 2006 prior to its sale and improved earnings from its Non-regulated Generation and WindConnect® businesses in 2007.

2006 vs. 2005 Summary - Increased earnings from Alliant Energy s utility business in 2006 were primarily due to lower nuclear-related operating expenses resulting from the sales of its interests in its two nuclear facilities, the Duane Arnold Energy Center (DAEC) and the Kewaunee Nuclear Power Plant (Kewaunee), in January 2006 and July 2005, respectively, an under-recovery of retail fuel-related costs at WPL in 2005, impacts of an updated depreciation study implemented at IPL on Jan. 1, 2006 and higher weather-normalized retail electric and gas sales. These increases were substantially offset by higher nuclear-related capacity costs from purchased power agreements (PPAs) entered into with the new owners of DAEC and Kewaunee upon the sales of these facilities, higher incentive compensation-related expenses and the net impacts of weather and weather hedging activities on Alliant Energy s electric margins. The improved results from continuing operations for Alliant Energy s non-regulated businesses were largely due to after-tax, asset valuation charges of $202 million ($1.73 per share) recorded in 2005 related to Alliant Energy s Brazil investments, which Alliant Energy sold in the first quarter of 2006, and an after-tax gain on the sale of AENZ stock of $150 million ($1.28 per share) in 2006. These increases were partially offset by increased after-tax charges related to further debt reductions at Resources of $57 million ($0.48 per share) in 2006 compared to $34 million ($0.29 per share) in 2005. The increased earnings were also partially offset by after-tax foreign currency transaction losses of $13 million ($0.11 per share) incurred in 2006 associated with Alliant Energy s New Zealand investments, $13 million ($0.11 per share) of income realized in 2005 related to adjustments of deferred income tax valuation allowances resulting from changes in Alliant Energy s anticipated ability to utilize capital losses prior to their expiration, a $9 million after-tax loss ($0.08 per share) from the sale of steam turbine equipment in 2006 and tax adjustments recorded in 2006.

Refer to Alliant Energy s Results of Operations, IPL s Results of Operations and WPL s Results of Operations for additional details regarding th various factors impacting their respective earnings during 2007, 2006 and 2005.

STRATEGIC OVERVIEW

Summary - Alliant Energy is committed to maintaining sustained, long-term strong financial performance with a strong balance sheet and credit ratings. Alliant Energy expects this strong financial performance to help ensure access to capital markets at reasonable costs as Alliant Energy embarks on a substantial infrastructure investment program discussed in Utility Generation Plan below and Liquidity and Capital Resources - Environmental later in MDA. Alliant Energy believes it is well positioned to implement its strategic plan following the divestiture of numerous utility and non-regulated businesses discussed in Business Divestitures below.

Alliant Energy s utility business is expected to provide the majority of Alliant Energy s earnings and cash flows in the future and the larger share of its long-term earnings growth through investments in new generation and environmental compliance projects, by earning returns authorized by regulators and by continuing its focus on controlling costs. Alliant Energy is utilizing a comprehensive Lean Six Sigma program to assist it in generating cost savings and operational efficiencies in both its utility and non-regulated businesses.

Utilities as Primary Business Platform - Alliant Energy s utility business is the growth platform within its strategic plan, and is where Alliant Energy expects to invest substantially all of its capital expenditures in 2008, 2009 and 2010. Refer to Liquidity and Capital Resources - Cash Flows From (Used For) Investing Activities - Construction and Acquisition Expenditures for additional information regarding capital expenditure forecasts. The strategic plan for Alliant Energy s utility operations is concentrated on: 1) building and maintaining the generation and infrastructure necessary to provide Alliant Energy s utility customers with safe, reliable and environmentally sound energy service; 2) earning returns authorized by its regulators; and 3) controlling costs to mitigate potential rate increases.

Laws in Iowa (HF 577) and Wisconsin (Act 7) provide utility companies in those states with the ability to receive rate making principles - and resulting increased regulatory and investment certainty - prior to making certain significant investments in new generation. These laws enable Alliant Energy to pursue additional generation investments in its utility business to serve its customers and to provide shareowners with greater certainty regarding the returns on these investments. Refer to Rates and Regulatory Matters for additional information on these laws.

Focused Approach to Non-regulated Operations - The strategic plan for Alliant Energy s non-regulated operations involves maintaining a relatively small portfolio of lower-risk, mature businesses, which are accretive to earnings but not significant users of capital. Consistent with this strategic focus, Alliant Energy completed the divestiture of numerous non-regulated businesses in the past five years. Refer to Non-regulated Business Divestitures below for details of non-regulated asset divestiture activity in 2007.

Utility Generation Plan - Alliant Energy s current utility generation plan for the 2008 to 2013 time period reflects the need to increase generation in both Iowa and Wisconsin. The proposed new generation is expected to meet increasing customer demand, reduce reliance on PPAs and mitigate the impacts of any future plant retirements. Alliant Energy will continue to purchase energy and capacity in the market and intends to remain a net purchaser of both, but at a reduced level assuming the successful completion of these generation projects. The plan also reflects continued commitments to Alliant Energy s energy efficiency and environmental compliance programs. Alliant Energy continues to monitor developments related to federal and state renewable portfolio standards, environmental requirements for new generation and federal and state tax incentives. Alliant Energy reviews and updates, as deemed necessary and in accordance with regulatory requirements, its utility generation plan and expects to adjust its plan as needed to meet any of these standards or to react to any market factors increasing or decreasing the availability or cost effectiveness of the various renewable energy technologies and other alternatives to its utility generation plan. Alliant Energy s current utility generation plan through 2013 is as follows (megawatts (MW); Not Applicable (N/A)):

Utility	Primary Generation Type	Project Name / Location	Capacity (MW)	Expected Availability Date	Cost Estimate (a)	Current Capitalized Costs (b)	Actual / Expected Regulatory Decision Date
WPL	Wind	Cedar Ridge Fond du Lac County, WI	68	Fourth quarter of 2008	$165	$43	May 2007
WPL	Natural-gas	Neenah Energy Facility Neenah, WI	300	2009	95	N/A	First half of 2008
IPL	Wind	Whispering Willow Franklin County, IA	200	2010	400 - 450	27	February 2008
WPL	Wind	Southern Minnesota	200	2010	400 - 450	--	Second half of 2008
WPL	Coal	Nelson Dewey #3 Cassville, WI	300	2013	850 - 950	17	Fourth quarter of 2008

IPL	Coal	Sutherland #4 Marshalltown, IA	350	2013	840 - 910	12 $99	Second half of 2008

(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 Dec. 31, 2007, including pre-certification/pre-construction costs recorded in Other assets - regulatory assets and costs for the Cedar Ridge wind project recorded in Construction Work In Progress (CWIP) on their respective Consolidated Balance Sheets. Refer to Note 1(b) of Alliant Energy s Notes to Consolidated Financial Statements for additional details of costs recorded in Other assets - regulatory assets.

Cedar Ridge - In May 2007, WPL received approval from the Public Service Commission of Wisconsin (PSCW) to construct the project, however, WPL did not accept the PSCW s Act 7 decision, which included a return on common equity of 10.50% compared to WPL s requested return on common equity of 12.90%. Instead, WPL will proceed with applying traditional rate making procedures for the recovery of and return on its capital costs for this wind farm.

Neenah Energy Facility (NEF) - 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 Energy Center (RockGen) PPA with output from NEF. WPL currently plans to acquire NEF effective June 1, 2009, which coincides with the expected termination of WPL s RockGen PPA scheduled for May 31, 2009. WPL plans to file for approval from the Federal Energy Regulatory Commission (FERC) for the NEF purchase in the first half of 2008 after receipt of PSCW approval.

Whispering Willow - In February 2008, IPL received approval from the Iowa Utilities Board (IUB) to construct the project, which includes a return on common equity of 11.7% and a 25-year depreciable life for up to 200 MW of capacity. The expected commercial operation date of the 200 MW of capacity is subject to the availability of wind turbines. IPL has secured development rights on an additional 300 MW of capacity in Franklin County, Iowa. Future development of the balance of the wind farm will depend on numerous factors such as renewable portfolio standards and availability of wind turbines.

WPL s Wind Project in Minnesota - WPL plans to file for approval from the PSCW and the Minnesota Public Utilities Commission (MPUC) in the first half of 2008 to construct a 200 MW wind farm in southern Minnesota. WPL expects to use traditional rate making procedures for the recovery of and return on its capital costs for this wind farm. The expected commercial operation date is subject to the timing of pending regulatory approvals and availability of wind turbines.

Nelson Dewey #3 - The preferred site of the new facility is adjacent to the existing Nelson Dewey Generating Station (Nelson Dewey) in Cassville, Wisconsin. In February 2007, WPL filed for approval from the PSCW to proceed with construction of the new facility and to specify in advance rate making principles. In its regulatory application, WPL requested a return on common equity of 12.95% along with a capital structure that includes a 50% common equity ratio. In December 2007, the PSCW determined WPL s CPCN application was complete, thereby initiating the construction permitting process. By law, the PSCW has up to 360 days (180 days plus an optional 180 day extension) from the date the application was determined complete to make a final ruling on the proposed expansion. WPL has selected Washington Group International to provide engineering, procurement, and construction services for the proposed expansion. 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.

Sutherland #4 - The site of the new facility is adjacent to the existing Sutherland Generating Station (Sutherland) in Marshalltown, Iowa. In July 2007, IPL filed for approval from the IUB to proceed with construction of the new 630 MW coal-fired electric generating facility, which also includes an additional 19 MW equivalent of steam cogeneration for use by nearby industries. In November 2007, IPL, Central Iowa Power Cooperative (CIPCO) and Corn Belt Power Cooperative (Corn Belt) signed a joint operating agreement indicating plans for joint ownership in the facility. IPL expects to utilize up to 350 MW of output, while CIPCO and Corn Belt will each utilize 100 MW of output. Additionally, IPL continues to negotiate with other potential partners for the remaining output. IPL plans to file for advanced rate making principles with the IUB for its share of the cost of the facility no later than March 2008. IPL plans to utilize super critical pulverized coal technology and biomass fuel capability for the new facility.

In February 2008, IPL proposed to permanently reduce its generating fleet s greenhouse gas (GHG) emissions by retiring certain coal-fired generating units (Lansing Units 2 and 3) and switching the fuel source of certain other coal-fired units to natural gas (all Dubuque Units) when Sutherland #4 becomes available in 2013. IPL will file these proposed changes with the IUB as part of its application for advanced rate making principles for Sutherland #4. These proposed changes to IPL s generating fleet are contingent upon IPL receiving all applicable regulatory approvals related to site certification and advanced rate making principles applications for Sutherland #4.

Other - WPL has a PPA with a subsidiary of Calpine Corporation related to the Riverside Energy Center (Riverside) that extends through May 31, 2013 and provides WPL the option to purchase Riverside at the end of the PPA term. For planning purposes, WPL is currently assuming it will exercise its option to purchase Riverside, a 600 MW natural-gas fired electric generating facility in Beloit, Wisconsin, to replace the output currently obtained under the PPA.

Refer to Rates and Regulatory Matters for additional information regarding regulatory matters related to the Utility Generation Plan and renewable energy standards. Refer to Liquidity and Capital Resources for discussion of future capital expenditures estimates and financing plans for Alliant Energy s infrastructure investment program.

Business Divestitures - Alliant Energy completed the divestiture of numerous utility and non-regulated businesses during the last five years in order to strengthen its financial profile and narrow its strategic and risk profile. Proceeds from these divestitures have been used primarily for debt reduction, common share repurchases, funding capital expenditures and general corporate purposes. The following includes various divestitures completed in 2007.

Utility Business Divestitures - In December 2007, IPL completed the sale of its electric transmission assets located in Iowa, Minnesota and Illinois to ITC Midwest LLC (ITC) and received net proceeds of $772 million, subject to post-closing adjustments. Refer to Note 21 of Alliant Energy s Notes to Consolidated Financial Statements for additional information on the IPL electric transmission assets sale. 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 $52 million.

Non-regulated Business Divestitures - In June 2007, Alliant Energy completed the sale of its investment in Mexico and received net proceeds of $66 million. The operating results of Alliant Energy s investment in Mexico have been reported as discontinued operations. Refer to Note 17 of Alliant Energy s Notes to Consolidated Financial Statements for additional information regarding Alliant Energy s discontinued operations.

RATES AND REGULATORY MATTERS

Overview - Alliant Energy has two utility subsidiaries, IPL and WPL. Alliant Energy s utility subsidiaries are subject to federal regulation by FERC, which has jurisdiction over wholesale electric rates, electric transmission and certain natural gas facilities, and state regulation in Iowa, Wisconsin and Minnesota for retail utility rates and standards of service. Such regulatory oversight also covers IPL s and WPL s plans for construction and financing of new generation facilities and related activities.

Utility Rate Cases - 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)):

Utility Rate Case	Utility Type	Filing Date	Increase Requested	Interim Increase Granted (a)	Interim Effective Date	Final Increase Granted (a)	Final Effective Date	Return on Common Equity
WPL:								
2009/2010 Retail	E/G	2/08	$92	N/A	N/A	TBD	TBD	TBD
2008 Retail	E	4/07	26	N/A	N/A	$26	1/08	10.80%
2007 Wholesale	E	9/06	(b)	(b)	(b)	TBD	TBD	TBD
2007 Retail	E/G	3/06	96	N/A	N/A	34	1/07	10.80%
2005 Retail (F-R)	E	8/05	96	$96	Q4 05	54	9/06	N/A
2005 Retail (F-R)	E	3/05	26	26	4/05	26	7/05	N/A
2005/2006 Retail	E/G	9/04	63	N/A	N/A	21	7/05	11.50%
2005 Wholesale	E	8/04	12	12	1/05	8	1/05	N/A
IPL:								
2005 MN Retail	E	5/05	5	3	7/05	1	5/06	10.39%
2005 IA Retail	G	4/05	19	13	4/05	14	11/05	10.40%
2004 IA Retail	E	3/04	149	98	6/04	107	2/05	(c)

(a) Interim rate relief is implemented, subject to refund, pending determination of final rates. The final rate relief granted replaces the amount of interim rate relief granted.
(b) Refer to WPL s 2007 Wholesale Rate Case below for additional information.
(c) Emery Generating Station - 12.23% and Other - 10.7%.

WPL s 2009/2010 Retail Rate Case - In February 2008, WPL filed a request with the PSCW to increase current retail electric rates by $93 million, or approximately 9%, and reduce current retail gas rates by $1 million, or approximately 1%, effective Jan. 1, 2009. The electric request is based on a 2009 test year with approval to reopen the case to address limited cost drivers for 2010. The electric request reflects recovery for increased spending on electric generation infrastructure, environmental compliance and stewardship, enhanced investment in renewable energy purchasing and projects, stepped-up customer energy efficiency and conservation efforts, and related electric transmission and distribution costs. The gas request is based on an average of 2009 and 2010 costs. The request is based on the previously authorized return on common equity of 10.80%.

WPL s 2008 Retail Rate Case - In April 2007, WPL filed a request with the PSCW to reopen its 2007 retail rate case for the limited purpose of increasing electric retail rates in an amount equal to deferral credits that were fully amortized on Dec. 31, 2007. WPL also requested clarification that it is authorized to record AFUDC on all CWIP balances in excess of the CWIP balance included in the 2007 test year. In November 2007, the PSCW issued a final written order approving an annual electric retail rate increase of $26 million effective Jan. 1, 2008 and approving WPL s requested clarification regarding AFUDC and CWIP.

WPL s 2007 Wholesale Rate Case - In December 2006, WPL received an order from FERC authorizing an interim increase, subject to refund, effective in June 2007 related to WPL s request to implement a formula rate structure for its wholesale electric customers. The proposed rate structure uses formulas based on historical data for capacity-related costs, which adjust annually on June 1, and for energy costs, including fuel, which adjust monthly to determine applicable wholesale rates. Based on 2006 costs and usage, interim rates implemented on June 1, 2007

resulted in an annual revenue increase of approximately $22 million. This represents an increase of 14% from previously approved rates, which were based on a 2005 forecasted test year. Final rates to be approved by FERC may result from a settlement process or fully litigated process. WPL and its wholesale customers are currently engaged in settlement discussions, which have resulted in a settlement of the issues identified in WPL s filing requesting the formula rate structure. Final written agreements were filed in February 2008 and, if approved by FERC, will result in an over-collection of revenues beginning June 1, 2007. WPL will refund the over-collection, with interest, upon FERC approval in accordance with FERC requirements. Anticipated refunds of $4 million related to revenues collected during the June 1, 2007 through Dec. 31, 2007 time period have been fully accrued as of Dec. 31, 2007.

WPL s 2007 Retail Rate Case - In January 2007, WPL received an order from the PSCW approving a net increase in electric and gas retail rates of $34 million effective in January 2007. The final increase granted was lower than the increase requested largely due to a decrease in forecasted fuel and purchased energy costs for the 2007 test period. The PSCW approval included a regulatory capital structure with 54% equity (compared to 59% requested), a return on common equity of 10.80% (compared to 11.20% requested) and lengthened certain regulatory asset amortization periods. The regulatory capital structure approved by the PSCW was determined by adjusting WPL s financial capital structure by approximately $200 million (compared to $330 million requested) of imputed debt largely from the Kewaunee and Riverside PPAs. The lower imputed debt adjustment than requested was primarily the result of the PSCW denying WPL s request to include the Sheboygan Falls Energy Facility (SFEF) lease in the regulatory capital structure calculation. In addition, as a result of a PSCW audit of plant costs, the PSCW determined that WPL should have used an after-tax AFUDC rate instead of a pre-tax AFUDC rate. WPL has made the required entries in 2007 to reflect this change and will record AFUDC at the after-tax rate for future retail jurisdiction construction projects.

Pursuant to the January 2007 order, WPL was allowed recovery of a portion of the previously deferred loss associated with the sale of Kewaunee in July 2005 and recovery of previously deferred costs associated with the extension of the unplanned outage at Kewaunee prior to the sale. The PSCW order included recovery of $23 million of these deferred costs through increased retail electric rates charged by WPL over a two-year recovery period.

The January 2007 PSCW order also approved modifications to WPL s gas performance incentive sharing mechanism which included 35% of all gains and losses from WPL s gas performance incentive sharing mechanism beginning in 2007 to be retained by WPL, with the remaining 65% refunded to or recovered from customers. 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, which was effective Nov. 1, 2007.

In May 2007, WPL notified the PSCW that its actual average fuel-related costs for the month of March 2007 had fallen below the monthly fuel monitoring range set in WPL s 2007 retail rate case and that projected average fuel-related costs for 2007 could be below the annual monitoring range to an extent that would warrant a decrease in retail electric rates. WPL s notification also included a request for the PSCW to set WPL s retail electric rates subject to refund. In June 2007, the PSCW issued an order approving WPL s request to set retail electric rates subject to refund effective June 1, 2007. In August 2007, WPL received approval from the PSCW to refund to its retail electric customers any over-recovery of retail fuel-related costs during the period June 1, 2007 through Dec. 31, 2007. WPL estimates the over-recovery of retail fuel-related costs during this period to be $20 million, including interest. WPL refunded to its retail electric customers $4 million in 2007 and $3 million during the first two months of 2008. WPL plans to file for approval with the PSCW by March 31, 2008, its final 2007 refund report. At Dec. 31, 2007, WPL reserved for the remaining amounts anticipated to be paid to retail electric customers related to these refunds.

WPL s 2005 Fuel-related Retail Rate Case - In September 2006, the PSCW approved a settlement agreement submitted by WPL and interveners that established final fuel-related retail rates at a level reflective of actual fuel costs incurred from July 1, 2005 through June 30, 2006. The approval also allowed previously deferred, incremental purchased power energy costs associated with coal conservation efforts at WPL due to coal delivery disruptions to be included in the actual fuel costs and resolved all issues in the rate case regarding risk management activities and forecasting methodologies. WPL refunded $36 million to customers in October 2006 related to amounts collected in excess of final rates through

June 2006. As part of the settlement, WPL also agreed to refund any over-collection of fuel costs in the second half of 2006. In June 2007, the PSCW approved a $3 million refund, including interest, to WPL s retail customers related to the over-collection of retail fuel-related costs during the second half of 2006. WPL completed the refund in August 2007.

Other Utility Rate Case Information - With the exception of recovering a return on additions to IPL s and WPL s infrastructure, a significant portion of the rate increases included in the above table reflect a reduction in the amortization of deferred credits or the recovery of increased costs incurred or expected to be incurred by IPL and WPL. Thus, these increases in revenues are not expected to result in a significant increase in net income to either IPL or WPL, as applicable.

Rate Making Principles for New Electric Generating Facilities - Iowa and Wisconsin each have laws (HF 577 in Iowa and Act 7 in Wisconsin) that allow a public utility that proposes to purchase or construct an electric generating facility in its respective state to apply to its state regulatory commission for an order that specifies in advance the rate making principles that the state regulatory commission will apply to certain electric generating facility costs in future rate making proceedings. Both of these laws are designed to give utilities in these states more regulatory certainty, including providing utilities with a fixed rate of return and recovery period for these investments, when financing electric generation projects. However, the regulatory approval process to build new generation is different between the state jurisdictions as noted below. IPL and WPL plan to utilize the rate making principles included in HF 577 and Act 7, respectively, for some of the electric generation facilities included in Alliant Energy s utility generation plan. Refer to Strategic Overview - Utility Generation Plan for additional details of Alliant Energy s utility generation plan including discussion of the PSCW s May 2007 decision regarding WPL s application for advance rate making principles for its Cedar Ridge wind project (WPL subsequently did not accept the PSCW s decision), the IUB s February 2008 decision regarding IPL s application for advance rate making principles for 200 MW of its Whispering Willow wind project and WPL s application for advance rate making principles for its proposed coal-fired generating facility in Cassville, Wisconsin.

Iowa - Under HF 577 in Iowa, a utility must file for advance rate making principles for the construction of certain electric generating facilities located in Iowa including new base-load (primarily defined as nuclear or coal-fired generation) facilities with a capacity of 300 MW or more, combined-cycle natural gas-fired facilities of any size and renewable generating resources, such as wind facilities, of any size. The project, if approved, must be constructed using the advance rate making principles ordered by the IUB or not constructed at all. The IUB must issue the advance rate making principles for a base-load coal plant prior to the start of construction if the IUB finds that the utility requesting the principles has an energy efficiency plan in effect and that the utility has demonstrated that the coal plant is reasonable when compared to other feasible alternative sources of supply. In addition, a Certificate of Public Convenience, Use and Necessity is required for construction approval of any new electric generating facility located in Iowa with 25 MW or more of capacity.

Wisconsin - Under Act 7 in Wisconsin, a utility seeking to construct an electric generating facility has the option to seek advance rate making treatment for that facility. A Wisconsin utility therefore is not obligated to file for advance rate making principles. Also, under Act 7 a utility can proceed with an approved project under traditional rate making if the terms of the PSCW order on the advance rate making principles are viewed as unsatisfactory to the utility. A Certificate of Authority (CA) application is required for the construction approval of any new electric generating facility located in Wisconsin with 99 MW or less of capacity. A Certificate of Public Convenience and Necessity (CPCN) application is required for construction approval of any new electric generating facility located in Wisconsin with 100 MW or more of capacity. In both situations, construction may not commence until the PSCW has granted approval based on a finding that the project is in the public interest. In addition, WPL s ownership and operation of electric generating facilities outside of Wisconsin (including Minnesota) to serve Wisconsin customers is subject to retail utility rate regulation by the PSCW.

AFUDC - New electric generating facilities require large outlays of capital and long periods of time to construct resulting in significant financing costs. Financing costs incurred by utilities during construction are generally included as part of the CWIP cost of the new generating facility through accruals of AFUDC. In November 2007, the PSCW issued its written order for WPL s 2008 retail electric rate case which authorizes WPL to record AFUDC on all CWIP balances in excess of the CWIP balance used to determine base rates in the 2007 test year. General rate making principles provide IPL and WPL the ability to recover AFUDC after the asset is placed in service.

Pre-certification and Pre-construction Expenditures - New electric generating facilities require material expenditures for planning and siting these facilities prior to receiving approval from regulatory commissions to begin construction. These expenditures are commonly referred to as pre-certification costs and pre-construction costs. Pre-certification costs generally are characterized as incremental costs related to planning and investigation studies incurred to determine the feasibility of utility projects under contemplation for construction and regulatory approval. Pre-construction costs generally are characterized as capital expenditures made prior to beginning construction of capital projects requiring regulatory approval. IPL and WPL recognize these pre-certification and pre-construction costs as Regulatory assets on their respective Consolidated Balance Sheets prior to regulatory approval of the project or prior to management s decision to proceed with the project if no regulatory approvals are required. Upon regulatory approval or when management decides to proceed with a project that does not require regulatory approval, IPL s cumulative pre-certification and pre-construction costs and WPL s cumulative pre-construction costs for each project are transferred from Regulatory Assets to CWIP on their respective Consolidated Balance Sheets. WPL s cumulative pre-certification costs for each project remain in Regulatory Assets on its Consolidated Balance Sheet until recovered from customers through changes in future base rates. IPL does not begin to recognize AFUDC or carrying costs on pre-certification and pre-construction costs incurred until the cumulative project costs are transferred into CWIP. WPL recognizes AFUDC on pre-construction costs and recovery of short-term debt carrying costs for pre-certification costs based on regulatory orders. WPL has received approval from the PSCW to defer pre-certification costs and pre-construction costs related to its Cedar Ridge wind project and Nelson Dewey #3 base-load coal project. Refer to Strategic Overview - Utility Generation Plan and Note 1(b) of Alliant Energy s Notes to Consolidated Financial Statements for additional details on these costs.

Utility Fuel Cost Recovery - IPL s retail electric and retail gas tariffs and WPL s wholesale electric and retail gas tariffs provide for subsequent adjustments to its rates for changes in commodity costs thereby mitigating price risk for prudently incurred commodity costs. Such rate mechanisms significantly reduce commodity price risk associated with IPL s retail electric and retail gas margins and WPL s wholesale electric and retail gas margins. WPL s retail electric margins, however, are more exposed to the impact of changes in commodity prices due largely to the current retail recovery mechanism in place in Wisconsin for fuel-related costs as discussed below.

WPL s Retail Electric Fuel-related Cost Recovery Mechanism - WPL s retail electric rates are based on forecasts of forward-looking test periods and include estimates of future monthly fuel-related costs (includes fuel and purchased energy costs) anticipated during the test period. During each electric retail rate proceeding, the PSCW sets fuel monitoring ranges based on the forecasted fuel-related costs used to determine rates in such proceeding. If WPL s actual fuel-related costs fall outside these fuel monitoring ranges, the PSCW can authorize an adjustment to future retail electric rates.

The fuel monitoring ranges set by the PSCW include three different ranges based on monthly costs, cumulative costs and annual costs during the test period. In order for WPL to be authorized to file for a proceeding to change rates related to fuel-related costs during the test period, WPL must demonstrate: a) that either 1) any actual monthly costs during the test period exceeded the monthly ranges or 2) the actual cumulative costs to date during the test period exceeded the cumulative ranges; and b) that the annual projected costs (that include cumulative actual costs) for the test period also exceed the annual ranges. WPL, the PSCW or any other affected party may initiate a proceeding to change rates due to changes in fuel-related costs during the monitoring period based on the above criteria. In January 2007, the PSCW approved an order changing WPL s fuel cost monitoring ranges to plus or minus 8% for the monthly range; for the cumulative range, plus or minus 8% for the first month, plus or minus 5% for the second month, and plus or minus 2% for the remaining months of the monitoring period; and plus or minus 2% for the annual range.

The PSCW attempts to authorize, after a required hearing, interim fuel-related rate increases within 21 days of notice to customers. Any such change in rates would be effective prospectively and would require a refund with interest at the authorized return on common equity if final rates are determined to be lower than interim rates approved. Rate decreases due to decreases in fuel-related costs can be implemented without a hearing. The rules also include a process whereby Wisconsin utilities can seek deferral treatment of emergency changes in fuel-related costs between fuel-related or base rate cases. Such deferrals would be subject to review, approval and recovery in future fuel-related or base retail rate cases.

Potential Changes to WPL s Electric Fuel-related Cost Recovery Mechanism - In February 2007, WPL and certain other investor-owned utilities jointly filed with the PSCW proposed changes to the current retail electric fuel-related cost recovery rules in Wisconsin. The proposal recommends each utility annually file a forecast of total fuel-related costs and sales for the upcoming 12-month period, which will be used to determine fuel-related rates for such period. Any under- or over-collection of actual fuel-related costs, in excess of plus or minus 1%, for a utility during such 12-month period would be reflected in an escrow account, with interest for that utility. The balance of the escrow account at the end of each year would be included in the forecast of total fuel-related costs for the following 12-month period allowing recovery of under-collected costs or refund of over-collected costs in each subsequent year. The proposal also provides the PSCW an opportunity to review the actual fuel-related costs for each 12-month period to ensure the fuel-related costs were prudent. The definition of fuel-related costs would also be expanded to specifically include Midwest Independent System Operator (MISO) energy market costs and revenues, emission allowance and trading costs and revenues, renewable resource credit costs and revenues and other variable operation and maintenance costs.

In May 2007, PSCW Commissioners directed PSCW staff to draft proposed new retail electric fuel-related cost recovery rules in Wisconsin similar to the joint utility proposal filed with the PSCW in February 2007. The major differences between the joint utility proposal and the current PSCW staff draft rules include: 1) the PSCW staff draft rules include a plus or minus 2% threshold for changes in rate recovery compared to the 1% level included in the joint utility proposal; 2) the PSCW staff draft rules propose an annual deferral accounting process instead of the monthly escrow accounting proposed by the joint utilities; and 3) the PSCW staff draft rules include an earnings test such that future collection of under collected amounts deferred under these rules may be limited if the individual utility is earning in excess of its authorized return on equity. The PSCW Commissioners have not yet indicated whether they will promulgate modifications to the fuel rules and, if so, whether these modifications will reflect the proposed PSCW staff draft rules. Formal action by the PSCW and subsequent legislative committee review are required before any changes to the current rules could become effective. WPL is currently unable to predict the final outcome of this initiative.

Recent Regulatory-related Legislative Developments -

GHG Emissions - In November 2007, several Midwest state Governors (including the Governors of Iowa, Minnesota and Wisconsin) signed the Midwestern GHG Accord (GHG Accord). Under the GHG Accord, a working group is to be formed to establish a Midwestern GHG Reduction Program that will: 1) establish GHG reduction targets and timeframes consistent with member state targets; 2) develop a market-based and multi-sector cap and trade program to help achieve GHG reductions; 3) establish a system to enable tracking, management, and crediting for entities that reduce GHG emissions; and 4) develop and implement additional steps as needed to achieve the reduction targets, such as a low-carbon fuel standards and regional incentives and funding mechanisms. All undertakings of the GHG Accord are to be completed within 30 months after the effective date of the GHG Accord, including the development of a proposed cap and trade agreement and model rule within 12 months. However, further legislative and/or regulatory action will be necessary to adopt a model rule in each state or to implement other mandatory mechanisms that may be proposed under the GHG Accord. Alliant Energy, IPL and WPL are currently unable to determine what impacts the GHG Accord will have on their future financial condition, results of operations or cash flows.

In May 2007, an energy-related law (SF 145) was enacted in Minnesota. In conjunction with the renewable energy standards bill (SF 004) enacted in February 2007, SF 145 is intended to reduce Minnesota s per capita reliance on fossil fuels for energy and reduce emissions that contribute to climate change. SF 145 authorizes a Climate Change Advisory Group to develop a comprehensive GHG reduction action plan to be delivered to the Minnesota legislature for consideration by February 2008 and completed by August 2009. SF 145 establishes a statewide goal impacting all sectors, including utilities, to reduce GHG emissions 15% by 2015, 30% by 2025, and at least 80% by 2050, from 2005 levels. SF 145 also includes a provision which would preclude, with certain exceptions, Alliant Energy from the following during the period from Aug. 1, 2009 until a comprehensive GHG reduction plan is enacted: 1) constructing a large energy facility in Minnesota that would contribute to GHG emissions; 2) importing or committing to import from outside Minnesota power from a large facility contributing to GHG emissions; and 3) entering into a long-term PPA of 50 MW or more, or exceeding five years in length, that would increase Minnesota GHG emissions. Carbon reduction projects, including reductions of GHG emissions at existing facilities or purchase of carbon allowances, which offset an equal or greater amount emitted by any of these actions, will result in exemptions from this provision. PPAs and large facility projects filed or entered into before Apr. 1, 2007, are currently exempted from this provision of SF 145. However, the Minnesota legislature may establish limits for these exempted items in the future. SF 145 also establishes statewide energy conservation and efficiency goals and creates a provision that utilities may file for cost recovery for renewable facilities they own and operate. Utilities are also exempted from the competitive resource acquisition process (competitive bidding) when constructing, owning and operating generation used to comply with SF 004 s renewable energy standards. Alliant Energy and IPL are currently unable to determine what impacts SF 145 will have on their future financial condition, results of operations or cash flows.

Renewable Standards - In February 2007, a law (SF 004) governing renewable energy was enacted in Minnesota. SF 004 commits certain utilities operating in Minnesota, including IPL, to a Renewable Energy Standard (RES) based on retail electric sales from renewable energy sources as a percentage of total retail electric sales in Minnesota. IPL must meet an RES of 12% by 2012; 17% by 2016; 20% by 2020; and 25% by 2025. Utilities in Minnesota may meet the requirements of the RES with renewable energy generated by the utility, renewable energy acquired under PPAs or the use of renewable resource credits.

In March 2006, a law (Act 141) governing renewable energy was enacted in Wisconsin. Act 141 commits Wisconsin utilities to a Renewable Portfolio Standard (RPS) using a benchmark of average retail sales of renewable electricity in 2001, 2002 and 2003 which was approximately 3% for WPL. WPL must increase renewable retail electric sales as a percentage of total retail electric sales by two percentage points above this benchmark by 2010, and by six percentage points above this benchmark by 2015. Wisconsin utilities may meet the renewable energy requirements of the RPS with renewable energy generated by the utility, renewable energy acquired under PPAs or the use of renewable resource credits.

Refer to Strategic Overview - Utility Generation Plan for discussion of Alliant Energy s utility generation plan which includes additional supply from wind generation that will contribute towards IPL meeting the RES in Minnesota and WPL meeting the RPS in Wisconsin discussed above. The wind generation proposed by IPL and WPL was selected as an economic source of energy as part of a resource planning process. Each of IPL and WPL will need to add approximately 50 MW of incremental renewable electric supply to their current electric supply portfolio to increase by 1% their respective sales from renewable energy sources as a percentage of their respective total electric sales.

Other Legislation - In February 2008, the Economic Stimulus Act of 2008 (ESA) was enacted. The ESA contains various provisions that are intended to provide tax relief to individuals and employers. The most significant provision for Alliant Energy, IPL and WPL is a 50% bonus tax depreciation deduction for certain property that is acquired or constructed in 2008. Alliant Energy, IPL and WPL are currently evaluating the impacts the ESA will have on their financial condition and results of operations.

Other Recent Regulatory Developments -

IPL s Electric Transmission Assets Sale - In December 2007, IPL completed the sale of its electric transmission assets located in Iowa, Minnesota and Illinois to ITC. Upon closing the sale, IPL established a regulatory liability of $89 million pursuant to conditions established by the IUB in September 2007 when they allowed the transaction to proceed. The regulatory liability represents the present value of IPL s obligation to refund to its customers payments of $13 million per year for eight years beginning in the year IPL s customers experience an increase in rates related to the transmission charges assessed by ITC. The regulatory liability will earn interest at a rate equivalent to the monthly average United States of America (U.S.) Treasury rate for three-year maturities. During the IUB hearing process, IPL also committed that it would not file for a common equity ratio in excess of 50% in its next retail electric rate case 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. In addition, the MPUC issued its oral decision in December 2007, and the Office of the Attorney General - Small Business and Residential Utilities Division (OAG) filed a request for a Stay and Motion for Reconsideration with the MPUC. In February 2008, the MPUC granted OAG a rehearing of its petition for reconsideration. IPL currently does not believe the judicial review of the IUB s decision or the OAG s request to the MPUC will be successful. However, IPL cannot provide any assurances that the judicial review or the OAG s request will be resolved in a timely or satisfactory manner.

IPL s Clean Air Compliance Projects - In November 2007, the IUB approved an Amended Emissions Plan and Budget (EPB) filed by IPL in August 2007. In accordance with the Iowa Code, each rate-regulated public utility that is an owner of one or more electric generating facilities fueled by coal and located in the state of Iowa is required to file an EPB at least bi-annually. An EPB provides a utility s compliance plan and related budget to meet applicable state environmental requirements and federal air quality standards. IUB approval demonstrates that the IUB believes that IPL s EPB is reasonably expected to achieve cost-effective compliance with applicable state environmental requirements and federal air quality standards.

WPL s Clean Air Compliance Projects - In March 2007, the PSCW approved the deferral of the retail portion of WPL s incremental pre-certification and pre-construction costs for current or future clean air compliance rule projects requiring PSCW approval, effective with the request date of November 2006. WPL currently anticipates that such deferred costs will be recovered in future rates and therefore does not expect these costs to have an impact on its financial condition or results of operations. Refer to Liquidity and Capital Resources - Environmental for discussion of WPL s construction application filed with the PSCW in the second quarter of 2007 to install air pollution controls to reduce sulfur dioxide (SO2) emissions at Nelson Dewey.

Advanced Metering Infrastructure (AMI) - In February 2008, the PSCW issued an order approving WPL's CA application for construction authority for the installation of both the electric and gas portions of AMI in Wisconsin. WPL's capital expenditures for AMI are currently estimated to be $95 million ($75 million for the electric portion and $20 million for the gas portion). IPL also plans to install AMI in its Iowa and Minnesota service territories at an estimated cost of $105 million. Conditional upon appropriate cost recovery approvals from regulators and success of a limited initial implementation phase involving approximately 40,000 meters, Alliant Energy currently plans to fully install AMI through a phased approach from 2008 through 2011. AMI technology is expected to improve customer service, enhance energy management initiatives and provide operational savings through increased efficiencies.

MISO Wholesale Energy Market **-** In August 2007, the PSCW issued an order related to the regulatory treatment of certain costs incurred by WPL to participate in the MISO market. The order required WPL to discontinue the deferral of MISO costs after Dec. 31, 2007. In addition, the order requires WPL to prove in its next rate case that its retail electric customers were not harmed financially by excluding from its MISO deferrals certain costs/credits from MISO for the time period September 2007 through December 2007. WPL anticipates that it will be successful in proving this to be true in its next base rate case when it seeks recovery of such deferred costs. In June 2007, the IUB issued an order extending a temporary waiver until June 30, 2008. This waiver allows the costs and credits incurred by IPL to participate in the MISO market that relate to its Iowa retail customers to be included in IPL s Iowa energy adjustment clause. IPL and WPL are working through the regulatory process to establish long-term recovery mechanisms for these costs.

WPL Depreciation Study **-** In February 2008, the PSCW issued an order approving the implementation of updated depreciation rates for WPL effective July 1, 2008 as a result of a recently completed depreciation study. Refer to Other Matters - Other Future Considerations - WPL Depreciation Study for details of the depreciation study.

ALLIANT ENERGY S RESULTS OF OPERATIONS

Overview - Refer to Executive Summary for an overview of Alliant Energy s 2007, 2006 and 2005 earnings and the various components of Alliant Energy s business.

Utility Electric Margins - Electric margins and megawatt-hour (MWh) sales for Alliant Energy were as follows:

	Revenues and Costs (dollars in millions)					MWhs Sold (MWhs in thousands)				
	2007	2006	(a)	2005	(b)	**2007**	2006	(a)	2005	(b)
Residential	**$847.5**	$857.1	(1%)	$823.4	4%	**7,753**	7,670	1%	7,881	(3%)
Commercial	**535.2**	549.8	(3%)	497.4	11%	**6,222**	6,187	1%	6,110	1%
Industrial	**731.9**	763.7	(4%)	675.2	13%	**12,692**	12,808	(1%)	12,830	--
Retail subtotal	**2,114.6**	2,170.6	(3%)	1,996.0	9%	**26,667**	26,665	--	26,821	(1%)
Sales for resale:										

Wholesale	**179.8**	145.2	24%	158.7	(9%)	**3,547**	3,064	16%	3,161	(3%)
Bulk power and other	**56.7**	68.5	(17%)	114.6	(40%)	**2,550**	2,632	(3%)	2,933	(10%)
Other	**59.7**	58.7	2%	51.3	14%	**167**	171	(2%)	173	(1%)
Total revenues/sales	**2,410.8**	2,443.0	(1%)	2,320.6	5%	**32,931**	32,532	1%	33,088	(2%)
Electric production fuel and purchased power expense	**1,202.7**	1,257.4	(4%)	1,009.3	25%					
Margins	**$1,208.1**	$1,185.6	2%	$1,311.3	(10%)					

(a) Reflects the % change from 2006 to 2007. (b) Reflects the % change from 2005 to 2006.

2007 vs. 2006 Summary - Electric margins increased $23 million, or 2%, in 2007, primarily due to an increase in weather-normalized retail sales volumes, the net impacts of weather conditions and Alliant Energy s weather hedging activities, and the impact of WPL s 2007 retail base rate increase, which began in January 2007. These increases were partially offset by the impact of annual adjustments to unbilled revenue estimates during the second quarter, which is discussed below in Unbilled Revenue Estimates, $10 million of higher purchased power capacity costs related to the DAEC PPA, the impact of IPL s and WPL s sales of their electric distribution properties in Illinois in February 2007 and the loss of retail sales at IPL during the power outages caused by winter storms in 2007. The increase in weather-normalized retail sales volumes was largely due to the negative impact high electric prices and other economic conditions during 2006 had on customer usage during that period and impacts of ethanol industry growth in Alliant Energy s service territory. The impact of WPL s 2007 retail base rate increase resulted in retail fuel-related rates exceeding retail fuel-related costs during 2007. The increase in purchased power capacity costs was largely due to one additional month of capacity costs related to the DAEC PPA in 2007 compared to 2006 because the DAEC PPA did not begin until the sale of IPL s interest in the DAEC was completed in late January 2006.

2006 vs. 2005 Summary - Electric margins decreased $126 million, or 10%, in 2006, primarily due to $160 million of higher purchased power capacity costs related to the DAEC and Kewaunee PPAs and the net impacts of weather conditions and Alliant Energy s weather hedging activities. These decreases were partially offset by approximately $40 million of under-recoveries of retail fuel-related costs at WPL in 2005, an increase in weather-normalized retail sales in 2006 and $7 million of higher energy conservation revenues at IPL. Changes in energy conservation revenues are largely offset by changes in energy conservation expenses.

Impacts of Weather Conditions (excluding the impacts of winter storms in IPL s service territory) - Estimated increases (decreases) to Alliant Energy s electric margins from the net impacts of weather and Alliant Energy s weather hedging activities were as follows (in millions):

	2007	2006	2005
Weather impacts on demand compared to normal weather	**$9**	($9)	$12
Losses from weather derivatives (a)	**(5)**	(5)	(9)
Net weather impact	**$4**	($14)	$3

(a) Recorded in Other revenues in the above table.

Alliant Energy s electric sales demand is seasonal to some extent with the annual peak normally occurring in the summer months due to air conditioning usage by its residential and commercial customers. Cooling degree days (CDD) data is used to measure the variability of temperatures during summer months and is correlated with electric sales demand. Heating degree days (HDD) data is used to measure the variability of temperatures during winter months and is correlated with electric and gas sales demand. Refer to Utility Gas Margins - Impacts of Weather Conditions for details regarding HDD in Alliant Energy s service territory. CDD in Alliant Energy s service territories were as follows:

	Actual			
CDD (a):	**2007**	2006	2005	Normal (a)
Cedar Rapids, Iowa (IPL)	**366**	332	406	349

Madison, Wisconsin (WPL)	**336**	284	421	259

(a) CDD are calculated using a 70 degree base. Normal degree days are calculated using a 20-year average.

Alliant Energy utilizes weather derivatives based on CDD and HDD to reduce the potential volatility on its margins during the summer months of June through August and the winter months of November through March, respectively. Alliant Energy entered into weather derivatives based on CDD in Cedar Rapids, Iowa and Madison, Wisconsin for the period June 1, 2007 through Aug. 31, 2007 and weather derivatives based on CDD in Chicago, Illinois for the periods June 1, 2006 through Aug. 31, 2006 and June 1, 2005 through Aug. 31, 2005. Alliant Energy entered into weather derivatives based on HDD in Cedar Rapids, Iowa and Madison, Wisconsin for the period Nov. 1, 2007 through March 31, 2008 and weather derivatives based on HDD in Chicago, Illinois for the periods Nov. 1, 2006 through March 31, 2007 and Nov. 1, 2005 through March 31, 2006.

The weather derivatives utilized for June 1, 2006 through Aug. 31, 2006 did not produce the results expected by Alliant Energy. While CDD had historically been highly correlated between Chicago, Illinois and Alliant Energy s service territories, this was not the case in 2006 as CDD were 16% above normal in Chicago, Illinois during June 1 through Aug. 31, compared to 12% below normal in Cedar Rapids, Iowa. Alliant Energy estimated this lack of correlation resulted in it incurring losses from the weather derivatives that exceeded by approximately $6 million the positive impact on its demand from the warmer than normal weather conditions during June 1, 2006 through Aug. 31, 2006. In addition, Alliant Energy estimated the impact on demand compared to normal weather during September 2007, 2006 and 2005 (such months were not covered by weather derivatives) was $2 million ($1 million at IPL and $1 million at WPL), ($6) million (($4) million at IPL and ($2) million at WPL) and $5 million ($3 million at IPL and $2 million at WPL), respectively.

Fuel and Purchased Power Energy (Fuel-related) Cost Recoveries - Alliant Energy s fuel-related costs decreased $55 million, or 4%, and increased $248 million, or 25%, in 2007 and 2006, respectively. These changes in fuel-related costs were primarily due to changes in commodity prices and PSCW approval for WPL to record $20 million of previously deferred costs associated with coal conservation efforts due to the coal delivery disruptions in Electric production fuel and purchased power expense in 2006. Fuel-related commodity prices in 2006 were higher than 2007 and 2005 as well as historic averages largely due to impacts from natural gas disruption caused by hurricane activity in the Gulf of Mexico in the third quarter of 2005. Due to IPL s rate recovery mechanisms for fuel-related costs, changes in fuel-related costs resulted in comparable changes in electric revenues and, therefore, did not have a significant impact on IPL s electric margins. WPL s rate recovery mechanism for wholesale fuel-related costs also provides for subsequent adjustments to its wholesale electric rates for changes in commodity costs, thereby mitigating impacts of changes to commodity costs on its electric margins.

WPL s retail fuel-related costs incurred in 2007 were lower than the forecasted fuel-related costs used to set retail rates during such period. WPL estimates the lower than forecasted retail fuel-related costs increased electric margins by approximately $16 million in 2007, prior to the order regarding WPL s retail fuel-related cost recoveries received from the PSCW in June 2007. In accordance with this order and a related settlement agreement approved by the PSCW in August 2007, WPL established reserves of $20 million for rate refund in 2007 for the estimated refund related to the over-recovery of retail fuel-related costs for the months of June 2007 through December 2007. WPL refunded approximately $4 million of the rate refund to its retail electric customers in 2007, refunded $3 million in the first two months of 2008 and plans to refund the remaining reserve of $13 million in 2008.

WPL s recovery of fuel-related costs during 2006 did not have a significant impact on its electric margins.

WPL s retail fuel-related costs incurred in 2005 were higher than the forecasted fuel-related costs used to set retail rates during such period. WPL estimates the higher than forecasted retail fuel-related costs decreased electric margins by approximately $40 million in 2005. The higher than forecasted retail fuel-related costs in 2005 were largely due to the impact of incremental purchased power energy costs resulting from an unplanned outage at Kewaunee in 2005 and the impact of coal supply constraints from the Powder River Basin in 2005.

Refer to Other Matters - Market Risk Sensitive Instruments and Positions - Commodity Price Risk for discussion of risks associated with increased fuel and purchased power energy costs on WPL s electric margins. Refer to Rates and Regulatory Matters and Note 1(j) of Alliant Energy s Notes to Consolidated Financial Statements for additional information relating to recovery mechanisms for electric fuel and purchased power energy costs including proposed changes to the retail rate recovery mechanism in place in Wisconsin for fuel-related costs.

Purchased Power Capacity Costs - Alliant Energy sold its interests in its two nuclear facilities, DAEC and Kewaunee, in January 2006 and July 2005, respectively. Prior to the sale of these facilities, the operating expenses related to the facilities consisted primarily of other operation and maintenance and depreciation and amortization expenses. Upon the sale of the facilities, Alliant Energy entered into PPAs with the new owners of the facilities and its share of the costs associated with these facilities is now recorded as purchased power expense. As a result, there are large nuclear-related variances between periods for these income statement line items, which are somewhat offsetting in nature and also do not capture other benefits from the sales including, among others, the impact of the application of the sales proceeds. Purchased power capacity costs included in Electric production fuel and purchased power expense in the electric margin table above related to the DAEC and Kewaunee PPAs were as follows (in millions):

	2007	2006	2005
DAEC PPA (IPL)	**$132**	$122	$--
Kewaunee PPA (WPL)	**70**	68	30

Unbilled Revenue Estimates - In the second quarter of each year, when weather impacts on electric sales volumes are historically minimal, Alliant Energy refines its estimates of unbilled electric revenues. Adjustments resulting from these refined estimates can increase (e.g. 2006 and 2005) or decrease (e.g. 2007) electric margins reported in the second quarter. Estimated increases (decreases) in Alliant Energy s electric margins from the annual adjustments to unbilled revenue estimates recorded in the second quarter of 2007, 2006 and 2005 were as follows (in millions):

	2007	2006	2005
IPL	**($2)**	$3	$5
WPL	**(4)**	4	--
Alliant Energy	**($6)**	$7	$5

Wholesale Sales - Wholesale and retail sales volumes in 2007 were impacted by IPL s and WPL s sales of their respective electric distribution properties in Illinois in February 2007. Prior to these asset sales, electric revenues and MWhs sold to retail customers in Illinois were included in residential, commercial and industrial sales in the electric margin table above. Upon completion of these asset sales, IPL and WPL entered into separate wholesale agreements to continue to provide electric services to their former retail customers in Illinois. Electric revenues and MWhs sold under these wholesale agreements are included in wholesale sales in the electric margin table above. The lower pricing for wholesale customers as compared to retail customers resulted in a decrease to electric margins following the sale of the electric distribution properties in Illinois.

Wholesale sales volumes were higher in 2005 compared to 2006 largely due to the impacts of weather conditions on wholesale sales demand at WPL. In addition, wholesale revenues were higher in 2005 compared to 2006 due to the impacts of higher fuel-related cost recovery revenues from wholesale customers at WPL in 2005. The changes in revenues caused by changes in fuel-related costs were largely offset by changes in electric production fuel and purchased power expense and therefore did not have a significant impact on electric margins.

Bulk Power and Other Sales - Bulk power and other revenues changes were largely due to changes in revenues from sales in the wholesale energy market operated by MISO, which began on April 1, 2005. These changes in revenues were largely offset by changes in electric production fuel and purchased power expense and therefore did not have a significant impact on electric margins.

Refer to Other Matters - Other Future Considerations for discussion of new ethanol and biodiesel production facilities in Alliant Energy s service territory, which are expected to increase Alliant Energy s future electric sales volumes and new cogeneration facilities being constructed by one of IPL s industrial customers, which are expected to decrease Alliant Energy s future electric sales.

Utility Gas Margins - Gas margins and dekatherm (Dth) sales for Alliant Energy were as follows:

	Revenues and Costs (dollars in millions)					Dths Sold (Dths in thousands)				
	2007	2006	(a)	2005	(b)	**2007**	2006	(a)	2005	(b)
Residential	**$348.6**	$342.8	2%	$358.1	(4%)	**28,137**	26,406	7%	28,554	(8%)
Commercial	**199.0**	198.8	--	202.0	(2%)	**19,417**	18,707	4%	18,763	--
Industrial	**39.4**	38.7	2%	43.8	(12%)	**4,694**	4,498	4%	4,406	2%
Retail subtotal	**587.0**	580.3	1%	603.9	(4%)	**52,248**	49,611	5%	51,723	(4%)
Interdepartmental	**17.4**	19.2								