ALLIANT ENERGY CORP
Form 10-Q
August 04, 2006
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **June 30, 2006**

or

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

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

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

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

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

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

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

Yes o No x

Number of shares outstanding of each class of common stock as of July 31, 2006:

Alliant Energy Corporation	Common stock, $0.01 par value, 117,758,136 shares outstanding
Interstate Power and Light Company	Common stock, $2.50 par value, 13,370,788 shares outstanding (all of which are owned beneficially and of record by Alliant Energy Corporation)
Wisconsin Power and Light Company	Common stock, $5 par value, 13,236,601 shares outstanding (all of which are owned beneficially and of record by Alliant Energy Corporation)

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

ALLIANT ENERGY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2006	2005	**2006**	2005
	(dollars in millions, except per share amounts)			
Operating revenues:				
Utility:				
Electric	**$559.7**	$541.3	**$1,142.7**	$1,040.1
Gas	**83.5**	92.3	**373.6**	337.6
Other	**15.9**	19.4	**37.3**	38.7
Non-regulated	**37.7**	46.8	**74.1**	82.2
	696.8	699.8	**1,627.7**	1,498.6
Operating expenses:				
Utility:				
Electric production fuel and purchased power	**281.0**	242.8	**593.2**	452.1
Cost of gas sold	**47.7**	57.8	**264.0**	236.9
Other operation and maintenance	**149.0**	170.5	**305.7**	351.7
Non-regulated operation and maintenance	**29.6**	41.0	**61.7**	76.3
Depreciation and amortization	**64.5**	81.2	**131.5**	161.3
Taxes other than income taxes	**27.1**	23.3	**53.9**	49.7
	598.9	616.6	**1,410.0**	1,328.0
Operating income	**97.9**	83.2	**217.7**	170.6
Interest expense and other:				
Interest expense	**34.7**	44.2	**74.4**	88.2
Loss on early extinguishment of debt	**-**	-	**90.8**	16.0
Equity income from unconsolidated investments	**(9.5)**	(16.3)	**(23.1)**	(18.6)
Asset valuation charge - Brazil investments	**-**	96.2	**-**	96.2
Allowance for funds used during construction	**(2.3)**	(2.8)	**(4.6)**	(5.4)
Preferred dividend requirements of subsidiaries	**4.7**	4.7	**9.4**	9.4
Interest income and other	**(8.5)**	(8.8)	**(21.9)**	(17.5)
	19.1	117.2	**125.0**	168.3

Income (loss) from continuing operations before income taxes	**78.8**	(34.0)	**92.7**	2.3
Income tax expense (benefit)	**32.7**	(25.3)	**33.5**	(15.7)
Income (loss) from continuing operations	**46.1**	(8.7)	**59.2**	18.0
Loss from discontinued operations, net of tax	**(0.7)**	(50.0)	**(15.4)**	(74.3)
Net income (loss)	**$45.4**	($58.7)	**$43.8**	($56.3)
Average number of common shares outstanding (basic) (000s)	**117,305**	116,283	**117,171**	116,157
Average number of common shares outstanding (diluted) (000s)	**117,689**	116,283	**117,515**	116,500
Earnings per average common share (basic and diluted):				
Income (loss) from continuing operations	**$0.39**	($0.07)	**$0.50**	$0.16
Loss from discontinued operations	**-**	(0.43)	**(0.13)**	(0.64)
Net income (loss)	**$0.39**	($0.50)	**$0.37**	($0.48)
Dividends declared per common share	**$0.2875**	$0.2625	**$0.575**	$0.525

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

ALLIANT ENERGY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

ASSETS	**June 30, 2006**	December 31, 2005
	(in millions)	
Property, plant and equipment:		
Utility:		
Electric plant in service	**$5,995.2**	$5,887.3
Gas plant in service	**689.6**	679.9
Other plant in service	**501.6**	508.5
Accumulated depreciation	**(2,820.8)**	(2,741.7)
Net plant	**4,365.6**	4,334.0
Construction work in progress	**120.7**	134.3
Other, less accumulated depreciation (accum. depr.)	**3.8**	3.2

Total utility	**4,490.1**	4,471.5
Non-regulated and other:		
Non-regulated Generation, less accum. depr.	**276.4**	280.6
Other non-regulated investments, less accum. depr.	**58.1**	60.6
Alliant Energy Corporate Services, Inc. and other, less accum. depr.	**47.3**	53.5
Total non-regulated and other	**381.8**	394.7
	4,871.9	4,866.2
Current assets:		
Cash and temporary cash investments	**141.0**	205.3
Restricted cash	**16.3**	19.4
Accounts receivable:		
Customer, less allowance for doubtful accounts	**110.0**	171.8
Unbilled utility revenues	**86.7**	143.7
Other, less allowance for doubtful accounts	**72.9**	70.5
Production fuel, at average cost	**71.6**	55.7
Materials and supplies, at average cost	**41.0**	38.0
Gas stored underground, at average cost	**44.6**	92.1
Regulatory assets	**96.1**	86.3
Deferred income taxes	**116.7**	12.2
Assets held for sale	**178.0**	802.6
Other	**77.1**	85.8
	1,052.0	1,783.4
Investments:		
Investments in unconsolidated foreign entities	**105.8**	188.6
Investment in American Transmission Company LLC	**161.1**	152.4
Other	**63.1**	89.1
	330.0	430.1
Other assets:		
Regulatory assets	**319.3**	349.2
Deferred charges and other	**282.6**	304.2
	601.9	653.4
Total assets	**$6,855.8**	$7,733.1

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

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

	June 30,	December 31,

CAPITALIZATION AND LIABILITIES	2006	2005
	(in millions, except per share and share amounts)	
Capitalization:		
Common stock - $0.01 par value - authorized 240,000,000 shares; outstanding 117,685,186 and 117,035,793 shares	**$1.2**	$1.2
Additional paid-in capital	**1,804.5**	1,788.7
Retained earnings	**718.8**	742.3
Accumulated other comprehensive loss	**(21.9)**	(84.6)
Shares in deferred compensation trust - 269,626 and 258,214 shares at an average cost of $27.92 and $27.41 per share	**(7.5)**	(7.1)
Total common equity	**2,495.1**	2,440.5
Cumulative preferred stock of subsidiaries, net	**243.8**	243.8
Long-term debt, net (excluding current portion)	**1,474.3**	1,914.8
	4,213.2	4,599.1
Current liabilities:		
Current maturities	**254.3**	151.7
Variable rate demand bonds	**-**	39.1
Commercial paper	**84.0**	263.0
Capital lease obligations	**0.3**	40.5
Accounts payable	**224.1**	355.3
Regulatory liabilities	**102.2**	96.2
Accrued interest	**29.9**	47.4
Accrued taxes	**106.3**	115.1
Liabilities held for sale	**59.5**	328.2
Other	**158.3**	143.8
	1,018.9	1,580.3
Other long-term liabilities and deferred credits:		
Deferred income taxes	**664.7**	529.3
Regulatory liabilities	**586.7**	548.2
Pension and other benefit obligations	**174.8**	256.7
Other	**192.7**	215.0
	1,618.9	1,549.2
Minority interest	**4.8**	4.5
Total capitalization and liabilities	**$6,855.8**	$7,733.1

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

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

	For the Six Months Ended June 30,	
	2006	2005
	(in millions)	
Continuing Operations:		
Cash flows from operating activities:		
Net income (loss)	**$43.8**	($56.3)
Adjustments to reconcile net income to net cash flows from operating activities:		
Loss from discontinued operations, net of tax	**15.4**	74.3
Distributions from discontinued operations	**-**	19.5
Depreciation and amortization	**131.5**	161.3
Other amortizations	**22.3**	28.7
Deferred tax expense (benefit) and investment tax credits	**63.8**	(26.4)
Equity income from unconsolidated investments, net	**(23.1)**	(18.6)
Distributions from equity method investments	**15.8**	11.8
Loss on early extinguishment of debt	**90.8**	16.0
Non-cash valuation charges	**0.2**	99.3
Other	**(23.2)**	(11.9)
Other changes in assets and liabilities:		
Accounts receivable	**98.3**	29.7
Sale of utility accounts receivable	**20.0**	50.0
Gas stored underground	**47.5**	38.3
Regulatory assets	**(26.3)**	(53.7)
Accounts payable	**(106.4)**	10.3
Accrued taxes	**(78.1)**	(17.5)
Benefit obligations and other	**(69.2)**	13.9
Net cash flows from operating activities	**223.1**	368.7
Cash flows from (used for) investing activities:		
Construction and acquisition expenditures:		
Utility business	**(154.5)**	(216.3)
Non-regulated businesses and other	**(8.4)**	(43.4)
Proceeds from asset sales	**592.8**	40.9
Purchases of securities within nuclear decommissioning trusts	**(3.5)**	(21.5)
Sales of securities within nuclear decommissioning trusts	**51.7**	13.0
Changes in restricted cash within nuclear decommissioning trusts	**(19.0)**	1.9
Other	**(14.6)**	(1.1)
Net cash flows from (used for) investing activities	**444.5**	(226.5)
Cash flows used for financing activities:		
Common stock dividends	**(67.3)**	(60.8)
Proceeds from issuance of common stock	**12.8**	12.2
Proceeds from issuance of long-term debt	**39.1**	108.4
Reductions in long-term debt	**(401.9)**	(135.9)
Net change in short-term borrowings	**(179.0)**	8.0
Debt repayment premiums	**(83.0)**	(14.8)
Principal payments under capital lease obligations	**(40.2)**	(6.8)
Net change in loans with discontinued operations	**(5.8)**	(7.7)
Other	**(6.6)**	(6.6)
Net cash flows used for financing activities	**(731.9)**	(104.0)
Net increase (decrease) in cash and temporary cash investments	**(64.3)**	38.2
Cash and temporary cash investments at beginning of period	**205.3**	202.4

Cash and temporary cash investments at end of period	**$141.0**	$240.6
Discontinued Operations:		
Net cash flows used for operating activities	**($8.6)**	($8.3)
Net cash flows used for investing activities	**(2.8)**	(5.4)
Net cash flows from financing activities	**3.5**	1.4
Net decrease in cash and temporary cash investments	**(7.9)**	(12.3)
Cash and temporary cash investments classified as held for sale at beginning of period	**10.7**	62.2
Cash and temporary cash investments classified as held for sale at end of period	**$2.8**	$49.9

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

ALLIANT ENERGY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General - The interim condensed consolidated financial statements included herein have been prepared by Alliant Energy Corporation (Alliant Energy), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (U.S.) of America (GAAP) have been condensed or omitted, although management believes that the disclosures are adequate to make the information presented not misleading. The condensed consolidated financial statements include Alliant Energy and its consolidated subsidiaries (including Interstate Power and Light Company (IPL), Wisconsin Power and Light Company (WPL), Alliant Energy Resources, Inc. (Resources) and Alliant Energy Corporate Services, Inc. (Corporate Services)). These financial statements should be read in conjunction with the financial statements and the notes thereto included in Alliant Energy s, IPL s and WPL s latest combined Annual Report on Form 10-K.

In the opinion of management, all adjustments, which unless otherwise noted are normal and recurring in nature, necessary for a fair presentation of the condensed consolidated results of operations for the three and six months ended June 30, 2006 and 2005, the condensed consolidated financial position at June 30, 2006 and Dec. 31, 2005, and the condensed consolidated statements of cash flows for the six months ended June 30, 2006 and 2005 have been made. Because of the seasonal nature of Alliant Energy s utility operations, results for the three and six months ended June 30, 2006 are not necessarily indicative of results that may be expected for the year ending Dec. 31, 2006. A change in management s estimates or assumptions could have a material impact on Alliant Energy s financial condition and results of operations during the period in which such change occurred. Certain prior period amounts have been reclassified on a basis consistent with the current period presentation. Most reclassifications relate to the reporting of discontinued operations and assets and liabilities held for sale pursuant to Statement of Financial Accounting Standards (SFAS) 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144). Unless otherwise noted, the notes herein have been revised to exclude discontinued operations and assets and liabilities held for sale for all periods presented.

(b) Regulatory Assets and Liabilities -

Duane Arnold Energy Center (DAEC) Sale - In January 2006, IPL completed the sale of its 70% ownership interest in DAEC and recognized a gain based on the terms of the sale agreement. Pursuant to the Iowa Utilities Board (IUB) order approving the sale, the gain resulting from the sale was used to establish a regulatory liability. The regulatory liability is subject to change pending regulatory review. The regulatory liability will be used to offset allowance for funds used during construction for future investments in new generation sited in Iowa and accretes interest at the monthly average U.S. Treasury rate for three-year maturities. At June 30, 2006, the regulatory liability related to the gain on the sale, including accrued interest, was $64.1 million and is reflected in Other long-term liabilities and deferred credits - regulatory liabilities on Alliant Energy s and IPL s Condensed Consolidated Balance Sheets. IPL also recognized changes in certain tax-related regulatory assets due to the tax impacts of the DAEC sale, which resulted in a $30.0 million reduction in Other assets - regulatory assets on Alliant Energy s and IPL s Condensed Consolidated Balance Sheets during the first half of 2006. Refer to Notes 3, 5(a) and 12 for additional information regarding the DAEC sale.

Fuel Cost Recovery - In 2005, WPL filed for a fuel-related rate increase of $96 million with the Public Service Commission of Wisconsin (PSCW) and an interim increase of such amount was granted and effective in the fourth quarter of 2005. Fuel-related costs decreased during the first half of 2006 and are currently projected to be lower than the cost estimates used to set interim rates. These decreases in fuel-related costs may result in final rates granted being lower than interim rates, which would require WPL to refund a portion of the interim rates collected. At June 30, 2006, WPL had recorded a reserve for rate refund and associated interest, based on interim rates collected to date, of $37.5 million, which is reflected as a liability in Current liabilities - regulatory liabilities on Alliant Energy s and WPL s Condensed Consolidated Balance Sheets.

Kewaunee Nuclear Power Plant (Kewaunee) Decommissioning Trust Assets - In April 2006, WPL received approval from the Federal Energy Regulatory Commission (FERC) to refund the wholesale portion of the Kewaunee-related non-qualified decommissioning trust assets to WPL s wholesale customers. In May 2006, WPL liquidated its remaining nuclear decommissioning trust funds and refunded $21.5 million to its wholesale customers, resulting in a decrease in Investments - other and Current liabilities - regulatory liabilities on Alliant Energy s and WPL s Condensed Consolidated Balance Sheets.

Coal Delivery Disruptions - WPL received approval from the PSCW to defer, beginning Aug. 3, 2005, incremental purchased power energy costs associated with coal conservation efforts at WPL due to coal delivery disruptions. At June 30, 2006 and Dec. 31, 2005, the retail portion of these incremental costs was $20.8 million and $12.3 million, respectively, which is reflected in Other assets - regulatory assets on Alliant Energy s and WPL s Condensed Consolidated Balance Sheets.

Derivatives - Refer to Note 8(a) for information regarding changes in IPL s and WPL s regulatory assets and liabilities during the first half of 2006 due to changes in the fair value of their derivative instruments.

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

	Three Months		Six Months	
	2006	2005	**2006**	2005
Weighted average common shares outstanding:				
Basic EPS calculation	**117,305**	116,283	**117,171**	116,157
Effect of dilutive securities	**384**	--	**344**	343
Diluted EPS calculation	**117,689**	116,283	**117,515**	116,500

As a result of Alliant Energy incurring a loss from continuing operations for the three months ended June 30, 2005, 347,225 of potential incremental common shares were excluded from the calculation of diluted EPS for that period because the effect would have been anti-dilutive.

In addition, the following options to purchase shares of common stock were excluded from the calculation of diluted EPS as the exercise prices were greater than the average market price for the three and six months ended June 30:

	Three Months		Six Months	
	2006	2005	**2006**	2005
Options to purchase shares of common stock	**--**	2,928,981	**--**	3,005,351
Weighted average exercise price of options excluded	**$--**	$29.46	**$--**	$29.47

(d) Property, Plant and Equipment - Effective Jan. 1, 2006, IPL implemented new depreciation rates as a result of a recently completed depreciation study. IPL s average rates of depreciation for the three and six months ended June 30, 2006 were 2.8% and 2.7%, respectively, for electric properties and 2.9% and 2.8%, respectively, for gas properties. IPL s average rates of depreciation for the three and six months ended June 30, 2005 were 3.5% for both periods for electric properties and 2.6% for both periods for gas properties.

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

	Three Months		Six Months	
	2006	2005	**2006**	2005
Interest income:				
From loans to discontinued operations	**($1.5)**	($4.9)	**($4.9)**	($11.3)
Other	**(4.1)**	(3.5)	**(8.0)**	(5.8)
Currency transaction gains, net	**(3.1)**	(0.4)	**(13.8)**	(0.4)
Loss on sale of Brazil investments	**--**	--	**4.8**	--
Other	**0.2**	--	**--**	--
	($8.5)	($8.8)	**($21.9)**	($17.5)

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

	2006	2005
Cash paid during the period for:		
Interest, net of capitalized interest	**$89.6**	$89.2
Income taxes, net of refunds	**60.6**	17.5
Noncash investing and financing activities:		
Debt assumed by buyer of China generating facilities	**13.7**	--
Capital lease obligations incurred	**--**	1.2

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(f) New Accounting Pronouncements - In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. (FIN) 48, Accounting for Uncertainty in Income Taxes (FIN 48), which clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with SFAS 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Alliant Energy is required to adopt FIN 48 on Jan. 1, 2007 and is evaluating the implications of FIN 48 on its financial condition and results of operations.

Refer to Note 5(b) for discussion of SFAS 123(R), Share-Based Payment (SFAS 123(R)), and historical pro forma impacts of share-based compensation expense on net income.

(2) COMPREHENSIVE INCOME

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

	Three Months		Six Months	
	2006	2005	**2006**	2005
Net income (loss)	**$45.4**	($58.7)	**$43.8**	($56.3)
Unrealized holding gains (losses) on securities, net of tax	**(2.1)**	0.9	**(0.4)**	0.1
Less: reclassification adjustment for losses included in net income (loss), net of tax	**--**	(0.2)	**--**	(0.3)
Net unrealized gains (losses) on securities	**(2.1)**	1.1	**(0.4)**	0.4
Foreign currency translation adjustments, net of tax	**(0.3)**	(30.4)	**(2.1)**	(29.2)
Less: reclassification adjustment for gains (losses) included in net income (loss), net of tax	**0.1**	--	**(51.8)**	--
Net foreign currency translation adjustments	**(0.4)**	(30.4)	**49.7**	(29.2)
Minimum pension liability adjustments, net of tax	**--**	--	**13.0**	--
Unrealized holding gains on qualifying derivatives, net of tax	**--**	0.9	**0.2**	0.6
Less: reclassification adjustment for losses included in net income (loss), net of tax	**--**	--	**(0.2)**	--
Net unrealized gains on qualifying derivatives	**--**	0.9	**0.4**	0.6
Other comprehensive income (loss)	**(2.5)**	(28.4)	**62.7**	(28.2)
Comprehensive income (loss)	**$42.9**	($87.1)	**$106.5**	($84.5)

(3) INCOME TAXES

The provision for income taxes for earnings from continuing operations is based on an estimated annual effective tax rate that excludes the impact of significant unusual or infrequently occurring items, discontinued operations or extraordinary items. The effective tax rate typically differs from the federal statutory rate of 35% principally due to state income taxes, the impact of foreign income and associated tax, tax credits, effects of utility ratemaking and certain non-deductible expenses. In addition, the provision for income taxes for earnings from continuing operations for the six months ended June 30, 2006 included $7 million of income tax benefits recorded in the first quarter of 2006 related to the sale of IPL s interest in DAEC. These income tax benefits included the recognition of the unamortized balance of deferred investment tax credits and the reversal of excess deferred taxes related to DAEC property, plant and equipment. Pursuant to the IUB order approving the DAEC sale, these income tax benefits were excluded from the regulatory liability established upon the sale. Refer to Notes 1(b), 5(a) and 12 for further discussion of the DAEC sale. The provision for income taxes for earnings from continuing operations recorded in the second quarter of 2005 included the reversal of approximately $8 million of deferred tax asset valuation allowances originally recorded in 2004 related to a change in Alliant Energy s anticipated ability to utilize certain capital losses prior to their expiration.

In the first half of 2006, Alliant Energy reclassified $112 million of deferred tax assets from Other long-term liabilities and deferred credits - deferred income taxes to Current assets - deferred income taxes. The deferred tax assets included in Current assets - deferred income taxes represent the amount of deferred tax benefits from tax carryforwards related to capital losses and net operating losses that Alliant Energy anticipates will be utilized within the next 12 months.

(4) SALES OF ACCOUNTS RECEIVABLE

In April 2006, IPL extended its utility customer accounts receivable sale program agreement through October 2006 and increased the maximum amount of receivables it can sell under the agreement from $125 million to $200 million. At June 30, 2006 and Dec. 31, 2005, IPL had sold $120 million and $100 million of utility customer accounts receivable, respectively.

(5) BENEFIT PLANS

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

	Pension Benefits				Other Postretirement Benefits			
	Three Months		Six Months		Three Months		Six Months	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
Service cost	**$5.9**	$5.1	**$11.6**	$10.1	**$2.4**	$3.5	**$5.3**	$6.4
Interest cost	**12.4**	11.8	**25.0**	23.7	**3.5**	4.0	**7.1**	8.0
Expected return on plan assets	**(14.4)**	(13.6)	**(28.9)**	(27.3)	**(1.9)**	(1.8)	**(3.7)**	(3.5)
Amortization of:								
Transition obligation (asset)	**(0.1)**	(0.1)	**(0.1)**	(0.2)	**0.3**	0.5	**0.7**	1.0
Prior service cost	**0.8**	0.9	**1.6**	1.8	**(0.5)**	(0.2)	**(0.8)**	(0.5)
Actuarial loss	**2.9**	2.2	**6.3**	4.4	**1.0**	1.6	**2.2**	3.2
Income statement impacts	**7.5**	6.3	**15.5**	12.5	**4.8**	7.6	**10.8**	14.6
DAEC curtailment loss (gain)	**--**	--	**0.7**	--	**--**	--	**(0.3)**	--
DAEC settlement gain, net	**--**	--	**(5.4)**	--	**--**	--	**(4.1)**	--
Special termination benefits	**--**	0.5	**--**	0.5	**--**	1.2	**--**	1.2
	$7.5	$6.8	**$10.8**	$13.0	**$4.8**	$8.8	**$6.4**	$15.8

The impacts of the DAEC curtailment and settlement for the six-month periods in the above table resulted from FPL Energy Duane Arnold, LLC (FPL Energy) assuming certain DAEC employee pension and other postretirement benefit obligations and certain pension assets transferred to FPL Energy in connection with the DAEC sale in January 2006. The DAEC curtailment loss (gain) represents the unrecognized prior service cost attributable to DAEC employees who transferred to FPL Energy. The net DAEC settlement gain of $9.5 million represents accumulated benefit obligations of $29.5 million attributable to the transferred DAEC employees less pension assets transferred at closing of $13.2 million and recognition of settlement losses of $6.8 million relating to previously unrecognized actuarial losses and transition assets. The impacts of the DAEC curtailment and settlement were included as a component of the regulatory liability recorded with the DAEC sale and did not have an impact on Alliant Energy s or IPL s results of operations for the three and six months ended June 30, 2006. Refer to Notes 1(b), 3 and 12 for further discussion of the DAEC sale.

As result of the DAEC sale and certain amendments to Alliant Energy s cash balance plan in the first quarter of 2006, Alliant Energy, IPL and WPL remeasured the assets and liabilities of certain of their qualified pension plans utilizing a 5.75% discount rate to calculate benefit obligations and their future net periodic pension costs. Alliant Energy, IPL and WPL utilized a 5.5% discount rate on their previous measurement date of Sep. 30, 2005. Alliant Energy, IPL and WPL did not modify any other key assumptions upon the remeasurements. The remeasurements of the qualified pension plans in the first quarter of 2006 resulted in the following decreases to certain amounts included on the Condensed Consolidated Balance Sheets (in millions):

	Alliant Energy	IPL	WPL
Additional minimum liability	$27.6	$21.8	$5.8
Intangible asset	1.3	1.2	0.1
Regulatory asset	5.1	--	5.1
Deferred income tax assets	8.2	7.9	0.4
Accumulated other comprehensive loss, net of tax	13.0	12.7	0.2

Alliant Energy estimates that funding for the pension and other postretirement benefits plans for 2006 will be approximately $80 million and $11 million, of which $78 million and $6 million, respectively, has been contributed through June 30, 2006.

(b) Equity Incentive Plans - On Jan. 1, 2006, Alliant Energy adopted SFAS 123(R), which requires share-based payments to employees to be recognized in the financial statements based on their fair values. Alliant Energy used the modified prospective transition method for the adoption, which resulted in no changes to Alliant Energy s financial statements for prior periods. The impacts of adoption did not have a material impact on Alliant Energy s financial condition or results of operations. The impact to Alliant Energy in periods subsequent to the adoption of SFAS 123(R) will largely be dependent upon the nature of any new share-based compensation awards issued to employees and the achievement of certain performance and market conditions related to such awards.

Alliant Energy has an Amended and Restated 2002 Equity Incentive Plan (EIP) that permits the grant of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and performance units to key employees. At June 30, 2006, non-qualified stock options, restricted stock and performance shares were outstanding under the EIP and a predecessor plan under which new awards can no longer be granted. At June 30, 2006, approximately 3.2 million shares remained available for grants under the EIP. Alliant Energy satisfies payouts related to equity awards under the EIP through the issuance of new shares of its common stock.

For the three and six months ended June 30, 2006, Alliant Energy recognized $3.3 million and $8.5 million of share-based compensation expense related to grants under the EIP and $1.3 million and $3.2 million of related income tax benefits, respectively. As of June 30, 2006, total unrecognized compensation cost related to all share-based compensation awards was $9.6 million, which is expected to be recognized over a weighted average period of two years. Share-based compensation expense is recognized on a straight-line basis over the requisite service periods.

Performance Shares - Performance share payouts to key employees are contingent upon achievement over three-year periods of specified goals, which currently include metrics of total shareowner return relative to an investor-owned utility peer group. Nonvested performance share payouts are prorated at retirement based on time worked during the performance period and results of the performance criteria. Participants nonvested performance shares are forfeited if the participant voluntarily leaves Alliant Energy for reasons other than retirement. Performance shares can be paid out in shares of Alliant Energy s common stock, cash or a combination of cash and stock and are modified by a performance multiplier, which ranges from zero to two based on the performance criteria. Alliant Energy anticipates all future payouts to be in the form of cash; therefore, performance shares were accounted for as liability awards at June 30, 2006. A summary of the performance shares activity for the six months ended June 30 was as follows:

	2006 Shares *	2005 Shares *
Nonvested shares at Jan. 1	**380,168**	407,680
Granted	**122,166**	115,604
Vested	**(133,552)**	--
Forfeited	**(91,252)**	(128,372)
Nonvested shares at June 30	**277,530**	394,912

* Share amounts represent the target number of performance shares. Actual number of shares paid out, if vested, is dependent upon actual performance and may range from zero to 200% of the number of target shares.

Information related to nonvested performance shares and their fair values at June 30, 2006, by year of grant, was as follows:

	2006	2005	2004
Nonvested performance shares	89,879	83,577	104,074
Fair values of each nonvested performance share	$47.58	$46.28	$54.65

At June 30, 2006, fair values of nonvested performance shares were calculated using a Monte Carlo simulation to determine the anticipated total shareowner returns of Alliant Energy and its investor-owned utility peer group. Expected volatility was based on historical volatilities using daily stock prices over the past three years. Expected dividend yields were calculated based on the most recent quarterly dividend payments prior to the measurement date and stock prices at the measurement date. The risk-free interest rate is based on the three-year U.S. Treasury rate in effect as of the measurement date.

In the first quarter of 2006, Alliant Energy paid out $6.5 million in a combination of cash and stock related to the performance shares granted in 2003. Alliant Energy did not make any payments related to performance shares during 2005.

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

Time-based restricted stock - Restriction periods vary for each issuance of time-based restricted stock and currently range from three to five years. Nonvested shares of time-based restricted stock generally become vested upon retirement, except for certain shares that were awarded for retention purposes that are forfeited upon retirement. Compensation costs related to awards granted to retirement-eligible employees are generally expensed on the date of grant. Participants nonvested time-based restricted stock is forfeited if the participant voluntarily leaves Alliant Energy for reasons other than retirement. The fair value of time-based restricted stock is based on the average market price at the grant date. A summary of the time-based restricted stock activity for the six months ended June 30 was as follows:

	2006		2005	
		Weighted Average		Weighted Average
	Shares	**Fair Value**	Shares	Fair Value
Nonvested shares at Jan. 1	**166,624**	**$27.11**	77,285	$25.55
Granted during first quarter	**44,875**	**29.84**	48,850	27.48
Vested	**(20,813)**	**26.24**	(9,418)	26.06
Forfeited	**--**	**--**	(500)	25.41
Nonvested shares at June 30	**190,686**	**27.85**	116,217	26.32

The total fair value of time-based restricted stock vested during the three and six months ended June 30, 2006 was $0.1 million and $0.5 million, respectively, and during the three and six months ended June 30, 2005 was $0.1 million and $0.2 million, respectively.

Performance-contingent restricted stock - Payouts of performance-contingent restricted stock grants are based on the achievement of certain performance targets (currently specified EPS growth). If performance targets are not met within the performance period, which currently ranges from two to four years, these restricted stock grants are forfeited. Nonvested shares of performance-contingent restricted stock are prorated at retirement based on time worked during the performance period and vest only if and when the performance criteria are met. Participants nonvested performance-contingent restricted stock is forfeited if the participant voluntarily leaves Alliant Energy for reasons other than retirement. The fair value of performance-contingent restricted stock is based on the average market price at the grant date. A summary of the performance-contingent restricted stock activity for the six months ended June 30 was as follows:

	2006		2005	
		Weighted Average		Weighted Average
	Shares	**Fair Value**	Shares	Fair Value
Nonvested shares at Jan. 1	**70,489**	**$28.04**	--	$--
Granted during first quarter	**79,074**	**28.19**	74,723	28.04

Forfeited	**--**	**--**	(4,234)	28.04
Nonvested shares at June 30	**149,563**	**28.12**	70,489	28.04

Non-qualified Stock Options - Options granted to date under the plans were granted at the market price of the shares on the date of grant, vest over three years and expire no later than 10 years after the grant date. Options become fully vested upon retirement and remain exercisable at any time prior to their expiration date or for three years after the effective date of the retirement, whichever period is shorter. Options become fully vested upon death or disability and remain exercisable at any time prior to their expiration date or for one year after the effective date of the death or disability, whichever period is shorter. Participants options that are not vested become forfeited if participants leave Alliant Energy and their vested options expire after three months. Alliant Energy has not granted any options since 2004. The fair value of stock options on the date of grant was based on the Black-Scholes pricing model. A summary of the stock option activity for the six months ended June 30, 2006 was as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Outstanding at Jan. 1, 2006	3,663,813	$27.08		
Exercised	(488,489)	24.78		
Expired	(41,650)	30.75		
Outstanding at June 30, 2006	3,133,674	27.39	5 years	$21.6
Exercisable at June 30, 2006	3,030,850	27.47	5 years	20.7

Alliant Energy had the following nonvested stock options as of June 30, 2006:

	Options	Weighted Average Exercise Price
Nonvested at Jan. 1, 2006	543,403	$21.60
Vested	(440,579)	20.76
Nonvested at June 30, 2006	102,824	25.21

Other information related to st