SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
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FILER

WISCONSIN POWER & LIGHT CO

CIK:**107832**| IRS No.: **390714890** | State of Incorp.:**WI** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-00337** | Film No.: **96666416**
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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1996

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 0-337

WISCONSIN POWER AND LIGHT COMPANY
(Exact name of registrant as specified in its charter)

Wisconsin	39-0714890
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
222 West Washington Avenue, Madison, Wisconsin	53703
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code 608-252-3311

Indicate by check mark whether the registrant (1) has 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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock Outstanding at September 30, 1996: 13,236,601 shares

CONTENTS

<TABLE>

WISCONSIN POWER AND LIGHT COMPANY AND SUBSIDIARIES
Consolidated Balance Sheets

<CAPTION>

<S>	September 30, 1996	September 30, 1995	December 31, 1995
	(Thousands of Dollars)		
	<C>	<C>	<C>
ASSETS			
UTILITY PLANT:			
Plant in service--			
Electric	$ 1,700,226	$ 1,648,378	$ 1,666,134
Gas	223,889	212,475	217,678
Water	23,818	22,192	22,518
Common	144,567	130,954	136,943
	2,092,500	2,013,999	2,043,273
Less: Accumulated provision for depreciation	951,086	869,343	887,562
	1,141,414	1,144,656	1,155,711
Construction work in progress	71,360	34,758	36,996
Nuclear fuel, net	18,191	15,209	18,867
Total utility plant	1,230,965	1,194,623	1,211,574
OTHER PROPERTY AND EQUIPMENT, net	1,391	19,047	22,275
INVESTMENTS:			
Nuclear decommissioning trust funds	85,473	66,559	73,357
Other investments	13,712	12,316	12,488
	99,185	78,875	85,845
CURRENT ASSETS:			
Cash and equivalents	2,808	855	4,671
Accounts receivable less allowance for doubtful accounts of $45, $ 209, and $ 0, respectively	13,393	9,886	33,971
Coal, at average cost	18,337	17,106	14,625
Materials and supplies, at average cost	21,202	20,481	20,611
Gas in storage, at average cost	11,075	8,244	6,319
Prepayments and other	23,773	23,744	21,190
Total current assets	90,588	80,316	101,387
OTHER ASSETS:			
Regulatory assets	164,781	159,319	171,699
Deferred charges and other	50,007	60,685	48,385
Total other assets	214,788	220,004	220,084
TOTAL ASSETS	$ 1,636,917	$ 1,592,865	$ 1,641,165
CAPITALIZATION AND LIABILITIES			
Common stock, $5 par value, authorized-- 18,000,000 shares; issued and outstanding--13,236,601 shares	$ 66,183	$ 66,183	$ 66,183
Premium on capital stock and capital surplus	199,170	199,170	199,170
Reinvested earnings	321,008	287,392	297,717
Total common equity	586,361	552,745	563,070
PREFERRED STOCK WITHOUT MANDATORY REDEMPTION:			
Cumulative, without par value, authorized 3,750,000 shares maximum aggregate			

stated value $150,000,000;			
Cumulative, without par value, $100 stated value, 449,765 shares outstanding	44,977	44,977	44,977
Cumulative, without par value, $25 stated value, 599,460 shares outstanding	14,986	14,986	14,986
Total preferred stock	59,963	59,963	59,963
FIRST MORTGAGE BONDS, NET	313,645	318,585	318,599
Total capitalization	959,969	931,293	941,632
CURRENT LIABILITIES:			
Variable rate demand bonds	56,975	56,975	56,975
Short-term debt	36,500	54,500	72,500
Accounts payable	74,694	69,112	82,428
Accrued payroll and vacation	12,644	12,151	11,011
Accrued taxes	7,230	9,681	7,795
Accrued interest	5,042	5,246	7,574
Other	37,463	17,831	22,356
Total current liabilities	230,548	225,496	260,639
OTHER LIABILITIES AND CREDITS:			
Accumulated deferred income taxes	239,168	229,994	239,812
Accumulated deferred investment tax credits	37,409	39,321	38,842
Accrued environmental remediation costs	76,046	78,454	76,852
Other	93,777	88,307	83,388
Total other liabilities and credits	446,400	436,076	438,894
TOTAL CAPITALIZATION AND LIABILITIES	$ 1,636,917	$ 1,592,865	$ 1,641,165

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

<TABLE>

WISCONSIN POWER AND LIGHT COMPANY AND SUBSIDIARIES
Consolidated Statements of Income

<CAPTION>

	Three Months Ended, September 30,		Twelve Months Ended, September 30,	
	1996	1995	1996	1995
	(Thousands of Dollars)			
<S>	<C>	<C>	<C>	<C>
OPERATING REVENUES:				
Electric	$ 153,587	$ 150,708	$ 577,545	$ 539,358
Gas	10,827	13,601	158,476	130,855
Water	1,122	1,172	4,159	4,184
	165,536	165,481	740,180	674,397
OPERATING EXPENSES:				
Electric production fuels	30,419	30,660	114,585	117,423
Purchased power	22,201	14,936	67,698	39,664
Purchased gas	6,398	8,108	97,104	81,111
Other operation	34,887	32,069	134,397	147,647
Maintenance	10,746	9,793	39,439	42,903
Depreciation	21,111	20,329	85,215	77,434
Taxes --				
Current federal income	6,748	7,962	38,504	27,446
Deferred income taxes	1,923	3,910	6,334	9,885
Investment tax credit (restored)	(478)	(479)	(1,913)	(1,919)
Current state income	1,665	2,223	9,258	7,032
Property, payroll & other	7,149	6,908	29,276	27,620
	142,769	136,419	619,897	576,246
OPERATING INCOME	22,767	29,062	120,283	98,151

OTHER INCOME AND (DEDUCTIONS):				
Allowance for equity funds used during construction	494	454	1,650	2,394
Other, net	640	511	6,644	(1,326)
Current income tax	(381)	(188)	(5,033)	310
Deferred income tax	(42)	15	2,383	(104)
	711	792	5,644	1,274
INCOME BEFORE INTEREST EXPENSE	23,478	29,854	125,927	99,425
INTEREST EXPENSE:				
Interest on bonds	6,705	6,798	26,984	29,020
Allowance for borrowed funds used during construction (credit)	(247)	(152)	(971)	(703)
Other	1,040	1,256	5,490	3,535
	7,498	7,902	31,503	31,852
NET INCOME	15,980	21,952	94,424	67,573
PREFERRED STOCK DIVIDENDS	828	828	3,310	3,311
NET INCOME AFTER PREFERRED STOCK DIVIDENDS	$ 15,152	$ 21,124	$ 91,114	$ 64,262

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

<TABLE>

WISCONSIN POWER AND LIGHT COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

<CAPTION>

	Three Months Ended September 30, 1996	Three Months Ended September 30, 1995	Twelve Months Ended September 30, 1996	Twelve Months Ended September 30, 1995
	(Thousands of Dollars)			
<S>	<C>	<C>	<C>	<C>
Cash flows from (used for) operating activities:				
Net income	$ 15,980	$ 21,952	$ 94,424	$ 67,573
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation	21,111	20,329	85,215	77,434
Amortization of nuclear fuel	1,727	2,165	8,274	7,538
Gain on sale of other property and equipment	-	-	(5,676)	-
Deferred income tax and investment tax credit	1,403	3,374	4,405	8,071
Allowance for equity funds used during construction	(494)	(454)	(1,650)	(2,394)
Changes in assets and liabilities:				
Net accounts receivable and unbilled revenues	3,853	2,887	(3,507)	3,448
Production fuels, materials and supplies	(3,687)	(3,857)	(1,952)	(1,033)
Gas in storage	(6,460)	(3,066)	(2,831)	2,165
Prepayments and other	1,884	3,410	(28)	(3,330)
Accounts payable and accruals	12,669	2,402	5,871	15,800
Accrued taxes	(7,470)	904	(2,451)	(6,694)
Other, net	(787)	9,853	1,911	44,728
Net cash generated from (used for) operating activities	39,729	59,899	182,005	213,306
Cash flows from (used for) financing activities:				
Common stock cash dividends	(14,367)	(14,148)	(57,497)	(56,631)
Preferred stock dividends	(828)	(828)	(3,310)	(3,311)
Net change in short term debt	13,500	(13,500)	(18,000)	22,500
Retirement of first mortgage bonds	-	-	(5,011)	(17,990)
Equity contribution from parent	-	-	-	182
Net cash from (used for) financing activities	(1,695)	(28,476)	(83,818)	(55,250)

Cash flows from (used for) investing activities:				
Sale of other property and equipment	-	-	36,264	-
Additions to utility plant, excluding AFUDC	(34,202)	(21,247)	(125,158)	(127,205)
Allowance for borrowed funds used during construction	(247)	(152)	(971)	(703)
Dedicated decommissioning funds	(726)	(2,217)	(18,914)	(14,656)
Other, net	(6,917)	(10,889)	12,545	(18,935)
Net cash from (used for) investing activities	(42,092)	(34,505)	(96,234)	(161,499)
Net increase (decrease) in cash and equivalents	(4,058)	(3,082)	1,953	(3,443)
Cash and equivalents at beginning of period	6,866	3,937	855	4,298
Cash and equivalents at end of period	$ 2,808	$ 855	$ 2,808	$ 855
Supplemental disclosures of cash flow information:				
Cash paid during the period for:				
Interest - debt	$ 9,415	$ 9,131	$ 30,935	$ 30,675
Income taxes	$ 2,005	$ 8,311	$ 26,683	$ 22,159

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The consolidated financial statements included herein have been prepared by Wisconsin Power & Light Company (the "Company" or "WP&L"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The consolidated financial statements include the Company and its wholly owned consolidated subsidiaries. The Company is a subsidiary of WPL Holdings, Inc. These financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's latest Annual Report on Form 10-K.

In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of (a) the consolidated results of operations for the three and twelve month periods ended September 30, 1996 and 1995, (b) the consolidated financial position at September 30, 1996 and 1995 and December 31, 1995, and (c) the consolidated statement of cash flows for the three and twelve month periods ended September 30, 1996 and 1995 have been made.

2. During the first quarter of 1996, the Financial Accounting Standards Board issued an Exposure Draft on Accounting for Liabilities Related to Closure and Removal of Long-Lived Assets which deals with, among other issues, the accounting for decommissioning costs. If current electric utility industry accounting practices for such decommissioning are changed: (1) annual provisions for decommissioning could increase, (2) the estimated cost for decommissioning could be recorded as a liability rather than as accumulated depreciation, with recognition of an increase in the recorded amount of nuclear plant, and (3) trust fund income from the external decommissioning trusts could be reported as investment income rather than as a reduction to decommissioning expense. Given the preliminary nature of the

process, the Company cannot currently determine what impact, if any, this process may have on the Company's financial condition or results of operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 1996 VS. SEPTEMBER 30, 1995:

The Company reported consolidated third quarter net income of $16.0 million compared to $22.0 million for the same period in 1995. The impact of cooler summer weather on higher-margin residential electric sales combined with an increase in operations and maintenance expense resulted in lower earnings compared with the same quarter in 1995.

<TABLE>
Electric Operations
<CAPTION>

	Revenues and Costs (In Thousands) 1996	1995	% Change	kWhs Sold (In Thousands) 1996	1995	% Change	Customers at End of Quarter 1996	1995	% Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Residential and Farm	$50,863	$55,870	(9)%	758,394	843,617	(10)%	336,221	330,229	2%
Industrial	36,789	36,497	1%	1,025,866	1,001,149	2%	816	791	3%
Commercial	28,150	28,704	(2)%	493,528	502,534	(2)%	45,558	44,575	2%
Wholesale and Class A	36,134	29,374	23%	1,371,639	831,530	65%	93	81	15%
Other	1,651	263	528%	13,193	12,065	9%	1,741	1,503	16%
Total	153,587	150,708	2%	3,662,620	3,190,895	15%	384,429	377,179	2%
Electric Production Fuels	30,419	30,660	(6%)						
Purchased Power	22,201	14,936	49%						
Margin	$100,967	$105,112	(4)%						

</TABLE>

Electric revenues increased $2.9 million, or 2 percent, as compared to the third quarter of 1995. The increase was the result of a 15 percent increase in kWh sales primarily due to increased bulk power sales and continued customer growth during the third quarter of 1996.

Electric margin decreased $4.1 million, or 4 percent, during the third quarter of 1996 compared to the third quarter of 1995 primarily due to a change in the mix of sales from higher margin residential customers to lower margin bulk power sales. The decline in residential sales reflects a much cooler summer in 1996 as compared to the extreme heat experienced in the summer of 1995. The decrease in residential and commercial revenues was offset somewhat by opportunities for the Company to increase its sales of power to other utilities. The 49 percent increase in purchased power expense reflects both increased sales and the availability of competitively priced off-system power.

<TABLE>
Gas Operations
<CAPTION>

	Revenues and Costs (In Thousands) 1996	1995	% Change	Therms Sold (In Thousands) 1996	1995	% Change	Customers at End of Quarter 1996	1995	% Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Residential and									

Farm	$5,576	$5,177	8%	7,564	7,761	(3)%	132,084	127,428	4%
Firm	3,625	3,474	4%	6,659	7,433	(10)%	16,169	15,698	3%
Interruptible	377	357	6%	987	1,134	(13)%	247	226	9%
Transport. and Other	1,249	4,593	(73)%	38,044	36,319	5%	254	255	(0)%
Total	10,827	13,601	(20)%	53,254	52,647	1%	148,754	143,607	4%
Purchased Gas	6,398	8,108	(21)%						
Margin	4,429	5,493	(19)%						

</TABLE>

Gas revenues decreased $2.8 million, or 20 percent, in the third quarter of 1996 as compared to 1995. A somewhat milder third quarter of 1996 resulted in a 3 percent decease in high margin residential sales. In addition, a change in the sales mix, on a therms sold basis, resulted in a 10 and 13 percent decrease in firm and interruptible sales, respectively, with a 5 percent increase in transportation sales. The gas incentive program authorized by the Public Service Commission of Wisconsin (PSCW) resulted in additional earnings of $0.2 million pre-tax during the third quarter of 1996 compared with a slight loss for the same period in 1995. Growth in the economic service territory resulted in a 4 percent increase in customers.

The review of the gas incentive program for 1995 by the PSCW was completed and will result in a November 1996 refund to residential natural gas customers of $3.3 million. The full amount of the refund will be reflected in the financial results in the fourth quarter 1996, which is expected to have no material impact on earnings.

Other Operation and Maintenance

Other operations and maintenance expense increased $3.8 million. Merger expenses of $1.6 million were recorded in the third quarter of 1996. In addition, both employee welfare plan expense and Kewaunee maintenance expenses increased in the third quarter of 1996 compared with the same period in 1995.

Income Taxes

Income taxes decreased between third quarters consistent with lower taxable income.

TWELVE MONTHS ENDED SEPTEMBER 30, 1996 VS. SEPTEMBER 30, 1995:

The Company reported consolidated net income of $94.4 million for the twelve months ended September 30, 1996, as compared to $67.6 million for the same period in 1995. Weather-driven sales growth along with continued customer growth in the service territory contributed to increased electric and gas margins as compared with the twelve months ended September 30, 1995. In addition, a $3.4 million after-tax gain on the sale of a combustion turbine was recognized during the twelve months ended September 30, 1996. Other operation expense decreased primarily due to higher early retirement and severance expenses during the twelve-month period ended September 30, 1995, and a shift in the refueling cycle at Kewaunee from the second quarter of 1995 to the end of the third quarter of 1996.

<TABLE>
Electric Operations
<CAPTION>

	Revenues and Cost (In Thousands) 1996	1995	% Change	kWh Sold (In Thousands) 1996	1995	% Change	Customers at End of Quarter 1996	1995	% Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Residential and									

Farm	$199,134	$199,344	-	2,928,103	2,918,306	-	336,221	330,229	2%
Industrial	143,780	140,867	2%	3,957,926	3,868,308	2%	816	791	3%
Commercial	104,037	101,852	2%	1,800,120	1,744,523	3%	45,558	44,575	2%
Wholesale and Class A	124,330	89,937	38%	4,818,134	2,747,997	75%	93	81	15%
Other	6,264	7,358	(15)%	57,338	53,459	7%	1,741	1,503	16%
	-------	-------		----------	----------		-------	-------	
Total	577,545	539,358	7%	13,561,621	11,332,593	20%	384,429	377,179	2%
	-------	-------		==========	==========		=======	=======	
Electric production fuels	114,585	117,423	(2)%						
Purchased Power	67,698	39,664	71%						
	-------	-------							
Margin	$395,262	$382,271	3%						
	=======	=======							

</TABLE>

Electric revenues increased $38.2 million, or 7 percent, as compared to the twelve months ended September 30, 1995. The increase was the result of a 20 percent increase in kWh sales primarily due to higher sales to other utilities, colder winter weather in 1996, and customer growth.

Electric margin increased $13.0 million, during the twelve months ended September 30, 1996, compared to the same period in 1995. Higher sales to commercial and industrial customers as well as other utilities combined with reduced costs per kWh for electric production fuels and purchased power resulted in a 3 percent increase in electric margin. Although total fuel and purchased power costs declined on a per kWh basis, purchased power expense increased by 71 percent. This increase is due to the Company's higher level of sales to other utilities as well as the opportunity to purchase low cost energy. Partially offsetting increased purchased power costs are slightly lower delivered coal and nuclear fuel costs per kWh.

<TABLE>
Gas Operations
<CAPTION>

	Revenues and Costs (In Thousands)		% Change	Therms Sold (In Thousands)		% Change	Customers at End of Quarter		% Change
	1996	1995		1996	1995		1996	1995	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Residential and	$85,354	$64,562	32%	142,024	115,591	23%	132,084	127,428	4%
Firm	47,632	36,031	32%	98,997	82,706	20%	16,169	15,698	3%
Interruptible	3,626	4,730	(23)%	10,526	14,990	(30)%	247	226	9%
Transport. and Other	21,864	25,532	(14)%	176,450	160,382	10%	254	255	(0)%
	-------	-------		-------	-------		-------	-------	
Total	158,476	130,855	21%	427,997	373,669	15%	148,754	143,607	4%
	=======	=======		=======	=======		=======	=======	
Purchased Gas	97,104	81,111	20%						
	-------	-------							
Margin	$61,372	$49,744	23%						
	=======	=======							

</TABLE>

Gas revenues increased $27.6 million, or 21 percent, during the twelve months ended September 30, 1996, as compared to the twelve months ended September 30, 1995. The higher revenues were the result of a 15 percent rise in therm sales primarily due to colder winter weather and residential and firm customer growth. The higher sales volumes as well as favorable management of gas supply costs resulted in a $11.6 million, or 23 percent, increase in gas margin.

With the elimination of the purchased gas adjustment clause effective January 1, 1995, the fluctuations in the commodity cost of gas above or below a prescribed commodity price index will increase or decrease WP&L's margin on gas sales. Both benefits and exposures are subject to customer sharing provisions. WP&L's share is capped at $1.1 million, pre-tax. For the twelve months ended September 30, 1996, the gas incentive program resulted in additional earnings of $1.0 million pre-tax compared with additional earnings of $0.6 million pre-tax for the same period in 1995.

Other Operation and Maintenance

Other operation and maintenance expense declined by $16.7 million primarily due to higher early retirement and severance expenses during the twelve-month period ended September 30, 1995, related to the Company's reengineering efforts. In addition, refueling costs at Kewaunee which occurred during the twelve-month period ended September 30, 1995 did not begin to occur until late in the third quarter of 1996.

Depreciation

Depreciation expense increased $7.8 million as a result of property additions and greater amortization of contributions in aid of construction (a reduction of expense) during the twelve months ended September 30, 1995.

Income Taxes

Income taxes increased for the twelve month period ended September 30, 1996, as a result of higher taxable income.

Other Income and Deductions

Other income and deductions increased $4.4 million for the twelve months ended September 30, 1996 primarily as a result of the recognition of a $3.4 million after-tax gain on the sale of a combustion turbine during the twelve months ended September 30, 1996.

TWELVE MONTHS ENDED SEPTEMBER 30, 1996 VS. TWELVE MONTHS ENDED DECEMBER 31, 1995:

The Company reported consolidated net income of $94.4 million for the twelve months ended September 30, 1996 as compared to $78.7 million for the twelve months ended December 31, 1995. Weather-driven sales growth and increased electric sales to other utilities contributed to increased electric and gas margins as compared with the twelve months ended December 31, 1995. In addition, a $3.4 million after-tax gain on the sale of a combustion turbine was recognized during the twelve months ended September 30, 1996. Other operation and maintenance expenses decreased $5.6 million. Partially offsetting the increases to income was a $4.1 million increase in depreciation expense.

<TABLE>
Electric Operations
<CAPTION>

	Revenues and Costs (In Thousands)		% Change	kWh Sold (In Thousands)		% Change	Customers at End of Quarter		% Change
	1996	1995		1996	1995		1996	1995	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Residential and Farm	$199,134	$199,850	-	2,928,103	2,937,825	-	336,221	329,643	2%
Industrial	143,780	140,562	2%	3,957,926	3,872,520	2%	816	795	3%
Commercial	104,037	102,129	2%	1,800,120	1,773,406	2%	45,558	44,730	2%
Wholesale and Class A	124,330	97,350	28%	4,818,134	3,109,385	55%	93	48	94%
Other	6,264	6,433	(3)%	57,338	54,042	6%	1,741	1,294	35%
	-------	-------		----------	----------		-------	-------	

Total	577,545	546,324	6%	13,561,621	11,747,178	15%	384,429	376,510	2%
Electric production fuels	114,585	116,488	(2)%						
Purchased Power	67,698	44,940	51%						
Margin	$395,262	$384,896	3%						

</TABLE>

Electric revenues increased $31.2 million, or 6 percent, as compared to the twelve months ended December 31, 1995. The increase was the result of a 55 percent increase in kWh sales to other utilities, and higher commercial and industrial sales.

Electric margin increased $10.4 million, or 3 percent, during the twelve months ended September 30, 1996, compared to the twelve months ended December 31, 1995, primarily due to higher sales (as discussed above). Aggregate costs of production fuels and purchased power increased as a result of an 15 percent increase in kWh sales. Because of this increase in sales and the availability of competitively priced off-system power, purchased power increased 51 percent.

<TABLE>
Gas Operations
<CAPTION>

	Revenues and Costs (In Thousands) 1996	1995	% Change	Therms Sold (In Thousands) 1996	1995	% Change	Customers at End of Quarter 1996	1995	% Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Residential and Farm	$85,354	$70,382	21%	142,024	126,903	12%	132,084	129,576	2%
Firm	47,632	39,456	21%	98,997	91,316	8%	16,169	15,976	1%
Interruptible	3,626	3,708	(2)%	10,526	12,148	(13)%	247	257	(4)%
Transport. and Other	21,864	25,619	(15)%	176,450	169,121	4%	254	284	(11)%
Total	158,476	139,165	14%	427,997	399,488	7%	148,754	146,093	2%
Purchased Gas	97,104	84,002	16%						
Margin	$61,372	$55,163	11%						

</TABLE>

Gas revenues increased $19.3 million, or 14 percent, during the twelve months ended September 30, 1996, as compared to the twelve months ended December 31, 1995. The higher revenues were the result of a 7 percent rise in therm sales primarily due to colder winter weather in the first quarter of 1996.

Gas margin increased $6.2 million or 11 percent during the twelve months ended September 30, 1996, compared with the period ended December 31, 1995, primarily due to a change in the mix of customer sales. The sales mix indicates a decline of 13 percent in interruptible sales with a corresponding increase of 12 percent and 8 percent in higher margin residential and firm sales, respectively.

Other Operation and Maintenance

The decrease in other operation and maintenance expense of $5.6 million is primarily due to the timing of nuclear plant refueling costs. The refueling costs which occurred during the twelve-month period ended December 31, 1995 did not begin to occur until late in the third quarter of 1996.

Depreciation

Depreciation expense increased $4.1 million as a result of property additions, and a greater amortization of contributions in aid of construction (a reduction of expense) during the twelve months ended December 31, 1995.

Income Taxes

Income taxes increased for the twelve-month period ended September 30, 1996 as a result of higher taxable income.

Other Income and Deductions

Other income and deductions increased $4.2 million primarily as a result of a $3.4 million after-tax gain on the sale of a combustion turbine during the twelve months ended September 30, 1996.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity is primarily determined by the level of cash generated from operations and the funding requirements of its ongoing construction and maintenance programs. WP&L finances its construction expenditures through internally generated funds supplemented, when required, by outside financing.

During the three and twelve months ended September 30, 1996, and September 30, 1995, the Company generated sufficient cash flows from operations, the sale of other property and equipment and short-term borrowings to cover operating expenses, cash dividends and investing activities. Cash flows from operations decreased to $39.7 million for the three months ended September 30, 1996, compared to $59.9 million for the same period last year. For the twelve-month period ended September 30, 1996, cash flows from operations decreased to $182.0 million from $213.3 million during the same period in 1995. During the twelve-months ended September 30, 1996, the Company received $36.3 million from the sale of a combustion turbine. For the twelve-month period ended September 30, 1996, cash flows from operations decreased to $182.0 million from $196.3 million for the twelve months ended December 31, 1995.

Financing and Capital Structure

The level of short-term borrowing fluctuates based primarily on seasonal corporate needs, the timing of long-term financing and capital market conditions. WP&L generally borrows on a short-term basis to provide interim financing of construction and capital expenditures in excess of available internally-generated funds. To maintain flexibility in its capital structure and to take advantage of favorable short-term rates, the Company also uses proceeds from the sales of accounts receivable and unbilled revenues to finance a portion of its long-term cash needs. Bank lines of credit of $70 million at September 30, 1996 are available to support these borrowings.

The Company's capitalization at September 30, 1996, including the current maturities of long-term debt, variable rate demand bonds and short-term debt, consisted of 56 percent common equity, 6 percent preferred stock and 38 percent total debt.

Capital Expenditures

WP&L is a capital-intensive business and requires large investments in long-lived assets. Therefore, the Company's most significant capital requirements relate to construction expenditures. Construction expenditures for the three months ended September 30, 1996 were $37.3 million. The estimated construction expenditures for the remainder of 1996 are $34.1 million.

The Company has a 41.0 percent ownership interest in the Kewaunee Nuclear Power Plant (Kewaunee). The operating partner of this plant is Wisconsin Public Service Corporation (WPSC).

Kewaunee was taken out of service on September 21, 1996, for a scheduled refueling and maintenance outage which was originally projected to be of five weeks duration (i.e., Kewaunee was scheduled to return to service on October 25, 1996). During the outage, however, electronic inspection of previously sleeved steam generator tubes disclosed continued degradation of steam generator tube sleeve joints. There were 907 new indications of corrosion in Steam Generator A and 587 new indications in Steam Generator B which would require plugging, except for the impact of two technical specification changes described below. Plugging of these tubes would result in the aggregate number of effectively plugged Steam Generator A tubes of approximately 49% of total tubes and the aggregate number of effectively plugged Steam Generator B tubes of approximately 34% of total tubes (each steam generator has a total of 3,388 tubes). In each instance, this would exceed the currently effective 25% average plugging limit for each of the two steam generators established by the current Kewaunee safety analysis report and would prevent further operation of Kewaunee unless and until the tubes are repaired or the two steam generators are replaced. WPSC has successfully performed the safety analyses necessary to increase the steam generator effective plugging margin from 25% to 30%.

Paragraphs which included forward looking information are preceded by an asterisk ("*").

*As anticipated in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996, the owners of Kewaunee have submitted requests to the Nuclear Regulatory Commission (NRC) for two technical specification changes: (1) The first technical specification change, which was approved in September 1996, relocates the sleeve pressure boundary and allows leaving in service or unplugging 74 tubes in Steam Generator A and 52 tubes in Steam Generator B; (2) The second technical specification change, approval of which is still pending, would allow the laser weld repair of the remaining sleeve joints thereby allowing the steam generator tubes with the new indications to remain in service. Although the Company cannot predict the exact nature and timing of the NRC's response to the request for the second technical specification change, the Company currently expects the request to be approved by the NRC in mid-November of 1996. It is estimated that the repair of the steam generators will extend the outage six to nine weeks beyond the original five week period. Based on current estimates, Kewaunee is expected to be returned to service prior to the end of the year. It is estimated that the total cost of repairing corroded sleeved tubes utilizing laser welding repair technology would be $3,000,000 to $5,000,000, WP&L's share being $1,230,000 to $2,050,000. The current estimated cost to WP&L of purchasing replacement power is in the range of $430,000 per week more than the cost of Kewaunee generated power. For 1997, WP&L is pursuing regulatory approval of one of several alternative cost recovery mechanisms which would reduce the financial exposure of either an extended Kewaunee outage or a mid-operating cycle outage.

*Prior to the current refueling outage, Kewaunee was operating at 98% of full rated capacity due to the plugging of tubes. After the anticipated repairs to be made during this outage, Kewaunee could be operating at approximately the same 98% level.

*The duration of the current Kewaunee outage will depend upon a number of steam generator repair related factors, including: (1) whether or not the NRC will permit the use of the laser welding repair technology, (2) the length of time it takes the NRC to respond to Kewaunee's request for use of the laser welding repair technology, (3) the availability of the necessary welding equipment and trained personnel to operate the equipment, (4) the number of tubes to be repaired, (5) the level of satisfaction the NRC has that the tubes that remain unplugged will perform safely during the next operating cycle, and (6) the tube repair success rate. If for any reason the steam generators cannot be repaired, the ability of the Kewaunee owners to reach consensus on steam generator replacement and to secure the approval of the PSCW for such replacement would become critical factors affecting the duration of the current outage because in that case replacement of steam generators is essential for the continued operations of Kewaunee.

*If the repairs are made using laser welding technology, such repairs would only be temporary because corrosion will continue at a rate which cannot be forecasted accurately. Although WPSC believes that the repairs could extend the useful life of the steam generators for a period of three or more years, there has been minimal field experience with this repair technology, and there can be no assurance that such repairs will be effective or, once effective, remain effective for any given period of time. If it should become necessary to retire Kewaunee permanently, WP&L would replace the Kewaunee generation through a combination of power purchases, increased generation at existing WP&L generating units and new generating unit additions if necessary.

Currently, the owners of Kewaunee have different views of the future market value of energy which impact on the desirability of replacing the steam generators. During the first quarter of 1996 WPSC filed an application with the PSCW seeking approval to replace the steam generators in 1999. WP&L believes that analysis and final action on this application will take approximately two years to complete. The joint owners continue to analyze and discuss various options related to the future of Kewaunee, including various ownership transfer alternatives. The net book value of WP&L's share of Kewaunee as of September 30, 1996, was $56.2 million.

WP&L has applied to the PSCW for accelerated depreciation of the remaining book value of Kewaunee such that by the end of the year 2002 there would be full recovery of all plant investment. The request for this acceleration reflects the condition of the present steam generators and the evolution of the electric generation marketplace towards a more competitive model.

Certain matters as identified above are "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to certain risks and uncertainties which could cause actual results and outcomes to differ materially from those currently anticipated. In addition to the matters specifically described in the forward-looking statements, factors that could affect actual results or outcomes include the timing and nature of regulatory responses and approvals, technological developments and advancements regarding repair of the steam generator tubes, the time needed to complete necessary repairs, the useful life of any repairs effected, and the cost of purchased electric power or additional generating facilities to replace the power generated by Kewaunee. Shareholders, potential investors and other readers are urged to consider these factors in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included herein are only made as of the date of this Quarterly Report on Form 10-Q and the Company undertakes no obligation to update publicly such forward-looking statements to reflect subsequent events or circumstances.

Rates and Regulatory Matters

In the PSCW rate order UR-109, effective January 1, 1995, the PSCW approved certain incentive programs. In 1995, WP&L collected $2.0 million pre-tax in revenues for SO2 emissions and service reliability incentive clauses. Based on the 1995 performance of the SO2 emissions and service reliability incentive programs a $2.5 million refund was approved by the PSCW to retail electric customers and was made during the third quarter of 1996.

The gas incentive program for 1995 resulted in a additional earnings of $1.0 million and a refund to residential natural gas customers of $3.3 million. The refund is expected to occur in November 1996.

WP&L made its required biennial rate case filing with the PSCW on April 1, 1996. Technical hearings will are anticipated to take place from November 18, 1996, through November 27, 1996. A final order is expected in early 1997.

INDUSTRY OUTLOOK

The PSCW's inquiries into the future structure of the natural gas and electric utility industries are ongoing. The stated goal of the PSCW in the natural gas docket is to move all gas supply activities out of the existing regulated distribution utilities and allow independent units to compete for the business. The goal of the electric restructuring process is to create open access transmission and distribution services for all customers with competitive generation and customer service markets. Additional proceedings as well as consultation with the legislature are planned prior to a target implementation date after the year 2000.

On April 24, 1996, the Federal Energy Regulatory Commission (FERC) issued two rules (No. 888 and 889) that will promote competition by opening access to the nation's wholesale power market. The new rules require public utilities that own, control or operate transmission systems to provide other companies with the same transmission access/service that they provide to themselves. The Company presently has on file with the FERC a pro forma open access transmission tariff, filed on July 8, 1996, in compliance with FERC order no. 888. On September 20, 1996, the FERC extended the deadline for compliance with order no. 889 to January 3, 1997. WP&L will fulfill its requirements through participation in a regional Open Access Same-time Information System administered by the Mid-America Interconnected Network, Inc.

On September 26, 1996, the PSCW issued an order which establishes the minimum Standards for a Wisconsin Independent System Operator (Standards). The Standards will be applied by the PSCW in Advance Plan proceedings, merger review cases, transmission construction cases, and other proceedings as appropriate. The order provides that the Standards will be reviewed and revised as necessary in light of ongoing regional and national events such as FERC requirements or policy, regional institutions, or relevant actions of neighboring states.

INFLATION

The impacts of inflation on WP&L are currently mitigated through current rate making methodologies. Although rates will be held flat until at least 1997, management expects that any impact of inflation will be mitigated by customer growth and productivity improvements.

OTHER

Proposed Merger

WPL Holdings, Inc. ("WPLH"), IES Industries Inc. ("IES"), and Interstate Power Co. ("IPC") have entered into an Agreement and Plan of Merger ("Merger Agreement"), dated November 10, 1995, as amended, providing for: a) IPC becoming a wholly-owned subsidiary of WPLH, and b) the merger of IES with and into WPLH, which merger will result in the combination of IES and WPLH as a single holding company. The holding company will be renamed Interstate Energy Corporation. Under terms of the Merger Agreement, the outstanding shares of WPLH's common stock will remain unchanged and outstanding as shares of Interstate Energy. Each outstanding share of IES common stock will be converted to 1.14 shares of Interstate Energy's common stock. Each share of IPC's common stock will be converted to 1.11 shares of Interstate Energy's common stock.

WPLH, IES and IPC held separate shareowner meetings on September 5, 1996. At the annual meetings, the shareowners of all three companies approved the Merger Agreement. In addition to shareholder approval , approvals must be secured from regulatory agencies at the federal and state level.

PART II--OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

At the Company's annual meeting of shareowners held on September 5, 1996, Rockne G. Flowers, Katharine C. Lyall and Henry C. Prange were elected as directors whose terms will expire in 1999. The following table sets forth certain information with respect to the election of directors at the annual meeting.

Name of Nominee	Shares Voted For	Shares Withholding Authority
Rockne G. Flowers	13,684,724	3,184
Katharine C. Lyall	13,680,358	7,550
Henry C. Prange	13,679,975	7,933

The following table sets forth the other directors of the Company whose terms of office continued after the 1996 annual meeting.

Name of Director	Year In Which Terms Expires
Erroll B. Davis, Jr.	1997
Milton E. Neshek	1997
Carol T. Toussaint	1997
L. David Carley	1998
Donald R. Haldeman	1998
Arnold M. Nemirow	1998
Judith D. Pyle	1998

At the annual meeting, shareowners approved the appointment of Arthur Andersen LLP as the Company's independent auditors for the 1996 calendar year. With respect to such matter, the number of shares voted for and against were 13,680,666 and 1,643, respectively. The number of shares abstaining were 5,599.

Item 6. Exhibits and Reports on Form 8-K

1. Exhibits

27 Financial Data Schedule

2. Reports on Form 8-K: The Company filed a Current Report on Form 8-K, dated August 15, 1996 reporting under Item 5 that at the Boards of Directors of WPLH, IES and IPC authorized the execution and delivery of a second amendment to the Agreement and Plan of Merger among the parties increasing the IES exchange ratio from 1.01 to 1.14.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Wisconsin Power and Light Company

Date: November 14, 1996

/s/ Edward M. Gleason
Edward M. Gleason, Controller, Treasurer and Corporate Secretary (principal accounting officer and officer authorized to sign on behalf of the registrant)

EXHIBIT INDEX

Exhibit No.	Description
27	Financial Data Schedule

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