

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 1996

OR

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 1-3632

INTERSTATE POWER COMPANY
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

42-0329500
(I.R.S. Employer
Identification No.)

1000 Main Street, P.O. Box 769, Dubuque, Iowa
(Address of principal executive offices)

52004-0769
(Zip Code)

Registrant's telephone number, including area code 319-582-5421

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 No

Indicate the number of shares outstanding of each of the issuer's classes of common stock.

Shares Outstanding
November 1, 1996

Common Stock Par Value \$3.50 Per Share

9,635,422 Shares

INTERSTATE POWER COMPANY
Form 10-Q
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INTERSTATE POWER COMPANY
STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended September 30	
	1996	1995
	(In Thousands)	
OPERATING REVENUES:		
Electric	\$ 79,291	\$ 82,159
Gas	4,191	4,181
	83,482	86,340

OPERATING EXPENSES:		
Operation:		
Fuel for electric generation	14,344	15,735
Power purchased	16,483	16,447
Cost of gas sold	3,958	3,789
Other operating expenses	14,597	12,753
Maintenance	3,961	3,587
Depreciation	8,061	7,586
Income taxes:		
Federal currently payable	3,536	4,755
State currently payable	1,070	1,428
Deferred taxes-net	1,544	2,072
Investment tax credit amortization	(257)	(257)
Property and other taxes	3,423	3,162
Total operating expenses	70,720	71,057
OPERATING INCOME	12,762	15,283
OTHER INCOME AND DEDUCTIONS	1,046	641
INCOME BEFORE INTEREST CHARGES	13,808	15,924
INTEREST CHARGES:		
Long-term debt	3,647	3,649
Other interest charges	410	631
Allowance for borrowed funds used during construction	(70)	(87)
Total interest charges	3,987	4,193
NET INCOME	9,821	11,731
PREFERRED AND PREFERENCE STOCK DIVIDENDS	616	615
NET INCOME AVAILABLE FOR COMMON STOCK	\$ 9,205	\$ 11,116
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	9,602	9,564
EARNINGS PER COMMON SHARE OUTSTANDING	\$.95	\$ 1.16
DIVIDENDS PAID PER COMMON SHARE	\$.52	\$.52

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

INTERSTATE POWER COMPANY
STATEMENTS OF INCOME
(Unaudited)

Nine Months
Ended September 30
1996 1995
(In Thousands)

OPERATING REVENUES:		
Electric	\$212,227	\$211,046
Gas	34,602	30,112
	246,829	241,158
OPERATING EXPENSES:		
Operation:		
Fuel for electric generation	43,285	48,353
Power purchased	47,462	43,610
Cost of gas sold	20,543	17,620
Other operating expenses	40,016	31,727
Maintenance	12,394	10,830
Depreciation	23,236	22,072
Income taxes:		
Federal currently payable	8,490	9,794
State currently payable	2,560	2,940
Deferred taxes-net	4,001	5,098
Investment tax credit amortization	(771)	(771)
Property and other taxes	12,061	11,907
Total operating expenses	213,277	203,180
OPERATING INCOME	33,552	37,978
OTHER INCOME AND DEDUCTIONS	1,759	(2,037)
INCOME BEFORE INTEREST CHARGES	35,311	35,941
INTEREST CHARGES:		
Long-term debt	10,940	11,163
Other interest charges	1,254	1,712
Allowance for borrowed funds used during construction	(172)	(287)
Total interest charges	12,022	12,588
NET INCOME	23,289	23,353
PREFERRED AND PREFERENCE STOCK DIVIDENDS	1,847	1,843
NET INCOME AVAILABLE FOR COMMON STOCK	\$ 21,442	\$ 21,510
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	9,578	9,564
EARNINGS PER COMMON SHARE OUTSTANDING	\$ 2.23	\$ 2.24
DIVIDENDS PAID PER COMMON SHARE	\$ 1.56	\$ 1.56

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

INTERSTATE POWER COMPANY
BALANCE SHEETS
ASSETS
(Unaudited)

	Sept.30 1996	Dec. 31 1995
	(In Thousands)	
UTILITY PLANT (at original cost)	\$920,302	\$901,212
Less accumulated provision for depreciation	422,734	402,685
Utility plant - net	497,568	498,527
OTHER PROPERTY AND INVESTMENTS	453	555
CURRENT ASSETS:		
Cash and cash equivalents	2,439	1,537
Accounts receivable less reserve	25,583	27,797
Inventories - at average cost:		
Fuel	18,387	19,332
Materials and supplies	5,751	5,509
Prepaid pension cost	4,675	3,870
Prepaid income tax	6,839	6,690
Other prepayments and current assets	1,690	614
Total current assets	65,364	65,349
DEFERRED DEBITS:		
Regulatory assets	10,864	11,889
Regulatory assets for deferred income taxes	28,083	27,813
Deferred energy efficiency costs	28,387	23,139
Unamortized debt expense	5,762	5,915
Other	75	1,129
Total deferred debits	73,171	69,885
TOTAL	\$636,556	\$634,316

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

INTERSTATE POWER COMPANY
BALANCE SHEETS
CAPITALIZATION AND LIABILITIES
(Unaudited)

	Sept.30 1996	Dec. 31 1995
	(In Thousands)	
CAPITALIZATION:		

Common stock, par value \$3.50 per share; Authorized - 30,000,000 shares; issued and outstanding - 9,632,892 in 1996 and 9,564,287 in 1995	\$ 33,715	\$ 33,475
Additional paid-in capital	104,972	103,145
Retained earnings	67,653	61,150
Total common equity	206,340	197,770
Preferred stock, par value \$50 per share	34,937	34,855
Total stockholders' equity	241,277	232,625
Long-term debt	171,937	188,880
Total capitalization	413,214	421,505

CURRENT LIABILITIES:

Commercial paper payable	29,100	39,300
Long-term debt maturing within one year	17,000	0
Accounts payable	13,820	11,868
Payrolls accrued	3,037	2,846
Taxes accrued	13,864	16,758
Interest accrued	4,311	2,819
FERC Order 636 transition costs	2,400	3,200
Other	4,227	5,355
Total current liabilities	87,759	82,146

DEFERRED CREDITS AND OTHER NON-CURRENT LIABILITIES:

Accumulated deferred income taxes	99,939	95,518
Accumulated deferred investment tax credits	17,270	18,041
Deferred pension cost	4,900	4,900
Accrued postretirement benefit cost	2,849	2,792
Environmental clean-up costs	6,834	6,860
Other	3,791	2,554
Total deferred credits and other non-current liabilities	135,583	130,665

TOTAL	\$636,556	\$634,316
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The accompanying Notes to Financial Statements are an integral part of these statements.

INTERSTATE POWER COMPANY
STATEMENTS OF CASH FLOWS
(Unaudited)

Nine Months
Ended Sept. 30
1996 1995
(In Thousands)

RECONCILIATION OF NET INCOME TO CASH FLOWS
FROM OPERATING ACTIVITIES:

Net income	\$23,289	\$23,353
Adjustment for non-cash items:		
Depreciation	23,236	22,072
Deferred income taxes	4,151	5,005
Investment tax credit amortization	(771)	(771)
Allowance for equity funds used during construction	(6)	0
Changes in assets and liabilities:		
Accounts receivable - net	2,214	(3,651)
Fuel	954	2,089
Materials and supplies	(242)	(416)
Accounts payable and other current liabilities	910	(2,076)
Accrued and prepaid taxes	(3,043)	950
Interest accrued	1,492	1,386
Other prepayments and current assets	(1,880)	(235)
Rate refund payable	(256)	0
Deferred energy conservation costs	(5,248)	(4,988)
Regulatory assets	729	761
Other operating activities	3,198	2,473
Cash flows from operating activities	48,727	45,952
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to utility plant	(22,475)	(20,361)
Allowance for borrowed funds used during construction	(172)	(287)
Other	(342)	435
Cash flows from investing activities	(22,989)	(20,213)
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock	2,098	0
Retirement of long-term debt	0	(14,000)
Dividends on common, preferred and preference stock	(16,734)	(17,315)
Sale of commercial paper - net	(10,200)	5,600
Cash flows from financing activities	(24,836)	(25,715)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:	\$ 902	\$ 24
CASH AND CASH EQUIVALENTS:		
Beginning of period	\$ 1,537	\$ 1,537
End of period	\$ 2,439	\$ 1,561
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest (net of amount capitalized)	\$10,206	\$11,012
Income taxes	\$12,779	\$ 7,622

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

INTERSTATE POWER COMPANY

Summarized Financial Information

The September 30, 1996 financial statements included herein have been prepared by the company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The accounting policies followed by the company are set forth in Note 1 to the company's financial statements in the 1995 Form 10-K/A. It is suggested that these financial statements be read in conjunction with the financial statements and the notes thereto included in the company's Form 10-K/A for the year ended December 31, 1995.

In the opinion of the company, the financial statements reflect all adjustments, consisting only of normal recurring accruals, necessary to fairly state the results of operations.

INTERSTATE POWER COMPANY
PART I - FINANCIAL INFORMATION

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

The company's results of operations and financial condition are affected by numerous factors, including weather, sales, and changes in customer rates.

COMPARISON OF THE QUARTERS ENDED SEPTEMBER 30, 1996 AND 1995

EARNINGS PER SHARE for the third quarter of 1996 were \$0.95 compared to \$1.16 for the third quarter of 1995. Net income for the third quarter of 1996 was \$9.8 million, compared to \$11.7 million for the third quarter of 1995. As discussed below, reduced residential electric sales are the primary reason for the decreased earnings.

The ELECTRIC MARGIN (revenue less cost of fuel and purchased power) for the third quarter of 1996 was \$48.5 million compared to \$50.0 million for the third quarter of 1995. The decrease is primarily a result of lower sales to residential and commercial customers.

ELECTRIC SALES (Mwh)	Three Months Ended September 30		
	1996	1995	% Change
Residential	286,191	334,129	(14.3)
Commercial	190,307	201,907	(5.7)
Industrial	849,002	855,054	(0.7)
Other	14,272	14,286	(0.1)
Subtotal	1,339,772	1,405,376	(4.7)
Interchange	75,670	4,149	N/A
Sales for Resale	47,919	69,959	(31.5)
Total Electric Sales	1,463,361	1,479,484	(1.1)

The decline in residential and commercial sales was primarily due to mild weather during the air conditioning season. The average monthly residential

consumption during the summer dropped to 695 Kwh's from 806 Kwh's in 1995. Industrial sales were down mainly as a result of reduced sales to our largest customer, a food manufacturer, and our third largest customer, a fertilizer manufacturer. The higher interchange sales reflected the increased power marketing activities resulting in long-distance transmission of electric power. The decrease in sales for resale was due to termination of contracts by two municipal customers effective April 30, 1996.

ELECTRIC REVENUES (000's)	Three Months Ended September 30		
	1996	1995	% Change
Residential	\$23,132	\$26,143	(11.5)
Commercial	14,106	14,619	(3.5)
Industrial	35,803	35,558	0.7
Other	2,825	2,542	11.1
Subtotal	75,866	78,862	(3.8)
Interchange	1,084	131	N/A
Sales for Resale	2,341	3,166	(26.1)
Total Electric Revenues	\$79,291	\$82,159	(3.5)

The decreased revenues for the third quarter of 1996 are primarily attributed to reduced residential Mwh sales. Although interchange revenues increased this quarter, the impact on net income was negligible as the majority of the margin on interchange sales is returned to customers through the fuel adjustment clause.

The GAS MARGIN (revenue less purchased gas) for the third quarter of 1996 was \$0.2 million compared to \$0.4 million for the same period in 1995.

The COST OF GAS SOLD increased \$169,000 during the third quarter of 1996 compared to the same period in 1995. The 1995 gas costs were lower due to favorable prices resulting from a mild 1994-1995 heating season.

GAS DELIVERIES (MMcf)	Three Months Ended September 30		
	1996	1995	% Change
Residential	282	283	(0.4)
Commercial	190	180	5.6
Industrial	151	142	6.3
Other	7	88	N/A
Total Gas Sales	630	693	(9.1)
Gas Transportation	5,815	6,372	(8.7)
Total Gas Deliveries	6,445	7,065	(8.8)

Although commercial and industrial gas sales increased 5.6% and 6.3% respectively during the third quarter of 1996 compared to 1995, overall deliveries decreased 8.8% as a result of the 8.7% decrease in transportation deliveries. The decrease in transportation was mainly attributable to reduced deliveries to three major industrial customers.

GAS REVENUES \$ (000's)	Three Months Ended September 30		
	1996	1995	% Change
Residential	\$ 2,083	\$ 1,961	6.2

Commercial	888	787	12.8
Industrial	538	465	15.7
Other	33	319	N/A
Total Gas Sales Revenues	3,542	3,532	0.3
Gas Transportation	649	648	0.2
Total Gas Revenues	\$ 4,191	\$ 4,180	0.3

The increase in revenues was primarily due to increased commercial and industrial sales in the third quarter of 1996 compared to 1995 and to rate increases in October 1995 in the Iowa gas jurisdiction. Iowa gas rate increases contributed \$48,000 during the third quarter of 1996. A Minnesota gas rate increase was effective in June 1995.

FUEL FOR ELECTRIC GENERATION decreased \$1.4 million, or 8.8%, during the third quarter of 1996 compared to the same period in 1995. The decrease was primarily due to an 8.2% reduction in kilowatt-hours generated by the company. Also, the cost of coal decreased 13.2% compared to last year as a result of the company entering into new coal supply agreements in 1995. The cost of gas used for generation decreased \$0.4 million compared to last year.

PURCHASED POWER EXPENSE increased \$36,000 during the third quarter of 1996 compared to 1995. This increase was primarily a result of the 6.4% increase in Kwh's. Capacity charges included in purchased power expense were \$7.6 million for both the third quarter of 1996 and the third quarter of 1995. During the third quarter of 1996, the company realized revenues of \$132,000 and transmission service expenses of \$27,000 under the intra-pool transmission service fee requirement of the MAPP Agreement which was effective May 1, 1995. Third quarter of 1995 revenues and transmission service expenses were \$98,000 and \$19,000, respectively.

OTHER OPERATING EXPENSE increased \$1.8 million during the third quarter of 1996 compared to the same period for 1995. The increase included approximately \$1.2 million of merger related expenses and \$0.4 million in legal fees for pursuing insurance claims. See ITEM 5, OTHER INFORMATION, for details concerning the merger.

MAINTENANCE EXPENSE increased \$0.4 million during the third quarter of 1996 compared to the same period in 1995. The third quarter 1996 expense increase included approximately \$0.2 million for scheduled maintenance at three of the companies steam generating stations and \$0.1 million for routine substation maintenance. In addition, 1995 costs were down as a result of a delay in certain maintenance projects and an increased emphasis on controlling costs.

DEPRECIATION EXPENSE increased by \$0.5 million or 6.3% for the third quarter of 1996 compared to the third quarter of 1995. This was primarily due to increased investment in utility plant and increased depreciation rates approved by the MPUC. The increased rates were implemented in September 1996 and were retroactive to January 1, 1996.

Total INCOME TAX EXPENSE was \$6.6 million for the third quarter of 1996 compared to \$8.4 million for the third quarter of 1995. The decrease was

mainly due to lower income before taxes. The Internal Revenue Service is currently auditing the federal income tax filings for the years 1992, 1993, and 1994.

OTHER INCOME included \$0.5 million of supplemental income for implementing demand side management (DSM) programs in Minnesota. Continued expenditures for DSM increased the total deferred amounts to \$28.4 million at September 30, 1996 compared to \$21.9 million at September 30, 1995. The 1990, 1991 and 1992 DSM costs are being recovered over a four year period beginning in October 1994. A settlement agreement was filed October 8, 1996 with the Iowa Utilities Board which provides for recovery of the 1993, 1994, and 1995 DSM costs in an annual amount of \$6.5 million over a four year period. The IUB is expected to issue a final order addressing the settlement by December 31, 1996.

OTHER INTEREST EXPENSE decreased approximately \$221,000 for the third quarter of 1996 compared to the same period of 1995 primarily due to interest on short-term borrowings. The average outstanding balance of short-term borrowings during the third quarter of 1996 was \$26.5 million compared to \$39.0 million during the third quarter of 1995. Interest rates for the third quarter of 1996 averaged 5.45% compared to 5.94% in 1995.

AVERAGE TEMPORARY INVESTMENTS during the third quarter of 1996 were \$3.2 million compared to \$1.1 million in 1995. The average interest rate was 5.31% in the third quarter of 1996 compared to 5.63% in 1995.

FUEL INVENTORIES were \$18.4 million at September 30, 1996, compared to \$13.9 million at June 30, 1996 and \$22.1 million at September 30, 1995. The increase from the last quarter was primarily attributable to normal seasonal build-up of coal inventory during the summer shipping season. The decrease from last year was mainly a result of a long-range plan to reduce inventory levels at the M.L. Kapp generating station.

CONSTRUCTION EXPENDITURES during the third quarter of 1996 totaled \$8.9 million compared to \$7.8 million in 1995. Major projects included the installation of a pipeline between valve stations and three transmission line relocation and/or rebuild projects. Construction work in progress as of September 30, 1996 totaled \$6.9 million compared to \$5.5 million at September 30, 1995. The 1996 and 1997 construction programs are estimated to be \$32 million and \$36 million, respectively.

COMPARISON OF THE NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

EARNINGS PER SHARE were \$2.23 for the nine months ended September 30, 1996 and \$2.24 for the nine months ended September 30, 1995. Specific items already addressed in the third quarter review also are applicable to the nine month review.

The year-to-date ELECTRIC MARGIN increased to \$121.5 million in 1996 from \$119.1 million in 1995. The higher 1996 margin was primarily attributable to

a \$6.6 million annual electric rate increase in Iowa which became effective June 29, 1995 and a \$2.3 million annual electric rate increase in Minnesota which became effective April 8, 1996.

ELECTRIC SALES during the nine months ended September 30, 1996, excluding interchange sales, were 2.5% lower than the same period a year ago. The decrease was primarily attributable to cooler than normal temperatures throughout the summer which led to a decrease in air conditioning sales.

ELECTRIC REVENUES increased \$1.2 million during the nine months ended September 30, 1996 compared to the same period of 1995. The increased revenues, which were offset by cooler summer weather, were due to the Iowa \$6.6 million electric rate increase effective June 29, 1995 and the Minnesota \$2.3 million electric rate increase effective April 8, 1996. The increase also reflected the increased interchange transactions.

The year-to-date GAS MARGIN has increased from \$12.5 million in 1995 to \$14.1 million in 1996 due mainly to increased residential and commercial sales, and rate increases in the Iowa gas jurisdiction. Interim gas rates for Iowa in an annual amount of \$1.3 million were implemented October 20, 1995.

GAS DELIVERIES decreased 0.8% during the nine months ended September 30, 1996 compared to the same period in 1995. Residential and commercial sales increased 10.7% and 10.3%, respectively, due to colder temperatures during the heating season. Industrial sales and transportation deliveries were down 6.7% and 3.1%, respectively, mainly due to reduced transportation deliveries to several large industrial customers.

The 14.9% increase in GAS REVENUES during the nine months ended September 30, 1996 compared to the same period in 1995 was due in part to the increased residential and commercial sales. In addition, the increase reflected the gas rate increases in Iowa and Minnesota in an annual amount of \$2.6 million. Also, 1995 revenues reflected an \$0.8 million refund due to reduced gas costs and overcollection in prior periods.

PURCHASED POWER EXPENSE increased by \$3.9 million or 8.8% during the nine months ended September 30, 1996, compared to the same period of 1995, primarily due to the 17.2% increase in Kwh's. Capacity charges were \$20.4 million for the nine months ending September 30, 1996 and 1995. During the nine months ended September 30, 1996, the company realized revenues of \$231,000 and transmission service expenses of \$150,000 under the intra-pool transmission service fee requirement of the MAPP Agreement which was effective May 1, 1995. Revenues and transmission service expenses for the nine months ended September 30, 1995, were \$115,000 and \$31,000, respectively.

MAINTENANCE EXPENSE increased \$1.6 million for the nine months ended September 30, 1996 compared to the nine months ended September 30, 1995. As discussed above, an increase of approximately \$1.0 million of scheduled maintenance at three of the companies steam generating stations, which had been delayed because of an emphasis on cost containment in 1995, occurred in

the second and third quarters of 1996.

Cash flow from operating activities was \$48.7 million. The funds were used primarily to pay the company's construction program, to reduce short-term debt and to pay common and preferred dividends.

OTHER ITEMS

The company does not anticipate any public offerings for new debt or new stock in the next two years, other than for re-establishing the Dividend Reinvestment and Stock Purchase Plan. Effective June 20, 1996, shares purchased on behalf of the Plan are newly issued shares.

In 1993 the company adopted Statement of Financial Accounting Standards (SFAS) 106, "EMPLOYER'S ACCOUNTING FOR POSTRETIREMENT BENEFITS OTHER THAN PENSIONS". Under the provisions of SFAS 106, the estimated future cost of providing postretirement benefits will be accrued during the employees' service periods. The Iowa Utilities Board has allowed the company to recover SFAS 106 costs in its Iowa gas rates effective May 1993 and Iowa electric rates effective October 1993. The Minnesota Public Utilities Commission (MPUC) has allowed the company to recover SFAS 106 costs under the February 29, 1996 order in the gas rate case and the April 8, 1996 order in the electric rate case.

In May 1995, the company filed an application with the Minnesota Public Utilities Commission for an increase in gas rates in an annual amount of \$2.4 million. Increased interim rates in an annual amount of \$1.5 million were placed in effect in June 1995. On February 29, 1996, the Commission issued an order allowing an increase in gas rates of \$2.1 million. The company, the Department of Public Service and the Office of Attorney General filed for reconsideration by the Commission. A Commission order after reconsideration issued July 2, 1996, affirmed the level of increased rates at approximately \$2.1 million. Rates reflecting the increase granted were implemented in September 1996. The Department of Public Service and the Office of Attorney General have appealed the Commission's decision to the Minnesota Court of Appeals.

In June 1995, the company filed an application with the Minnesota Public Utilities Commission for an increase in electric rates in an annual amount of \$4.6 million (later adjusted by the company to \$3.3 million). On April 10, 1996, the Commission issued an order allowing an increase in electric rates of \$2.3 million. The company and the Department of Public Service filed for reconsideration by the Commission. A Commission order issued June 26, 1996, denied reconsideration. Rates reflecting the increase granted were implemented in August 1996.

In August 1995, the company filed an application with the Iowa Utilities Board for an increase in gas rates in an annual amount of \$2.2 million. Increased interim rates in an annual amount of \$1.3 million were placed in effect in October 1995. The company and other parties to the rate

application agreed on an increase of \$1.1 million subject to approval by the Board. A Board order was issued February 21, 1996, approving the revenue requirement increase of \$1.1 million. On May 31, 1996, the Board issued an order on cost-of-service and rate design issues. The company's compliance rates were implemented in August 1996 and a refund plan is pending Board approval.

The company's potential liability for coal tar waste at former manufactured gas plant sites was discussed in the 1995 Annual Report to Stockholders. With regard to the nine sites, clean-up has been completed at one site and ground water monitoring will continue for at least one more year. At another site, remediation has begun and should be completed in 1996. For the remainder of the other seven sites, testing and soil sampling are continuing, but the company is unable to determine what, if any, remediation will be necessary until a later date. The company is continuing to actively pursue recovery of costs from certain of its insurers. The company is unable at this point to determine what portion, if any, of the proceeds from the insurance companies will be refunded to its customers.

INTERSTATE POWER COMPANY
PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to the 1995 Form 10-K/A Item 3 for certain pending legal proceedings. Reference is also made to the Management Discussion and Analysis included herein. Other than these items, there are no material pending legal proceedings, or proceedings known to be contemplated by governmental authorities, other than ordinary routine litigation incidental to the business, to which the company is a party or of which any of the company's property is the subject.

ITEM 2. CHANGES IN SECURITIES

The rights of holders of registered securities have not been materially modified, limited or qualified.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

No defaults upon senior securities.

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

- (a) THE DATE OF THE MEETING AND WHETHER IT WAS AN ANNUAL OR SPECIAL MEETING.

On September 5, 1996 the Annual Stockholders Meeting was held.

- (b) IF THE MEETING INVOLVED THE ELECTION OF DIRECTORS, THE NAME OF EACH DIRECTOR ELECTED AT THE MEETING AND THE NAME OF EACH OTHER DIRECTOR WHOSE TERM OF OFFICE AS A DIRECTOR CONTINUED AFTER THE MEETING.

The two Class II members of the Board of Directors were re-elected, to hold office for terms as follows:

James E. Byrns	term expiring in 1999
Gerald L. Kopischke	term expiring in 1999

Following are the Class III and I members of the Board of Directors whose terms continued after the meeting:

Alan B. Arends	term expiring in 1997
Michael R. Chase	term expiring in 1997
Wayne H. Stoppelmoor	term expiring in 1997
Alfred D. Cordes	term expiring in 1998
Joyce L. Haynes	term expiring in 1998

- (c) A BRIEF DESCRIPTION OF EACH OTHER MATTER VOTED UPON AT THE MEETING AND STATE THE NUMBER OF VOTES CAST FOR, AGAINST OR WITHHELD, AS WELL AS THE NUMBER OF ABSTENTIONS AND BROKER NON-VOTES, AS TO EACH SUCH MATTER, INCLUDING A SEPARATE TABULATION WITH RESPECT TO EACH NOMINEE FOR OFFICE.

Agreement and Plan of Merger

Approval of the Agreement and Plan of Merger (Merger Agreement), dated November 10, 1995, as amended, among the company, WPL Holdings, Inc. (WPLH) and IES Industries Inc. (IES) which provides for: a) the company 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 named Interstate Energy Corporation ("Interstate Energy").

Votes cast were as follows:	For	Against	Abstain
	6,810,128	315,349	67,774

Amendment to Restated Certificate of Incorporation

Approval of an amendment to the company's Restated Certificate of Incorporation to provide that each share of preferred stock outstanding from time to time will have one vote, voting together as a class with the holders of common stock (except as otherwise provided by law or specifically set forth in the company's Restated Certificate of Incorporation), on all matters to come before a vote of the company's stockholders.

Votes cast were as follows:	For	Against	Abstain
	7,085,284	318,177	65,801

Election of Directors

The election of two Class II directors, James E. Byrns and Gerald L. Kopischke, to hold office for a term of three years expiring at the annual meeting of stockholders of the company to be held in 1999.

Votes cast were as follows:	For	Against	Abstain
James E. Byrns	8,055,161	180,255	68,523
Gerald L. Kopischke	8,053,496	181,922	68,521

ITEM 5. OTHER INFORMATION

The company, WPL Holdings, Inc. (WPLH) and IES Industries Inc. (IES) have entered into an Agreement and Plan of Merger (Merger Agreement), dated November 10, 1995, as amended on May 22, 1996 and on August 16, 1996, providing for: a) the company 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 named Interstate Energy Corporation (Interstate Energy). The proposed merger, which will be accounted for as a pooling of interests, was approved by the shareholders of each company on September 5, 1996, and is subject to approval by several federal and state regulatory agencies. 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 and each share of the company's common stock will be converted to 1.11 shares of Interstate Energy's common stock.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits filed as a part of this report:

EX-3.(ii) By-Laws of Interstate Power Company as adopted April 20, 1925 and as amended October 1, 1996.

EX-27 Financial Data Schedule (required for electronic filing only in accordance with Item 601 (c) (1) of Regulation S-K).

(b) The company filed a Form 8-K with the Securities and Exchange Commission dated August 23, 1996. This report related to an amendment to the Agreement and Plan of Merger signed on November 10, 1995 by the company, WPL Holdings, Inc. and IES Industries Inc.

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.

Interstate Power Company
(Registrant)

Date November 14, 1996

/s/ W. C. Troy
W.C.Troy, Controller
(Duly Authorized Officer and
Principal Accounting Officer)

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INTERSTATE POWER COMPANY
(A DELAWARE CORPORATION)

BY-LAWS

ADOPTED APRIL 20, 1925

AS AMENDED

OCTOBER 24, 1938
NOVEMBER 16, 1939
JUNE 28, 1943
APRIL 11, 1944
MAY 24, 1944
MAY 9, 1947
AUGUST 29, 1947
AUGUST 21, 1953
NOVEMBER 5, 1957
JANUARY 16, 1958
FEBRUARY 11, 1959
FEBRUARY 17, 1965
MAY 4, 1965
JANUARY 16, 1969
JULY 15, 1970
NOVEMBER 19, 1970
MAY 2, 1973
JUNE 13, 1979
NOVEMBER 19, 1980
JUNE 18, 1981
JANUARY 1, 1982
DECEMBER 13, 1982
JANUARY 31, 1984
JULY 24, 1986
JULY 23, 1987
OCTOBER 15, 1987
DECEMBER 10, 1987
JULY 20, 1989
MAY 7, 1991
January 26, 1996

October 1, 1996

BY-LAWS
OF
INTERSTATE POWER COMPANY
(a Delaware Corporation)

ARTICLE I.
OFFICES.

SECTION 1: The registered office shall be in the City of
Wilmington, County of New Castle, State of Delaware. (Amended 2/17/65;
1/16/69.)

SECTION 2: The Corporation may also have an office in the City of
Dubuque, Iowa, and also offices at such other places as the Board of
Directors may from time to time determine or the business of the
Corporation may require. (Amended 2/11/59; 2/17/65.)

ARTICLE II.
SEAL.

The corporate seal shall have inscribed thereon the name of the
Corporation, the year of its organization, and the words "CORPORATE
SEAL, DELAWARE." Said seal may be used by causing it or a facsimile
thereof to be impressed or affixed or reproduced. (Amended 8/29/47.)

ARTICLE III.
STOCKHOLDERS' MEETINGS.

SECTION 1: All meetings of the stockholders entitled to vote
thereat shall be held in Dubuque, Iowa, or at such other location as
set by the Board of Directors from time to time, at such place as
designated by the Board of Directors and stated in the notice of
meeting. (Amended 2/17/65; 1/16/69; 10/15/87.)

SECTION 2: The annual meeting of the stockholders entitled to
vote thereat shall be held in Dubuque, Iowa, or at such other location

as set by the Board of Directors from time to time, at such place as designated by the Board of Directors and stated in the notice of meeting on the first Tuesday of May of each year at the hour of two o'clock P.M., local time in the place where the meeting is to be held, or on such other day and/or time as set by the Board of Directors from time to time, and stated in the notice of meeting. At said meeting the stockholders shall elect by a plurality vote, by ballot, a board of directors, the number and term of which shall be set by SECTION 1 and SECTION 1(b) of ARTICLE IV of these By-Laws. The order of business at a stockholders' meeting shall be as follows:

1. Call meeting to order.
2. Proof of notice of meeting.
3. Reading of minutes of last previous meeting.
4. Reports of committees.
5. Election of directors when that is the purpose of the meeting.
6. Miscellaneous business.

(Amended 11/16/39; 4/11/44; 5/9/47; 2/17/65; 1/16/69; 1/1/82; 12/13/82; 7/23/87; 10/15/87; 12/10/87; 7/20/89; 5/7/91; 1/26/96.)

SECTION 3: The holders of a majority of the stock issued and outstanding and entitled to vote, present in person or represented by proxy, shall be requisite and sufficient to constitute a quorum at all meetings of the stockholders for the transaction of business, except as otherwise provided by law, by the Certificate of Incorporation, or these By-Laws. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or by proxy shall have power to adjourn the meeting from time to time without notice other than announcement at the meeting, until a quorum shall be present or represented, when any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. (Amended 1/16/69.)

SECTION 4: When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the Certificate of Incorporation a different vote is required, in which case such express provision shall govern; and control the decision of such question. (Added 2/17/65.)

SECTION 5: At each meeting of the stockholders, every stockholder entitled to vote or to express consent or dissent to corporate action in writing without a meeting may vote or act in person or by proxy appointed by an instrument in writing subscribed by such stockholder or by his duly authorized attorney and delivered to the Secretary of the

Corporation. But no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. Unless otherwise provided in the Restated Certificate of Incorporation, as amended, each stockholder entitled to vote shall have one vote upon each matter submitted to a vote at a meeting of shareholders for each share of stock registered in his name on the record date fixed by the Board of Directors for said meeting or action by stockholders. The principle of cumulative voting shall not apply. The vote for directors, and, upon the demand of any stockholder entitled to vote, the vote upon any question before the meeting shall be by written ballot. All elections shall be had by plurality vote and all other questions shall be decided by a majority vote, except as otherwise provided by law, the Restated Certificate of Incorporation, as amended, or these By-Laws. (Amended 2/17/65; 1/16/69; 5/7/91.)

SECTION 6: Unless otherwise required by law, written notice of any stockholders' meeting shall be mailed, postage prepaid, to each stockholder entitled to vote thereat at such address as appears on the records of the Corporation, which notice shall state the place, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, and said notice shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting. (Amended 1/16/69; 6/13/79.)

SECTION 7: Subject to the provisions of Article FOURTH of the Certificate of Incorporation, and unless otherwise prescribed by statute, special meetings of the stockholders for any purpose or purposes may be called by the Board of Directors, or by the Chairman of the Board of Directors, the President or a Vice-President, and shall be called at the request in writing of stockholders owning twenty-five percent (25%) of the shares of stock of the Corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting. (Amended 8/21/53; 11/5/57; 2/17/65; 1/16/69.)

SECTION 8: Business transacted at any special meeting shall be confined to objects stated in the call and matters germane thereto.

(Former Section 9 deleted 1/16/69)

ARTICLE IV. DIRECTORS.

SECTION 1: The property, business and affairs of this Corporation shall be managed by its Board of Directors. Such Board of Directors shall consist of: seven (7) directors. They shall be elected by the stockholders at the annual meeting of the stockholders of the Corporation, except as provided in SECTION 1(b) and SECTION 2 of this Article, and each director shall hold office until his successor is duly elected and qualified. Directors need not be stockholders.

(Amended 4/11/44; 5/9/47; 2/17/65; 1/1/82; 12/13/82; 1/31/84; 7/24/86; 12/10/87; 5/7/91.)

SECTION 1(a): The Chairman of the Board of Directors shall be chosen from among the directors. (Added 10/1/96.)

SECTION 1(b): The Chairman of the Board of Directors shall preside at all meetings of the stockholders and the Board of Directors. In order to assist the Board of Directors in the formulation of policies to be pursued by the officers of the Corporation he shall provide oversight over major problems, policies and activities of the Corporation and make reports and recommendations as appropriate to ensure that policies of the Board of Directors are effected. He shall be a member and Chairman of the Executive Committee and shall ex-officio be a member of all standing committees and, except as otherwise provided in these By-Laws or ordered by the Board of Directors, shall appoint all special or other committees of the Board of Directors, and, in general, he shall perform such other duties as may, from time to time, be assigned to him by the Board of Directors. (Added 1/1/82; amended 7/24/86; 10/1/96.)

SECTION 1(c): At each annual meeting of stockholders, directors of the Corporation shall be elected to hold office until the expiration of the term for which they are elected, and until their successors have been duly elected and qualified; except that if any such election shall not be so held, such election shall take place at a stockholders' meeting called and held in accordance with the Delaware General Corporation Law. The directors of the Corporation shall be divided into three classes as nearly equal in size as is practicable, hereby designated Class I, Class II, and Class III. The term of office of the initial Class I directors shall expire at the next succeeding annual meeting of stockholders, the term of office of the initial Class II directors shall expire at the second succeeding annual meeting of stockholders and the term of office of the initial Class III directors shall expire at the third succeeding annual meeting of the stockholders. For the purposes hereof, the initial Class I, Class II and Class III directors shall be those directors elected at the May 7, 1991 annual meeting and designated as members of such Class. At each annual meeting after the May 7, 1991 annual meeting, directors to replace those of a Class whose terms expire at such annual meeting shall be elected to hold office until the third succeeding annual meeting and until their respective successors shall have been duly elected and shall qualify. If the number of directors is hereafter changed, any newly created directorships or decrease in directorships shall be so apportioned among the classes as to make all classes as nearly equal in number as is practicable.

Notwithstanding the foregoing, the Board of Directors may, by resolution adopted or to be adopted by them, require that directors mandatorily retire prior to the expiration of the term for which they are elected upon their attaining a particular age, as may be set by

resolution of the Board, or upon their relocating from the Company's service area, subject to such short extensions within their elected term as the remaining directors may judge to be in the best interests of the Company.

The foregoing provisions relating to the classification of the Board are subject to the provisions of Paragraph XII of Article FOURTH of the Restated Certificate of Incorporation, as amended. (Added 5/7/91; amended 10/1/96.)

SECTION 1(d): Any director may be removed from office only for cause in accordance with Article EIGHTH, subparagraph (1) of the Restated Certificate of Incorporation, as amended. (Added 5/7/91; amended 10/1/96.)

SECTION 2: Subject to the provisions of Paragraph XII of Article FOURTH of the Certificate of Incorporation, vacancies on the Board of Directors and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director at any meeting of the Board of Directors and the directors so chosen shall hold office until the next election of the Class for which such directors shall have been chosen and until their successors shall have been duly elected and qualified, unless sooner displaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute. If, at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent of the total number of shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office. (Added 2/17/65; amended 1/16/69; 6/13/79; 5/7/91.)

SECTION 3: The directors may hold their meetings and have one or more offices and keep the books and records of the Corporation (except such as are required by law to be kept within the State of Delaware), at the office of the Corporation in the City of Dubuque, Iowa, or at such other places as they may from time to time determine. Any records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or be in the form of, punch cards, magnetic tape, photographs, micro-photographs, or any other information storage device; provided that the records so kept can be converted into clearly legible form within a reasonable time. (Amended 1/17/65; 1/16/69.)

SECTION 4: In addition to the powers and duties by these By-Laws expressly conferred upon it, the Board of Directors may exercise all

such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws directed or required to be exercised or done by the stockholders.

SECTION 5: Compensation for attendance at a regular or special meeting of the Board of Directors, or of any committee thereof, shall be payable in such amounts as the Board shall determine by resolution from time to time, but only to directors or persons who are not full-time employees or officers of the Corporation. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. (Added 6/28/43; amended 5/24/44; 2/17/65; 6/13/79.)

ARTICLE V.
MEETINGS OF THE BOARD - COMMITTEES.

SECTION 1: A regular meeting of the Board of Directors shall be held annually immediately following the annual meeting of the stockholders, and other regular meetings of the Board shall be held at such time and place as may be fixed by resolution of the Board. No notice of regular meetings of the Board shall be required. Any meeting of the Board may be held either within or without the State of Delaware.

SECTION 2: At all meetings of the Board a majority of the directors shall be necessary and sufficient to constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the Certificate of Incorporation or by these By-Laws. If a quorum shall not be present at any meeting of the Board, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. (Amended 2/17/65.)

SECTION 3: Special meetings of the Board may be called by the Chairman, the President or any two directors on two days' notice by mail or one day's notice by telephone or telegraph to each director, which notice shall state the time, place and purpose of the holding thereof. (Amended 8/21/53; 11/5/57; 2/17/65.)

SECTION 4: The Board of Directors may designate and appoint a standing committee to be known as the "Executive Committee" to consist of three members, including the Chairman, with the full powers of the Board of Directors in the management of the business and affairs of the Corporation including the declaration of a dividend, the issuance of stock and the voting powers, designations, preferences, and relative, participating, optional or other rights thereof, if any, or the qualifications, limitations or restrictions thereof, if any, (except as

the Board of Directors shall otherwise direct and except when the Board of Directors shall be in session), but subject to the restrictions of Section 5 of this Article and of any applicable statute, and with power to authorize the seal of the Corporation to be affixed to all papers which may require it. (Added 2/17/65; amended 11/19/70; 6/13/79; 1/1/82; 7/23/87.)

SECTION 5: The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees in addition to the Executive Committee, each committee to consist of one or more of the directors of the Corporation, which, to the extent provided by the resolution, shall have and may exercise the powers of the Board in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amending the By-Laws of the Corporation. In the absence or disqualification of any member of such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board. (Added 2/17/65; amended 11/19/70; 6/13/79.)

SECTION 6: Each committee shall keep regular minutes of its meetings and report the same to the Board when required. (Added 2/17/65.)

SECTION 7: Unless otherwise restricted by statute, or by the Certificate of Incorporation or by these By-Laws, any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting, if prior to such action a written consent thereto is signed by all members of the Board or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board or committee. (Added 2/17/65.)

ARTICLE VI. OFFICERS

SECTION 1: The officers of the Corporation shall be a Chief Executive Officer, a President, an Executive Vice-President, one or more other Vice-Presidents, a Secretary, a Treasurer, a Controller, an Assistant Controller, and one or more Assistant Secretaries and

Assistant Treasurers, who shall be elected by the Board of Directors at its first meeting after each annual meeting of the stockholders. (Amended 10/24/38; 8/21/53; 11/5/57; 2/17/65; 6/13/79; 1/1/82; 10/1/96.)

SECTION 2: The Board may appoint such other officers and agents as it shall deem necessary, who shall have such authority and perform such duties as from time to time shall be prescribed by the Board or the President. (Amended 1/1/82.)

SECTION 3: The salaries of all officers of the Corporation shall be fixed by the Board of Directors.

SECTION 4: The officers of the Corporation shall hold office for one year and until their successors are elected and qualified. Any officers elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the whole Board of Directors. (Amended 2/17/65.)

ARTICLE VII. DUTIES OF OFFICERS.

SECTION 1: Chief Executive Officer. The Chief Executive Officer of the Corporation shall have general management of the business of the Corporation, but may delegate duties and powers to the President; and in general he shall perform such other duties as may, from time to time, be assigned to him by the Board of Directors. In the absence or disability of the Chairman of the Board, the Chief Executive Officer shall act as Chairman of the Executive Committee and shall preside at all meetings of the stockholders and meetings of the Board of Directors and he shall be an ex-officio member of all standing committees. (Added 10/1/96.)

SECTION 2: President. The President shall be the chief operating officer of the Corporation and as such shall have general and active management of and exercise general supervision over the business and property of the Corporation and shall have such other power and duties as usually appertain to the office of President and as may be assigned to him by the Chairman of the Board or by the Board of Directors. In the absence or disability of the Chief Executive Officer, the President shall be the Chief Executive Officer of the Corporation and act as Chairman of the Executive Committee; also in the absence or disability of the Chairman, he shall preside at all meetings of the stockholders and meetings of the Board of Directors; he shall ex-officio be a member of all standing committees. (Amended 8/21/53; 11/5/57; 2/17/65; 11/19/70; 6/13/79; 11/19/80; 1/1/82; 10/1/96.)

SECTION 3: Vice-Presidents. In the absence or disability of the President, the Executive Vice-President shall perform the duties and exercise the powers of the President. If other Vice-Presidents are

elected, they shall have such powers and perform such duties as the President or Board of Directors shall from time to time assign to them. (Amended 10/24/38; 8/21/53; 11/5/57; 2/17/65; 11/19/70; 6/13/79; 1/1/82; 10/1/96.)

SECTION 4: Secretary and Assistant Secretaries. The Secretary shall attend all meetings of the stockholders and Board of Directors, and shall record all votes and other proceedings in a book to be kept for that purpose. He shall give, or cause to be given, all required notices of meeting of the stockholders and Board of Directors. He shall have the custody of the seal of the Corporation and of its records and shall perform such other duties as usually appertain to the office of Secretary and as may be prescribed by the President or the Board of Directors. He shall be sworn to the faithful discharge of his duty. The Assistant Secretaries shall perform such duties as shall be delegated to them by the Board of Directors, the President or the Secretary. (Amended 8/21/53; 11/5/57; 2/17/65; 11/19/70; 6/13/79; 1/1/82; 10/1/96.)

SECTION 5: Treasurer and Assistant Treasurers. The Treasurer shall have the custody of the corporate funds, and securities, and shall keep full and accurate accounts of receipts and disbursements in books of the Corporation to be kept for that purpose, and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation, in such depositories as may be designated by authority of the Board of Directors. He shall disburse the funds of the Corporation as may be ordered by the Board of Directors, or the President taking proper vouchers for such disbursements, and shall render to the Board of Directors, at the regular meetings of the Board, or whenever it may so require, an account of all his transactions as Treasurer and of the financial condition of the Corporation and shall have such other powers and duties as may be assigned to him by the President or the Board of Directors. The Assistant Treasurers shall perform such duties as shall be delegated to them by the Board of Directors, the President or the Treasurer. (Amended 8/21/53; 11/5/57; 2/17/65; 11/19/70; 6/13/79; 1/1/82; 10/1/96.)

SECTION 6: Controller and Assistant Controller. The Controller shall be the principal accounting officer and as such shall have charge of the books and accounts of the Corporation subject to the direction of the President. He shall keep or cause to be kept full and complete books of account of all operations of the Corporation and of its assets and liabilities (except those kept by the Treasurer as herein provided).

He shall render to the Chairman, the President and the Board of Directors, as and when requested, reports of the operations and business of the Corporation and of its financial condition.

He shall have such other powers and perform such other duties as the President and the Board of Directors may from time to time assign

to him. The Assistant Controller shall perform such duties as shall be delegated to him or her by the Board of Directors, the President or the Controller. (Added 2/17/65; amended 11/19/70; 6/13/79; 1/1/82; 10/1/96.)

SECTION 7: The Board of Directors may, by resolution, require any officers of the Corporation to furnish bonds conditioned for the faithful performance of their respective duties as such officers, with a surety company satisfactory to such Board as surety, the expense of which shall be paid by the Corporation. (Amended 8/21/53; 11/5/57; 10/1/96.)

ARTICLE VIII.
OFFICERS - VACANCIES.

If the office of the Chief Executive Officer, President, the Executive Vice-President, Vice-President, Secretary, Treasurer, Controller, or other officer or agent, one or more, becomes vacant by reason of death, resignation, retirement, disqualification, removal from office or otherwise, the directors then in office may choose a successor or successors, who shall hold office for the unexpired term in respect of which such vacancy occurred. (Amended 8/21/53; 11/5/57; 2/17/65; 1/1/82; 10/1/96.)

ARTICLE IX.
DUTIES OF OFFICERS MAY BE DELEGATED.

In case of the absence of any officer of the Corporation, or for any other reason that the Board may deem sufficient, the Board may delegate the powers or duties of such officer to any other officer, or to any director, for the time being.

ARTICLE IX-A.
INDEMNIFICATION OF DIRECTORS AND OTHERS BY THE CORPORATION.

Provided he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, he had no reasonable cause to believe his conduct was unlawful, every person (and the heirs, executors and administrators of such person) who is or was a director, officer, employee or attorney of the Corporation, or of any partnership, joint venture, trust or other enterprise or of any other corporation which he served or is serving as such at the request of the Corporation, and, as to such other corporation, in which the Corporation owns shares of capital stock or is a creditor, shall be indemnified by the Corporation against all legal and other fees and expenses (including judgements, fines or penalties and amounts paid,

other than to the Corporation, or actually and reasonably incurred in connection with settlements, whether with or without court approval, made with a view to curtailment of costs of litigation and with the approval of a majority of the Directors of the Corporation then in office other than those who have incurred expenses in relation to the matter for which indemnification is or has been sought, whether or not such majority constitutes a quorum, or if there are no such Directors then with the approval of independent Counsel appointed by the Board) actually and reasonably incurred by him in connection with or resulting from any threatened, pending or completed claim, action, suit or proceeding (whether brought by or in the right of the Corporation or such other corporation or otherwise), civil, criminal, administrative or investigative, or any appeal therein, in which he is made a party by reason of his serving or having served at the request of the Corporation as a director, officer, employee or attorney of the Corporation, or such other corporation, partnership, joint venture, trust or other enterprise, before or after the adoption of this By-Law. Such person shall be indemnified against expenses (including attorneys fees) except in relation to matters as to which he shall be finally determined as a result of such claim, action, suit or proceeding to be liable to the Corporation, whether such determination is made by a court of competent jurisdiction or, in the absence of that, either by such majority of Directors not seeking indemnification, acting on the advice of Counsel, or by independent Counsel appointed by the Board, unless and only to the extent a court of competent jurisdiction, upon timely application being made, despite a final determination of liability, determines that in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court deems proper. Expenses incurred with respect to any claim, action, suit or proceeding of the character above described shall be advanced by the Corporation prior to the final disposition thereof upon receipt of an undertaking by or on behalf of the recipient to repay such amount if it is ultimately determined that he is not entitled to indemnification under this Article IX-A. In the case of any claim, action, suit or proceeding (whether civil, administrative or investigative), a judgment in or settlement of a civil, administrative or investigative claim, action, suit or proceeding, or in the case of a criminal action, suit or proceeding, a conviction or judgment (whether based on a plea of guilty or nolo contendere or its equivalent, or after trial) shall not be deemed a determination or create a presumption that such director, officer, employee or attorney, or former director, officer, employee, or attorney, did not act in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful. Notwithstanding any prior judgement, settlement or conviction as aforesaid, indemnification hereunder shall be mandatory upon the determination that such director, officer, employee, or attorney, or former director, officer, employee, or attorney, was acting in good faith and in a manner he reasonably believed to be in or not opposed to

the best interests of the Corporation and with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful. The indemnification and advancement of expenses granted hereunder shall not be deemed exclusive of any other rights to which such director, officer, employee, or attorney may be entitled under any agreement, vote of stockholders, or at law or in equity or otherwise, and the indemnification hereby granted shall be in addition to and not in restriction or limitation of any other privilege or power which the Corporation may lawfully exercise with respect to the indemnification or advancement of expenses to directors, officers, employees, or attorneys, or persons formerly holding such positions. For the purposes of this Article IX-A, references to the "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees, or attorneys, so that any person who is or was a director, officer, employee, or attorney of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee, or attorney of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this Article IX-A with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued. (Adopted by stockholders 5/4/65; amended 7/15/70; 5/2/73; 6/13/79; 10/15/87.)

ARTICLE IX-B.
REGARDING DUTIES OF DIRECTORS AND OTHERS.

SECTION 1: Unless otherwise provided by statute, or by the Certificate of Incorporation, no liability shall attach to any person (and the heirs, executors and administrators of such person) who is or was a director, officer, employee or attorney of the Corporation, or of any partnership, joint venture, trust or other enterprise in which position he is or was acting as such at the request of the Corporation, or of any other corporation which he served or is serving as such at the request of the Corporation, and in which the Corporation owns shares of capital stock or is a creditor (hereinafter in this Article referred to as "such person"), who shall perform or have performed his duties in good faith in a manner he reasonably believes or believed to be in or not opposed to the best interests of the Corporation with such care that an ordinarily prudent person in a like position would use under similar circumstances. (Added 6/18/81; amended 10/15/87.)

SECTION 2: Any "such person" in the performance of his duties shall be entitled to rely in good faith on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by: (a) one or more officers or employees of the Corporation whom "such person" reasonably

believes to be reliable and competent in the matters presented, (b) counsel, public accountants, appraisers or other persons as to matters which "such person" reasonably believes to be within the other person's professional or expert competence, or (c) a committee of the Board upon which he does not serve, duly designated in accordance with a provision of the Certificate of Incorporation of the By-Laws, as to matters within its designated authority, which committee "such person" reasonably believes to merit confidence; but he shall not be considered to be acting in good faith if he has knowledge concerning the matter in question that would cause such reliance to be unwarranted. Any "such person" who so performs his duties for the Corporation shall have no liability by reason of such reliance. (Added 6/18/81.)

SECTION 3: No "such person" who makes or causes to be made any disclosure in any application, report or document found to be misleading with respect to any material fact shall have any liability who shall sustain the burden of proof with respect to (a) any matter not purporting to be made on the authority of an expert, and not purporting to be a copy of or extract from a report or valuation of an expert, and not purporting to be made on the authority of a public official document or statement, that he had, after reasonable investigation, reasonable ground to believe and did believe, at the time such matter was published, that the statements therein were true and that there was no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and (b) as regards any matter purporting to be made upon his authority as an expert or purporting to be a copy of or extract from a report or valuation of himself as an expert, (i) he had, after reasonable investigation, reasonable ground to believe and did believe, at the time such matter was published, that the statements therein were true and that there was no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) such matter did not fairly represent his statement as an expert or was not a fair copy of or extract from his report or valuation as an expert; and (c) as regards any matter purporting to be made on the authority of an expert (other than himself), he had no reasonable ground to believe and did not believe, at the time such matter was published, that the statements therein were untrue or that there was an omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that such matter did not fairly represent the statement of the expert or was not a fair copy of or extract from the report or valuation of the expert; and (d) as regards any matter purporting to be a statement made by an official person or purporting to be a copy of or extract from a public official document, he had no reasonable ground to believe and did not believe, at the time such matter was published, that the statements therein were untrue, or that there was an omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that such matter did not fairly represent the statement made by the official person or was not a fair copy of or extract from the public official document. (Added 6/18/81.)

SECTION 4: In determining, for the purpose of Section 3 of this Article, what constitutes reasonable investigation and reasonable ground for belief, the standard of reasonableness shall be that required of a prudent man in the management of his own property. (Added 6/18/81.)

SECTION 5: Any suit for liability as above provided may be to recover only such damages as shall represent the difference between the amount paid for the security issued by the Corporation (not exceeding the price at which the security was offered to the public) and (i) the value thereof as of the time such suit was brought, or (ii) the price at which such security shall have been disposed of in the market before suit, or (iii) the price at which such security shall have been disposed of after suit but before judgment if such damages shall be less than the damages representing the difference between the amount paid for the security (not exceeding the price at which the security was offered to the public) and the value thereof as of the time such suit was brought: Provided, that if the defendant proves that any portion or all of such damages represents other than the depreciation in value of such security resulting from such material misleading matter, with respect to which his liability is asserted, not being true or omitting to state a material fact required to be stated therein or necessary to make the statements therein not misleading, such portion of or all such damages shall not be recoverable. (Added 6/18/81.)

SECTION 6: All or any one or more of the persons held liable as above provided in Section 5 of this Article shall be jointly and severally liable, and every person who becomes so liable to make any payment may recover contribution as in cases of contract from any person who, if sued separately, would have been liable to make the same payment, unless the person who has become liable was, and the other was not, guilty of fraudulent misrepresentation. (Added 6/18/81.)

SECTION 7: In no case shall the amount recoverable exceed the price at which the security was offered to the public. (Added 6/18/81.)

ARTICLE X.

SECTION 1: Every holder of stock in the Corporation shall be entitled to have a certificate, signed by, or in the name of the Corporation by the President or a Vice-President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by him in the Corporation. If such certificate is countersigned (1) by a transfer agent other than the Corporation or its employee, or, (2) by a registrar other than the Corporation or its employee, any other signature on the certificate may be a facsimile. In case any officer or officers who have signed, or whose facsimile signature or signatures

have been used on, any such certificate or certificates shall cease to be such officer or officers of the Corporation, whether because of death, resignation or otherwise, before such certificate or certificates have been delivered by the Corporation, such certificate or certificates may nevertheless be adopted by the Corporation and be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures have been used thereon had not ceased to be such officer or officers of the Corporation. (Amended 8/29/47; 2/17/65; 1/16/69; 1/1/82.)

SECTION 2: If the Corporation shall be authorized to issue more than one class of stock, or more than one series of any class, the designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the Corporation shall issue to represent such class of stock; provided, however, that except as otherwise provided by statute, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each stockholder who so requests, the designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. (Added 2/17/65.)

ARTICLE XI.

TRANSFER OF STOCK, FIXING RECORD DATE, ETC.

SECTION 1: The shares of stock of the Corporation shall be transferable as provided in the Uniform Commercial Code as enacted in the State of Delaware. (Amended 1/16/69.)

SECTION 2: In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting. (Amended 1/16/58; 2/17/65; 1/16/69)

SECTION 3: The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and accordingly shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not it shall have express or other notice thereof, save as expressly provided by the laws of Delaware.

SECTION 4: The Board of Directors may appoint one or more transfer agents and registrars for its stock, and may require all stock certificates to bear the signature either of a transfer agent or of a registrar, or both.

ARTICLE XII.
LOST, STOLEN OR DESTROYED CERTIFICATES.

Any person claiming a certificate of stock to be lost, stolen or destroyed shall make an affidavit or affirmation of the fact and advertise the same in such manner as the Board of Directors may require, and shall give the Corporation and/or the transfer agents and/or the registrars, if they shall so require, a bond of indemnity, in form and with one or more sureties satisfactory to the Board, and/or the transfer agents and/or the registrars, in such sum as they may direct, whereupon a new certificate may be issued of the same tenor and for the same number of shares as the one alleged to be lost, stolen or destroyed, but always subject to the approval of the Board of Directors. (Amended 2/17/65; 1/16/69.)

ARTICLE XIII.
INSPECTION OF BOOKS.

The Board of Directors shall determine from time to time whether, and, if allowed, when and under what conditions and regulations the accounts and books of the Corporation (except such as may by statute be specifically open to inspection) or any of them, shall be open to the inspection of the stockholders, and the stockholder's rights in this respect are and shall be restricted and limited accordingly.

ARTICLE XIV.
CONTRACTS, ETC.

SECTION 1: All checks, notes, drafts, acceptances or other demands or orders for the payment of money of the Corporation shall be signed by such officer or officers or person or persons as the Board of Directors may from time to time designate.

SECTION 2: All contracts, deeds, mortgages, leases or instruments that require the corporate seal of the Corporation to be affixed thereto shall be signed by the President or a Vice-President, and by

the Secretary, or an Assistant Secretary, or by such other officer or officers, or person or persons, as the Board of Directors may by resolution prescribe. (Amended 8/21/53; 11/5/57; 2/17/65; 1/1/82.)

ARTICLE XV
FISCAL YEAR.

The fiscal year shall be the calendar year.

ARTICLE XVI.
DIVIDENDS.

Subject to the provisions of law and of the Certificate of Incorporation, the Board of Directors shall have absolute discretion in the declaration of dividends and in fixing and changing the date for the declaration and payment of dividends. Before payment of any dividend or making any distribution of profits, the Board of Directors may set aside, out of the surplus or net profits of the Corporation, such sum or sums as the directors may from time to time in their absolute discretion deem proper as a reserve or reserves to meet contingencies or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any other purpose which the directors shall think conducive to the interests of the Corporation and the directors may modify or abolish any such reserve. (Amended 2/17/65.)

ARTICLE XVII.
NOTICES.

SECTION 1: Notices to directors and stockholders shall be in writing and delivered personally or mailed to the directors or stockholders at their addresses appearing on the books of the Corporation or, in default of other address, to such director, officer or stockholder at the General Post Office in the City of Dubuque, Iowa. Notice by mail shall be deemed to be given at the time when the same shall be mailed. Notice to directors may also be given by telegram. (Amended 2/17/65.)

SECTION 2: Whenever any notice is required to be given under the provisions of the statutes or of the Certificate of Incorporation or of these By-Laws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto. (Amended 2/17/65.)

ARTICLE XVIII.
AMENDMENTS.

These By-Laws may be altered, amended or repealed, and new By-Laws may be made at any annual, regular or special meeting of the stockholders by the affirmative vote of a majority in interest of the stock then issued and outstanding and entitled to vote, or at any regular or special meeting of the Board of Directors by the affirmative vote of a majority of such Board.